Q1 2021 – Results presentation

May 12, 2021

Highlights

- Q1 consolidated revenues are € 92,7m, +26,2% vs Q1 2020 (19,4% at same perimeter)
- Q1 Divisional sales:
  - Heating accounts €70,5m, +25% vs same period of 2020
  - Metering with €21,3m is +30% vs previous year, counting new Water metering business (€4,8m)
- In the Heating business all geographies have increased. America is +40% thanks to recovery in Direct Heating Fireplaces and positive trend in Storage Water Heating. Asia/Pacific is +50% (covid impact in Q1 2020) while Italy and Rest of Europe are +23,4% and +14,0% respectively
- Q1 EBITDA margin of 16,2% and absolute increase of 69,0% accounting €15,1m vs €8,9m thanks to volumes and efficiencies with a better than average contribution of new Water metering business
- One off tax revenue of €1,8m for Patent Box ruling
- Net debt at €110,4m vs €115,8m at end of 2020
- Cash flow from operations for €6,9m vs -€19,4m of same period previous year

Key financial results

€m, unless otherwise stated	Q1 21	*%*	Q1 20	*%*	*Chg. YoY*
Revenues	92,7	*100,0%*	73,4	*100,0%*	*26,2%*
EBITDA	15,1	*16,2%*	8,9	*12,1%*	*69,0%*
EBIT	9,2	*10,0%*	3,3	*4,5%*	*180,8%*
EBT	7,7	*8,3%*	4,9	*6,7%*	*57,3%*
Net income	8,0	*8,6%*	4,2	*5,7%*	*91,7%*
Net Income adjusted	7,4	*8,0%*	3,9	*5,3%*	*89,7%*
Cash flow from operations	6,9		(19,4)		
NTWC	53,4		57,9		
Net financial debt	110,4		101,6		

- Q1 revenues account 26,2% growth (19,4% at same perimeter)
- Divisional trends:
  - Heating: +25,0%
  - Metering: +30,0%
- EBITDA at €15,1m vs €8,9m improves by 69,0%
- EBIT at 10% of revenues
- Net income of €8,0m includes one off tax revenue for Patent Box ruling of €1,8m
- Net income adjusted at 8,0% of revenues makes significant improvement vs previous year 5,3%
- Cash flow from operations is €6,9m after capex for €3,9m
- NTWC improves vs previous year even after JANZ consolidation
- Net financial debt stands at €110,4m vs 2020-year end of €115,8m

Consolidated revenues – Q1

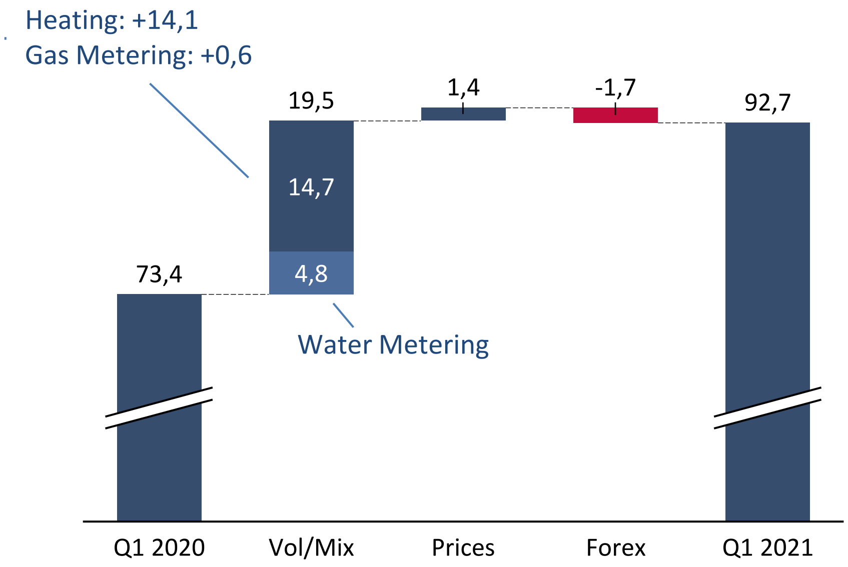
Breakdown by Division

€m, unless otherwise stated	Q1 21	%	Q1 20	%	*Chg. YoY*
Heating	70,5	*76,1%*	56,4	*76,8%*	*25,0%*
Metering	21,3	*17,7%*	16,4	*22,3%*	*30,0%*
Total business sales	**91,8**	***93,8%***	**72,7**	***99,1%***	***26,1%***
Other revenues	0,9	*1,0%*	0,7	*0,9%*	*35,2%*
Total revenues	**92,7**	***100,0%***	**73,4**	***100,0%***	***26,2%***

