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Oggetto : PR First quarter 2021 Financial results

<i>Testo del comunicato</i>
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Vedi allegato.

## Press release

May 14, 2021



### Landi Renzo: Board of Directors approves the interim results at March 31, 2021

- The results for the first quarter were impacted by the effects of the resurgence of Covid-19 cases and the decline in car manufacturers' production due to shortages of microchips, but the Group succeeded in maintaining positive EBITDA Adjusted and EBITDA
  - Landi Renzo was included among the 150 Italian companies named Sustainability Leaders 2021 in a study by Statista, in collaboration with the daily *il Sole 24 Ore*
  - An important contract was signed with FPT (CNH Industrial) for the development of both natural gas (primarily biomethane) and hydrogen solutions
  - Value of production on the rise and positive margins for the infrastructure joint venture SAFE&CEC, which as of the second quarter of 2021 will be consolidated line by line following the amendment of the shareholders' agreements. SAFE&CEC is strengthening its positioning also in the biomethane application distribution segment, both in Europe and in the United States
  - The Group addresses the risk of raw material shortages by also increasing its inventories, thereby impacting the growth of working capital, which is expected to decline as of the second half
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- Consolidated revenues amounted to €33.3 million, declining compared to €37.2 million at March 31, 2020
  - EBITDA decreased to €0.4 million, accounting for 1.1% of revenues (€2.4 million at March 31, 2020)
  - Adjusted EBITDA was €0.5 million, accounting for 1.5% of revenues (7.8% at March 31, 2020)
  - EBIT negative at €3.0 million (negative at €0.6 million at March 31, 2020)
  - Negative net result at €4.1 million, compared to a net loss of €1.4 million at March 31, 2020
  - Net Financial Debt at €85.5 million (net financial debt at €72.9 million at March 31, 2020)

*Cavriago (RE), May 14, 2021*

The Board of Directors of Landi Renzo S.p.A., chaired by Stefano Landi, met today and approved the Interim Report at March 31, 2021. The main operating indicators for this first quarter of the year were weighted down by the effects of the resurgence of Covid-19 cases at the global level and a different sales mix. Nonetheless, the Group continued to strengthen its Research & Development projects, particularly in the Heavy Duty segment.

"The pandemic continues to dampen the economies of all countries. However, the prospects that lie ahead of us are quite different from those of the previous year, since we can count on the vaccine campaign to fight this terrible virus," commented **Stefano Landi, Chairman of Landi Renzo S.p.A.** "The Group continues to focus closely on protecting the health

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of its personnel and investing in development. I am also very proud that Landi Renzo was included among the 150 Italian companies named Sustainability Leaders 2021 in the study by Statista, in collaboration with *Il Sole 24 Ore*."

**Cristiano Musi, Chief Executive Officer of Landi Renzo S.p.A.**, commented: "The resurgence of the pandemic in the first quarter of the year had inevitable repercussions on the automotive sector, on both the OEM and After Market channels. The microchip shortage impacted on car manufacturers' volumes, with indirect effects on the Group's sales. Positive signs are however arising thanks to the consolidation of our leadership in Egypt, one of the markets with the highest growth potential for the coming years. We also resumed direct operations in the infrastructure sector thanks to an amendment of the shareholders' agreement governing our joint venture SAFE&CEC, which reported rising sales and margins, despite the pandemic, and an order backlog that already covers a good portion of the budget for the current year. SAFE&CEC as well is launching operations within the hydrogen segment, mainly focusing on post-production compression systems."

### Consolidated Financial Highlights at March 31, 2021

In the first quarter of 2021, the Group's revenues decreased to €33,259 thousand overall, down €3,911 thousand (-10.5%) compared to the same period of the previous year, as a result of the resurgence of Covid-19 cases at global level, which slowed the recovery of the economic and financial system at national and international level.

