



Q1 2023 – Results presentation

May 18, 2023

- Q1 consolidated revenues are €83,6m, -10,9% vs Q1 2022
- Q1 Divisional sales:
 - Heating & Ventilation accounts €62,7m, down 17,6% vs PY
 - Metering at €20,4m is +23,2%, with Smart Gas Metering at €13,7m, +33,0% and Water metering at €6,7m, +7,0% vs PY
- Heating & Ventilation is affected by strong destocking by customers after 2022 safety procurement strategies and irregular supplies of key components had caused high inventory levels throughout the industry
- Heating & Ventilation fundamentals on worldwide scale remain positive, with volatility limited to short term supply chain adjustments
- Metering: Smart Gas Metering is performing thanks to strong competitive position in the domestic market; Water Metering in line with Q1 budget with FY expected at double digit growth vs PY
- Q1 23 EBITDA adjusted of €8,3m, 9,9% of revenues is impacted mainly by volumes and cost inflation vs €14,7m, 15,6% in Q1 22
- Q1 Net income adjusted of €1,3m at 1,6% of revenues vs €5,3m, 5,6%
- Net debt at €143,1m vs €130,5m at year end vs €124,8m of PY

Key financial results



€m, unless otherwise stated	Q1 23	%	Q1 22	%	Chg. YoY
Revenues	83,6	100,0%	93,8	100,0%	(10,9%)
EBITDA	8,3	9,9%	14,7	15,6%	(43,5%)
EBIT	1,6	1,9%	8,0	8,6%	(80,1%)
EBT	0,2	0,2%	14,1	15,0%	(98,8%)
Net income	1,3	1,6%	12,4	13,2%	(89,2%)
Net Income adjusted	1,3	1,6%	5,3	5,6%	(74,5%)
Cash flow from operations	(10,3)		(17,1)		
NTWC	77,8		70,4		
Net financial debt	143,1		124,8		

- Action plan on operating costs is focused on short term savings to preserve profitability and enhance cash generation

- FY consolidated revenues account 10,9% decrease
- Divisional trends:
 - Heating & Ventilation: -17,6%
 - Metering: +23,2%
- EBITDA at €8,3m vs €14,7m of PY
- EBIT at €1,6m (1,9% of revenues) vs €8,0m (8,6%)
- Net income of €1,3m vs €12,4m (with PY including FV accounting effect of Warrant for +€7,1m)
- Net income adjusted at €1,3m, 1,8% of revenues vs €5,3m, 5,6%
- Cash flow from operations is minus €10,3m after capex for €5,0m
- NTWC of €77,8m (23,0% of revenues) vs €70,4m of PY (18,5%)
- Net financial debt stands at €143.1m vs €124,8m of PY and €130,5 at end of PY



Consolidated revenues

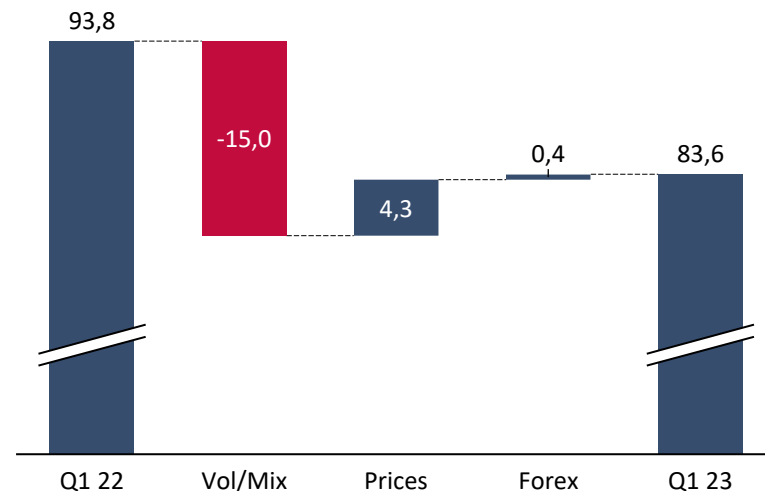
Breakdown by Division

€m, unless otherwise stated	Q1 23	%	Q1 22	%	Chg. YoY
Heating & Ventilation	62,7	75,0%	76,1	81,1%	(17,6%)
Metering	20,4	24,4%	16,5	17,6%	23,2%
Total business sales	83,0	99,4%	92,6	98,7%	(10,3%)
Other revenues	0,5	0,6%	1,2	1,3%	(57,5%)
Total revenues	83,6	100,0%	93,8	100,0%	(10,9%)