Breakdown by geography

€m, unless otherwise stated	Q1 21	%	Q1 20	%	*Chg. YoY*
Italy	28,9	*31,2%*	26,1	*35,6%*	*10,8%*
Europe (excuding Italy)	39,6	*42,7%*	30,9	*42,1%*	*27,9%*
America	18,0	*19,4%*	12,3	*16,7%*	*46,9%*
Asia/Pacific	6,2	*6,6%*	4,1	*5,6%*	*49,5%*
Total revenues	**92,7**	***100,0%***	**73,4**	***100,0%***	***26,2%***

Consolidated revenue bridge (€m)



Heating sales

Q1 Heating sales by geography

€m, unless otherwise stated	Q1 21	%	Q1 20	%	Chg. YoY
Italy	14,3	20,3%	11,6	20,5%	23,4%
Europe (excuding Italy)	32,8	46,5%	28,7	51,0%	14,0%
America	17,4	24,7%	12,1	21,4%	44,3%
Asia/Pacific	6,0	8,5%	4,0	7,1%	50,7%
Total business sales	**70,5**	**100,0%**	**56,4**	**100,0%**	**25,0%**

Q1 Heating sales by application

€m, unless otherwise stated	Q1 21	%	Q1 20	%	Chg. YoY
Central Heating	41,1	58,3%	34,4	60,9%	19,6%
Direct Heating	12,1	17,2%	8,2	14,5%	48,0%
Storage Water Heating	7,8	11,0%	5,5	9,8%	41,4%
Catering	2,1	3,0%	2,5	4,3%	(14,1%)
Other	7,4	10,5%	5,9	10,5%	25,7%
Total business sales	**70,5**	**100,0%**	**56,4**	**100,0%**	**25,0%**

- Q1 Divisional sales are up 25% vs previous year, +28,5% at same forex
- Italy. Q1 accounts +23,4% vs previous year; Fans increase €1,5m, +39% thanks to Direct Heating applications (Pellet Stoves); Flues (up €0,4, +60% vs previous year)
- Europe. Q1 up €4,1m, +14,0% of which Turkey is + €2,3m, +38,5% due to OEM demand in Central Heating; UK, +€0,4m, +6,5%
- America, Q1 up €5,3m, +44,3%. Direct Heating up €2,9m, +56% and Storage Water Heating €2,4m, +54%
- Asia/Pacific, Q1 accounts increase for €2,0m, +50,7% vs previous year; China, 5,0% of divisional sales, accounts +63% y/y also because of covid effect in 2020

Metering sales

Q1 Smart Gas Metering sales by application

€m, unless otherwise stated	Q1 21	%	Q1 20	%	*Chg. YoY*
Residential	15,0	*91,1%*	15,5	*94,5%*	*(3,1%)*
Commercial & Industrial	1,4	*8,5%*	0,9	*5,3%*	*61,0%*
Other	0,1	*0,4%*	0,0	*0,2%*	*86,8%*
Total business sales	**16,4**	***100,0%***	**16,4**	***100,0%***	***0,5%***

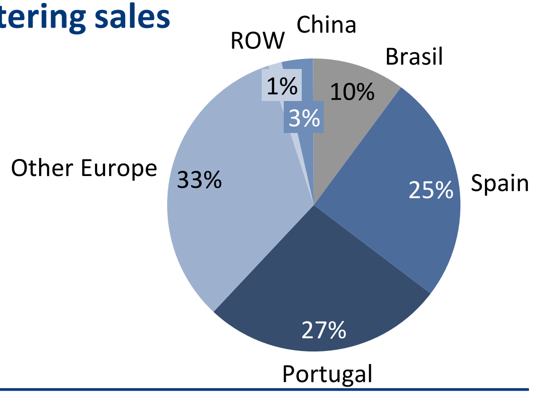
- Smart Gas Metering sales in line with previous year
- Increase in C&I is deployment of new generation of product family
- Current order portfolio of €31,4m of which €2,1m in foreign markets, mainly Greece, Croatia and UK