Revenues of the OEM channel amounted to €14,616 thousand, accounting for 43.9% of Group's total revenues (46.9% at March 31, 2020). This decline was mainly correlated to the difficulties in procuring raw materials and components that forced one of Landi Renzo's clients, a major automotive manufacturer focused on LPG bifuel engines, to suspend its production, resulting in the postponement of some of the considerable orders planned for the quarter.

Revenues from sales on the After Market channel amounted to €18,643 thousand and referred to orders from both national and foreign wholesalers and authorized installers. This item decreased due to the criticalities reported by the LATAM area, still severely impacted by the spread of the pandemic. Positive signs of a recovery were however reported by the North African market, which improved sharply, with a significant rise in sales and an increasing order backlog.

With regard to the geographical breakdown of revenues, in the first three months of 2021, 87.2% of the Group's consolidated revenues were generated abroad (82.1% at March 31, 2020), of which 53.7% in Europe and 33.5% outside Europe. The spread of the epidemic continued to hit transversally all markets, also as a result of the increasing interconnection of the same within a more and more globalized context.

In detail:

- **Italy** accounted for 12.8% of total revenues (17.9% in the first quarter of 2020), down 35.7% compared to the same period of the previous year, mainly due to the difficulties of the After Market channel, particularly impacted by the resurgence of Covid-19 cases that led consumers to postpone their conversion decisions. According to data of the association of foreign carmakers operating in Italy (UNRAE), new registrations of gas-fueled (methane and LNG) vehicles in the Italian market continued to account for approximately 8% of total.
- The rest of **Europe** accounted for 53.7% of total revenues (55.3% in the first quarter of 2020), down 13.1% mainly as a result of the difficulties in procuring raw materials and components that forced one of Landi Renzo's clients, a major automotive manufacturer, to suspend its production, resulting in the postponement of some of the considerable orders planned for the quarter.
- **America** recorded sales of €3,246 thousand in the first three months of 2021 (€3,851 thousand at March 31, 2020), down 15.7%. In particular, the LATAM area continued to be strongly penalized by the effects of the Covid-19 pandemic.
- The markets in **Asia and the Rest of the World** accounted for 23.7% of total revenues (16.5% in the first three months of 2020), increasing by 28.7% thanks to the positive trend of the North American market.

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In the first three months of 2021, **Adjusted EBITDA** was positive at €508 thousand (1.5% of revenues), net of non-recurring costs of €151 thousand, down compared to the same period of the previous year (€2,884 thousand or 7.8% of revenues at March 31, 2020).

**EBITDA** was positive at €357 thousand (1.1% of revenues), down compared to the same period of the previous year (€2,440 thousand).

**EBIT** for the reporting period was negative at €2,979 thousand (negative at €603 thousand at March 31, 2020), after amortization, depreciation and impairment losses totaling €3,336 thousand (€3,043 thousand at March 31, 2020), of which €554 thousand due to the application of IFRS 16 – *Leases* (€519 thousand at March 31, 2020).

The **Net Result** at March 31, 2021 showed a loss of €4,130 thousand compared to a loss for the Group and minority interests amounting to €1,374 thousand at March 31, 2020.

**Net Financial Debt** totaled €85,511 thousand at March 31, 2021 (€72,917 thousand at December 31, 2020), of which €4,509 thousand due to the application of IFRS 16 — *Leases*, and €395 thousand due to the fair value of financial derivative contracts. Excluding the effects arising from the application of IFRS 16 — *Leases* and the fair value of financial derivative contracts, Net Financial Debt at March 31, 2021 would have been €80,607 thousand.

In light of the persistence of the negative effects of the Covid-19 pandemic also in the first quarter of 2021, and the ensuing instability of the global economic and financial system, the management team continued to pay particular attention to the financial situation, particularly the short/medium- and long-term cash forecasts. The Group was however able to meet its financial commitments thanks to the nominal €21 million loan signed with a pool of leading banks in July 2020 and backed by a 90% SACE guarantee, which has a term of six years, two of which are pre-amortization.