Breakdown by geography

€m, unless otherwise stated	Q1 23	%	Q1 22	%	Chg. YoY
Italy	25,0	30,0%	24,6	26,2%	1,9%
Europe (excuding Italy)	40,2	48,1%	41,4	44,2%	(3,1%)
America	12,0	14,3%	19,5	20,8%	(38,6%)
Asia/Pacific	6,4	7,6%	8,3	8,9%	(23,2%)
Total revenues	83,6	100,0%	93,8	100,0%	(10,9%)

Consolidated revenue bridge (€m)



Q1 Heating & Ventilation sales by geography

€m, unless otherwise stated	Q1 23	%	Q1 22	%	Chg. YoY
Italy	11,9	19,0%	14,9	19,6%	(20,0%)
Europe (excloding Italy)	33,0	52,6%	34,3	45,1%	(4,0%)
America	11,7	18,7%	19,0	25,0%	(38,4%)
Asia/Pacific	6,1	9,7%	7,8	10,3%	(22,4%)
Total business sales	62,7	100,0%	76,1	100,0%	(17,6%)

Q1 Heating & Ventilation sales by product family

€m, unless otherwise stated	Q1 23	%	Q1 22	%	Chg. YoY
Mechanical controls	33,6	53,7%	44,0	57,8%	(23,5%)
Electronic controls	12,9	20,5%	14,9	19,6%	(13,8%)
Fans	9,5	15,2%	8,7	11,5%	9,2%
Flue exhaust systems	4,7	7,6%	5,6	7,3%	(14,5%)
Integrated systems	1,9	3,0%	2,9	3,8%	(35,5%)
Total business sales	62,7	100,0%	76,1	100,0%	(17,6%)

- Divisional sales -17,6%, -18,2% at same forex
- Italy down 20,0% due to change in incentives regulations with all product segments impacted. Higher impact in Direct Heating (-23,2%) due to pellet stoves.
- Europe. Q1 down €1,4m, -4,0% vs PY. Turkey (19,5% of Divisional sales) is up €4,0m, +49%, due to Fans (+€3,1) and mechanical controls; UK, (8,6% of Divisional sales) is overall flat; Central Europe markets are down €2,2m (-17,2%) in Central Heating, with Heat Recovery Units up €0,7, +29%
- America. Q1 sales are down €7,3m, -38,4%, -41,2% at same forex
- Asia/Pacific accounts decrease for €1,8m, -22,4%, -20,2% at same forex vs PY; China and Australia, 5,7% and 2,8% of divisional sales, account a decrease vs PY due to exceptional high sales in Q1 22
- Fans grow 9,2% vs Q1 22 (+20,6% taking out the impact of pellet stoves)

Q1 Smart Gas Metering

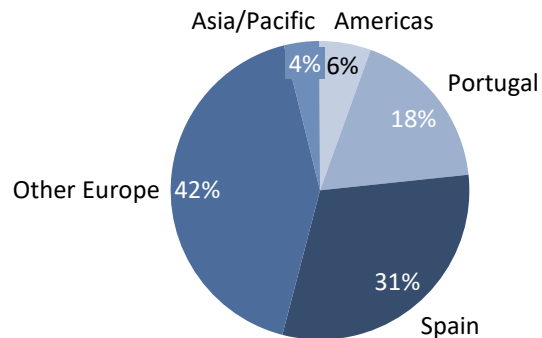
€m, unless otherwise stated	Q1 23	%	Q1 22	%	Chg. YoY
Residential	11,2	82,0%	8,5	82,2%	32,7%
Commercial & Industrial	2,4	17,7%	1,7	16,9%	39,6%
Other	0,0	0,3%	0,1	1,0%	(55,1%)
Total business sales	13,7	100,0%	10,3	100,0%	33,0%

Q1 23 Smart Gas Metering foreign sales are 5,5%, mainly in Greece and Croatia , vs 9,3% of PY