Q1 Water Metering sales by product

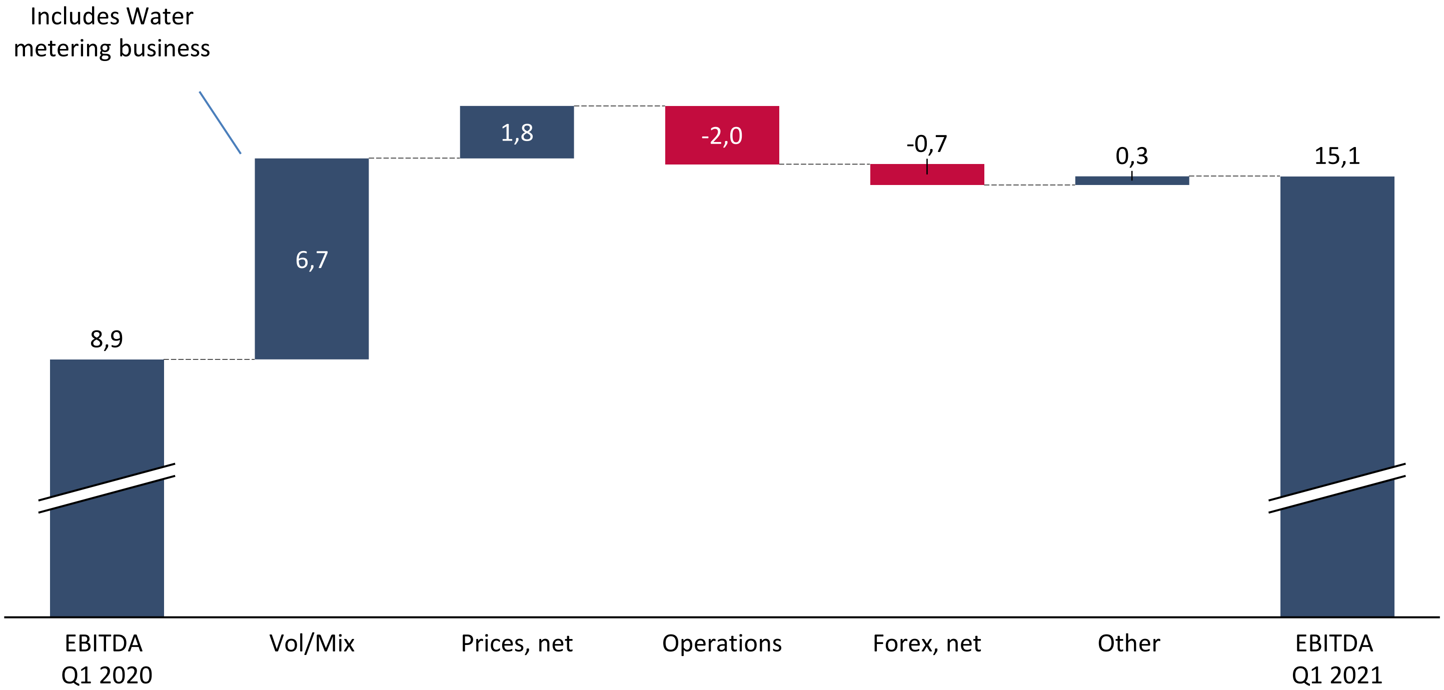
€m, unless otherwise stated	Q1 21	%	Q1 20	%	*Chg. YoY*
Water meters, finished	2,5	*52,0%*	1,6	*37,5%*	*56,9%*
Water meter parts	2,0	*41,0%*	1,9	*44,4%*	*4,5%*
Other	0,3	*7,0%*	0,8	*18,0%*	*(55,7%)*
Total business sales	**4,8**	***100,0%***	**4,3**	***100,0%***	***13,3%***

2020 only for comparison, consolidated from 2021

Q1 Water Metering sales by geography



EBITDA bridge



Euro millions

From EBITDA to net income

€m, unless otherwise stated	Q1 21	*% of sales*	Q1 20	*% of sales*	*Chg. YoY*
EBITDA	**15,1**	***16,2%***	**8,9**	***12,1%***	***69,0%***
D&A, impairment of assets	5,8		5,6		
EBIT	**9,2**	***10,0%***	**3,3**	***4,5%***	***180,8%***
Net financial (charges)/income	(2,3)		(0,6)		
Net forex (charges)/income	0,8		2,2		
EBT	**7,7**	***8,3%***	**4,9**	***6,7%***	***57,3%***
Taxes	0,3		(0,7)		
Net income	**8,0**	***8,6%***	**4,2**	***5,7%***	***91,7%***
Net financial (charges)/income adjusted	**(1,2)**	***(1,3%)***	**(0,8)**	***(1,1%)***	***40,9%***
Net income adjusted	**7,4**	***8,0%***	**3,9**	***5,3%***	***89,7%***