### Performance of the Infrastructure business

In 2017, the Infrastructure business was subject to a strategic business combination agreement with Clean Energy Fuels Corp aimed at creating the number-two Group in the sector worldwide by turnover. The business combination was implemented through the formation of a newco, SAFE & CEC S.r.l., to which 100% of SAFE S.p.A. was then contributed by Landi Group and 100% of Clean Energy Compressor Ltd (currently denominated IMW Industries Ltd) by Clean Energy Fuels Corp. Due to the contractually established governance system — which reflects a joint control arrangement between the two shareholders — the Group's equity interest has been classified as a joint venture for the purposes of IFRS 11 and has been consolidated using the equity method.

In the first three months of 2021, the Infrastructure business reported a consolidated value of production of €17,556 thousand (+22.9% compared to March 31, 2020), Adjusted EBITDA positive at €439 thousand (€273 thousand at March 31, 2020) and a loss after taxes of €626 thousand.

Despite the negative impacts on global economy and the persistence of the Covid-19 pandemic, the SAFE&CEC Group continued to report increasingly positive results and an order backlog able to cover most of the current year. The SAFE&CEC Group was awarded important contracts, such as that for the supply and assembly of over 150 compressors in Egypt for the companies Gastec (Egyptian International Gas Technology) and NGVC (Natural Gas Vehicles Company), in addition to significant supplies for the biomethane application sector, both in Europe and in the United States, such as the supply of compressors to Clean Energy for use in the new refueling stations designed for Amazon.

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## Impact of the Covid-19 pandemic on the activity of Landi Renzo Group

In the first quarter of 2021, Landi Renzo Group monitored the development of the resurgence of Covid-19 cases closely in order to address and prevent the problems caused by its global spread. Particular attention was paid by the management team to the financial situation and the short/medium and long-term cash forecasts. Thanks to the loan contracted in July 2020 by Landi Renzo S.p.A. from a pool of banks with a nominal amount of €21 million, backed by a 90% SACE guarantee, with a term of six years, two of which are pre-amortization, the Group shored up its financial structure, enabling it to pursue its short- and medium-term corporate targets. Initiatives aimed to reduce the cost of inactive personnel also continued involving use of public redundancy programs, in addition to measures to contain non-essential costs and defer non-strategic investments.

Turning to credit risk, no significant critical issues were identified in terms of the solvency of the Group's customers comparable to the slowdowns witnessed in the After Market channel due to the effects of the pandemic on the conversions market. By contrast, the OEM channel essentially met the established commercial deadlines.

At the level of the supply chain, procurement issues were encountered on international markets in the first three months of the year due to shortages of raw materials and some types of components. Accordingly, the Group made considerable financial efforts to purchase electronic materials and strategic components so as to ensure continuity of production in the coming months.

The Group continues constantly to assess the impact of the pandemic on its financial performance and is ready to take additional measures, beyond what it has already done, to protect the Group's profitability and financial position, responding as swiftly as possible to the constantly developing scenarios that are taking shape.

## Significant events after the first three months of 2021

The following events occurred after the end of the reporting quarter and up to today's date:

- In April 2021, Landi Renzo S.p.A. and Clean Energy Fuels Corp signed an agreement amending the shareholders' agreements governing the subsidiary SAFE&CEC S.r.l., which operates in the Infrastructure sector, as approved on April 12, 2021 by the Board of Directors of Landi Renzo S.p.A. The change to the shareholders' agreements will confer greater decision-making autonomy on Landi Renzo S.p.A., enabling it to exercise control over SAFE&CEC S.r.l. and therefore consolidate it line by line pursuant to IFRS 10 starting from second quarter 2021. The interests held by the two shareholders remained unchanged (51% for Landi Renzo and 49% for Clean Energy Fuels Corp).
- In May, Landi Renzo S.p.A. was included among the 150 Italian companies named Sustainability Leaders 2021 according to the study by Statista, a leading market research firm specialized in ranking and analysis of company data, conducted in collaboration with the daily *il Sole 24 Ore*. The analysis was conducted on over 1,200 companies and examined 35 indicators (KPIs) regarding three general areas of sustainability (environmental, social and company governance) and bears witness to Landi Renzo Group's commitment to promoting and realizing the fundamental values of corporate social responsibility.
- In May, Landi Renzo S.p.A. and FPT Industrial, a CNH Industrial group company that designs and manufactures sustainable, low environmental impact engines, signed two memoranda of understanding to assess possible collaboration on projects relating to clean fuels, particularly for the development of natural-gas and hydrogen technologies. In the case of natural gas, the memorandum of understanding is designed to promote the development of the new natural gas injection and management systems expressly designed for FPT Industrial applications, thanks to Landi Renzo Group's components specifically developed for compressed natural gas and liquefied natural gas applications. Collaboration on hydrogen mobility will leverage the synergies that compressed

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natural gas and liquefied natural gas propulsion systems offer to facilitate the introduction of hydrogen into the transport sector, from its use as a component of a natural gas mixture up to full utilization.

## Outlook for the current year

Despite the slower-than-expected performance in the first quarter of 2021 and the current critical issues in procuring raw materials, there are encouraging signs of an imminent economic recovery. The sales and margin projections circulated when publishing the results for the year ended December 31, 2020 are confirmed for both Landi Renzo Group and SAFE&CEC Group.

*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 a translation. The Italian version will prevail*

*This press release is also available on the corporate website [www.landirenzogroup.com.it](http://www.landirenzogroup.com.it).*

**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)

	31/03/2021	31/03/2020
<b>CONSOLIDATED INCOME STATEMENT</b>		
<b>Revenues from sales and services</b>	<b>33,259</b>	<b>37,170</b>
Other revenues and income	134	51
Cost of raw materials, consumables and goods and change in inventories	-19,311	-19,445
Costs for services and use of third-party assets	-7,614	-8,567
Personnel costs	-5,603	-6,263
Allocations, write downs and other operating expenses	-508	-506
<b>Gross Operating Profit</b>	<b>357</b>	<b>2,440</b>
Amortization, depreciation and impairment	-3,336	-3,043
<b>Net Operating Profit</b>	<b>-2,979</b>	<b>-603</b>
Financial income	54	30
Financial expenses	-821	-738
Exchange gains (losses)	-511	-261
Income (expenses) from joint venture measured using the equity method	182	21
<b>Profit (Loss) before tax</b>	<b>-4,075</b>	<b>-1,551</b>
Taxes	-55	177
<b>Net profit (loss) for the Group and minority interests, including:</b>	<b>-4,130</b>	<b>-1,374</b>
Minority interests	30	-6
Net profit (loss) for the Group	-4,160	-1,368
<b>Basic earnings (loss) per share (calculated on 112,500,000 shares)</b>	<b>-0.0370</b>	<b>-0.0122</b>
<b>Diluted earnings (loss) per share</b>	<b>-0.0370</b>	<b>-0.0122</b>



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(thousands of Euro)	31/03/2021	31/12/2020
<b>ASSETS</b>		
<b>Non-current assets</b>		
Land, property, plant, machinery and other equipment	12,650	13,212
Development expenditure	9,188	9,506
Goodwill	30,094	30,094
Other intangible assets with finite useful lives	10,501	10,860
Right-of-use assets	4,401	4,975
Equity investments measured using the equity method	22,870	22,509
Other non-current financial assets	809	921
Other non-current assets	2,850	2,850
Deferred tax assets	12,189	12,201
<b>Total non-current assets</b>	<b>105,522</b>	<b>107,128</b>
<b>Current assets</b>		
Trade receivables	37,134	39,353
Inventories	46,966	42,009
Other receivables and current assets	7,097	6,712
Other current financial assets	2,780	2,801
Cash and cash equivalents	15,180	21,914
<b>Total current assets</b>	<b>109,157</b>	<b>112,789</b>
<b>TOTAL ASSETS</b>	<b>214,709</b>	<b>219,917</b>