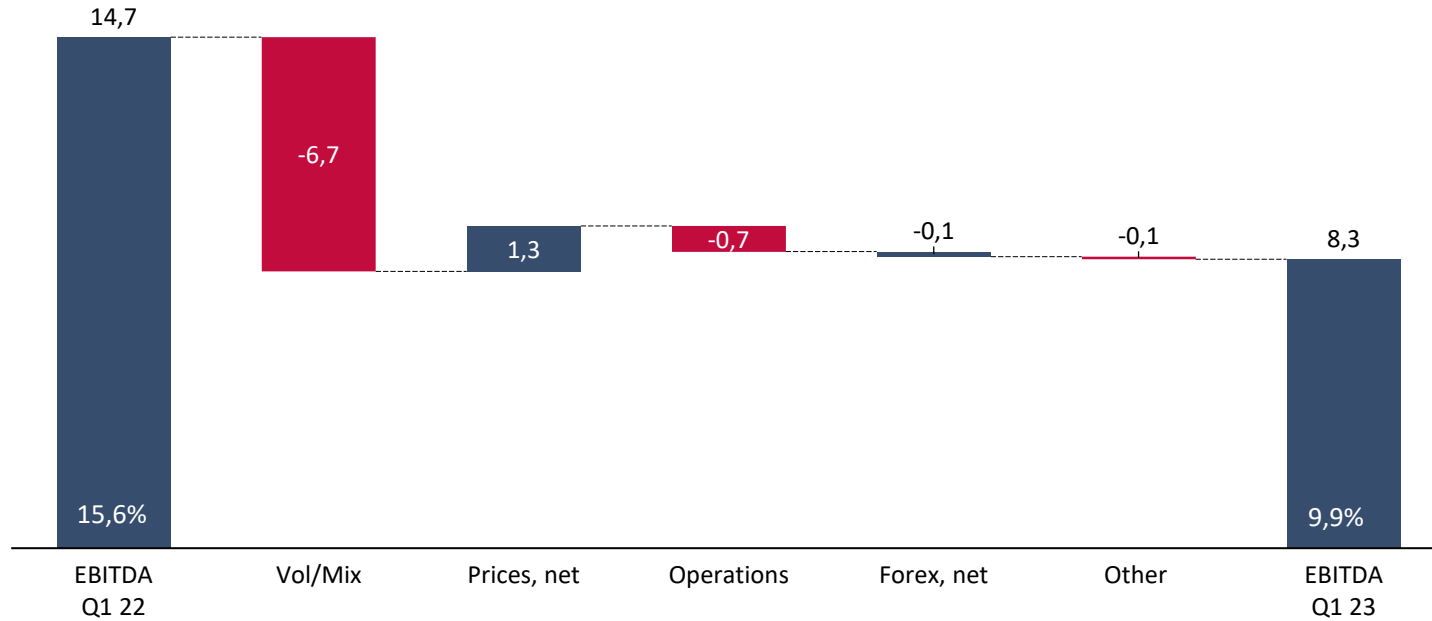
Q1 Water Metering

€m, unless otherwise stated	Q1 23	%	Q1 22	%	Chg. YoY
Water meters, finished	2,6	39,2%	2,9	46,1%	(9,0%)
Water meter parts	3,5	52,9%	3,0	47,7%	18,7%
Other	0,5	7,9%	0,4	6,2%	35,7%
Total business sales	6,7	100,0%	6,2	100,0%	7,0%

Q1 Water Metering by geography



EBITDA bridge



Euro millions

From EBITDA to net income

€m, unless otherwise stated	Q1 23	% of sales	Q1 22	% of sales	Chg. YoY
EBITDA	8,3	9,9%	14,7	15,6%	(43,5%)
D&A, impairment of assets	6,7		6,6		
EBIT	1,6	1,9%	8,0	8,6%	(80,1%)
Net financial (charges)/income	(1,7)		6,1		
Net forex (charges)/income	0,3		0,0		
EBT	0,2	0,2%	14,1	15,0%	(98,8%)
Taxes	1,2		(1,7)		
Net income	1,3	1,6%	12,4	13,2%	(89,2%)
Net financial (charges)/income adjusted	(1,7)	(2,0%)	(1,1)	(1,1%)	55,8%
Net income adjusted	1,3	1,6%	5,3	5,6%	(74,5%)