- D&A is in line with planned capex deployment, going from 7,8% to 6,3% of revenues
- EBIT of €9,2m at 10,0% of revenues
- Increase in Net financial charges accounts change in FV of Warrants (net charge of €1,4m YoY)
- Net forex charges of €0,8m vs €2,2m
- Q1 21 taxes include one off revenue for Patent Box ruling for €1,8m, net
- Net income of €8,0m at 8,6% of revenues vs 5,7% of previous year
- Net financial charges adjusted are net of FV accounting effects of equity instruments
- Net income adjusted accounts a ≈90% increase vs previous year

Net trade working capital

€m, unless otherwise stated	2021.03	2020.12	YTD change	2020.03	2019.12	YTD change	YoY change
Inventory	62,0	56,5	5,5	51,9	51,1	0,8	10,1
Accounts receivables	60,0	65,5	(5,5)	62,5	57,2	5,3	(2,5)
Accounts payables	(68,6)	(72,2)	3,6	(56,5)	(73,3)	16,8	(12,0)
Net Trade Working Capital	**53,4**	**49,8**	**3,6**	**57,9**	**35,0**	**22,9**	**-4,4**
NTWC/Revenues	***14,2%***	***15,5%***	***-1,4%***	***19,7%***	***9,9%***	***9,7%***	***-5,5%***
AR adjusted/Revenues	***19,1%***	***23,4%***	***-4,3%***	***21,5%***	***19,3%***	***2,2%***	***-2,4%***

- YoY change includes increase of NTWC for JANZ of €6,0m

- Reported 2021 NTWC YTD increase of €3,6m reflects Inventory trend to support higher sales outlook
- Reported 2020 NTWC YTD reflected covid Q1 contingency support provided to extended supply chain

Cash flow and net debt

Change in net debt

€m, unless otherwise stated	Q1 21	Q1 20
Current cash flow	**15,9**	**9,9**
Change in NTWC	**(3,5)**	**(23,5)**
Inventory	(5,3)	(2,7)
Accounts Receivables	5,6	(6,7)
Accounts Payables	(3,8)	(14,0)
Other working capital	**(1,6)**	**(5,2)**
Capex, net	**(3,9)**	**(0,6)**
Cash flow from operations	**6,9**	**(19,4)**
Financial charges	(0,7)	(0,5)
Dividends paid	-	-
Other	(0,8)	(3,3)
Change in net debt	**5,4**	**(23,2)**
Net debt - BoP	**115,8**	**78,4**
Net debt - EoP	**110,4**	**101,6**

- Current cash flow reflects significant improvement due to EBITDA
- NTWC absorbs €3,5m vs €23,5m of previous year when covid contingency plan was put in place
- Capex of €3,9m in line with forecasted project pipeline
- 2020 Other items included €3,0m change in translation reserve

Net financial position

€m, unless otherwise stated	31/03/2021	31/12/2020	31/03/2020
(Cash & cash equivalents)	(42,3)	(42,3)	(15,0)
Current debt, net	41,1	46,3	24,7
Non current debt	92,0	91,9	85,2
MTM derivatives & M&A debt	4,6	4,4	1,4
IFRS 16 - Leases	14,9	15,5	5,3
Net debt - EoP	**110,4**	**115,8**	**101,6**

- Net Debt/EBITDA: 2,1x vs 2,6x vs 2,3x of previous year

Final comments and outlook

Outlook

- FY2021 consolidated sales outlook improved and is in the low double digit growth range vs previous year
- Gas metering: domestic market first roll-out is in final stage; new replacement will include different communication technologies; 2021FY: ≈10% of revenues are expected from foreign markets
- Water metering: 2021FY outlook in line with expectations
- Consolidated EBITDA expected to grow vs previous year, margin to correct slightly taking into account the currently foreseeable increase in raw materials

Risk factors

- Commodities and components: materially higher price increase and possible shortage in electronics components in next months

Sustainability

- SIT Green Paper was released and SDGs linked to short and long term SIT management system

ANNEXES

Regulatory statement

The manager responsible for the preparation of the company's accounts, Paul Fogolin, hereby declares, as per article 154-bis, paragraph 2, of the "Testo Unico della Finanza", that all information related to the company's accounts contained in this presentation are fairly representing the accounts and the books of the company.

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