(thousands of Euro)	31/03/2021	31/12/2020
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' Equity</b>		
Share capital	11,250	11,250
Other reserves	43,986	53,199
Profit (loss) for the period	-4,160	-7,662
<b>Total Shareholders' Equity of the Group</b>	<b>51,076</b>	<b>56,787</b>
Minority interests	-483	-473
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>50,593</b>	<b>56,314</b>
<b>Non-current liabilities</b>		
Non-current bank loans	68,349	68,181
Other non-current financial liabilities	422	408
Non-current liabilities for right-of-use	2,411	2,871
Provisions for risks and charges	3,005	2,897
Defined benefit plans for employees	1,440	1,556
Deferred tax liabilities	307	297
Liabilities for derivative financial instruments	395	458
<b>Total non-current liabilities</b>	<b>76,329</b>	<b>76,668</b>
<b>Current liabilities</b>		
Bank financing and short-term loans	29,420	23,108
Other current financial liabilities	376	378
Current liabilities for right-of-use	2,098	2,228
Trade payables	49,847	53,509
Tax liabilities	1,288	2,677
Other current liabilities	4,758	5,035
<b>Total current liabilities</b>	<b>87,787</b>	<b>86,935</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>214,709</b>	<b>219,917</b>



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(thousands of Euro)

<b>CONSOLIDATED CASH FLOWS STATEMENT</b>	<b>31/03/2021</b>	<b>31/03/2020</b>
<b>Financial flows deriving from operating activities</b>		
Pre-tax profit (loss) for the period	-4,075	-1,551
<i>Adjustments for:</i>		
Depreciation of property, plant and machinery	1,002	976
Amortisation of intangible assets	1,780	1,548
Depreciation of right-of-use assets	554	519
Loss (profit) from disposal of tangible and intangible assets	131	-37
Share-based incentive plans	44	44
Impairment loss on receivables	0	3
Net financial charges	1,278	969
Net expenses (income) from equity investments measured using the equity method	-182	-21
	532	2,450
<i>Changes in:</i>		
Inventories	-4,957	-8,290
Trade receivables and other receivables	1,946	1,123
Trade payables and other payables	-5,965	1,664
Provisions and employee benefits	20	-492
<b>Cash generated from operation</b>	<b>-8,424</b>	<b>-3,545</b>
Interest paid	-314	-319
Interest received	2	9
Taxes paid	-125	-85
<b>Net cash generated (absorbed) from operating activities</b>	<b>-8,861</b>	<b>-3,940</b>
<b>Financial flows from investment</b>		
Proceeds from sale of property, plant and machinery	566	5
Purchase of property, plant and machinery	-822	-1,283
Purchase of intangible assets	-82	-221
Development expenditure	-999	-1,326
<b>Net cash absorbed by investment activities</b>	<b>-1,337</b>	<b>-2,825</b>
<b>Free Cash Flow</b>	<b>-10,198</b>	<b>-6,765</b>
<b>Financial flows from financing activities</b>		
Disbursements (reimbursement) of loans to associates	0	0
Disbursements (reimbursement) of medium/long-term loans	-31	3,000
Change in short-term bank debts	6,525	4,259
Repayment of leases IFRS 16	-580	-558
<b>Net cash generated (absorbed) by financing activities</b>	<b>5,914</b>	<b>6,701</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-4,284</b>	<b>-64</b>
Cash and cash equivalents as at 1 January	21,914	22,650
Effect of exchange rate fluctuations on cash and cash equivalents	-2,450	-938
<b>Cash and cash equivalents at the end of the period</b>	<b>15,180</b>	<b>21,648</b>

Fine Comunicato n.0915-20

Numero di Pagine: 10