- D&A for €6,7m, 8,0% of revenues vs €6,6m, 7,1%
- EBIT at €1,6m vs €8,0m
- Net financial (charges)/income of PY account income of €7,1m for FV of Warrants, expired in July 2022
- EBT of €0,2m at 0,2% of revenues
- Tax revenue for €1,2 due to deferred tax asset
- Net financial charges adjusted are €1,7m, 2,0% of revenues vs €1,1m, 1,1% of PY
- Net income adjusted is equal to €1,3m vs €5,3m of PY

Net trade working capital

€m, unless otherwise stated	2023.03	2022.12	Q1 23 Change	2022.03	2021.12	Q1 22 Change	YoY change
Inventory	101,5	91,4	10,1	86,2	70,1	16,1	15,2
Accounts receivables	51,1	63,8	(12,7)	59,7	56,1	3,7	(8,7)
Accounts payables	(74,7)	(81,4)	6,7	(75,6)	(80,8)	5,1	0,9
Net Trade Working Capital	77,8	73,8	4,1	70,4	45,4	24,9	7,5
<i>NTWC/Revenues</i>	<i>23,0%</i>	<i>18,8%</i>	<i>4,2%</i>	<i>18,5%</i>	<i>11,9%</i>	<i>6,6%</i>	<i>4,5%</i>

Reported Q1 23 NTWC: +€4,1m YTD, +€7,5m vs PY

- YTD Inventory increase (+€10,1) reflects destocking impact by H&V customers and long lead time orders placed in 2022 at fixed conditions
- YTD Account Receivables (-€12,7m) and Account payables (+€6,7m) show decrease in quarterly volumes

Cash flow and net debt

Change in net debt

€m, unless otherwise stated	Q1 23	Q1 22
Current cash flow	9,1	14,8
Change in NTWC	(3,2)	(24,3)
Inventory	(9,2)	(15,4)
Accounts Receivables	13,1	(3,2)
Accounts Payables	(7,1)	(5,6)
Other working capital	(11,2)	(4,5)
Capex, net	(5,0)	(3,1)
Cash flow from operations	(10,3)	(17,1)
Financial charges	(2,0)	(0,6)
Dividends paid	-	-
Other	(0,3)	(0,3)
Change in net debt	(12,6)	(18,0)
Net debt - BoP	130,5	106,7
Net debt - EoP	143,1	124,8

- Current cash flow of €9,1m vs €14,8m of PY
- NTWC burns €3,2m vs €24,3 of PY, due to slow down in volumes in both AR and AP; increase in Inventory for €9,2m vs €15,4m of PY
- Other working capital (-€12,0m) accounts dispute settlement with customer accrued in 2022
- Capex for €5,0m vs €3,1m of PY

Net financial position

€m, unless otherwise stated	31/03/2023	31/12/2022	31/03/2022
(Cash & cash equivalents)	(20,4)	(23,5)	(39,6)
Current debt, net	28,9	20,5	16,8
Non current debt	120,1	117,5	129,0
MTM derivatives & M&A debt	0,3	1,2	3,3
IFRS 16 - Leases	14,2	14,9	15,2
Net debt - EoP	143,1	130,5	124,8

- 90% of debt portfolio is at fixed rate since origination

- Net Debt/EBITDA adj: Q1 23 3,5x vs 2022 2,8x vs 2,5x

Final comments



- Due to overstock of the whole supply chain current market demand in Heating sector remains uncertain
- End market consumer sentiment is impacted by regulation uncertainties on incentives, inflation and high interest rates
- As of today we see in Heating & Ventilation a negative 2023FY outlook on revenues vs PY with a possible improvement in demand by year end
- Action plan on operating costs is focused on short term savings to preserve profitability with cost reduction in corporate/discretionary costs and manufacturing optimization
- Strong focus on cash generation through working capital, capex reduction and strategic review of operating model
- Heating & Ventilation fundamentals remain positive based on global geography footprint and gas role in the energy transition
- Smart Gas Metering benefits from strong competitive position in domestic market and repricing of tenders



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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