



9M 2023 – Results presentation

November 9, 2023

Highlights



- Q3 consolidated revenues are €75,2, -21,4% vs Q3 2022
- Q3 Divisional sales:
 - Heating accounts €52,7, -31,5% vs PY
 - Metering at €64,0 is +25,2%, with Gas metering at +31,9% and Water metering +12.2%vs PY
- Heating European expected to slow down significantly in Q4 vs PY
- 9M consolidated revenues are €242,1, -16,6% vs 9M 2022
- 9M EBITDA adjusted of €21,9 minus 38,4% vs €35,6m of PY
- 9M Net income adjusted of €0,9 vs €8,2 of PY
- Impairment loss on goodwill for €17,0 accounted in H1 reporting due to megatrend in heating sector and impact on gas appliances
- Net debt at €159,0 vs €138,7 of PY

€ millions, unless otherwise stated



Key financial results



€M, unless otherwise stated	9M 23	%	9M 22	%	Chg. YoY
Revenues	242,1	100,0%	290,4	100,0%	(16,6%)
EBITDA adjusted	21,9	9,1%	35,6	12,3%	(38,4%)
EBITDA	20,0	8,3%	26,8	9,2%	(25,1%)
EBIT adjusted	1,2	0,5%	15,4	5,3%	(92,2%)
EBIT	(20,2)	(8,3%)	6,5	2,3%	(408,7%)
EBT	(24,9)	(10,3%)	11,4	3,9%	(317,2%)
Net income	(19,4)	(8,0%)	10,5	3,6%	(284,9%)
Net Income adjusted	0,9	0,4%	8,2	2,8%	(89,3%)
Cash flow from operations	(21,5)		(24,8)		
NTWC	85,2		81,0		
Net financial debt	159,0		138,7		

€M, unless otherwise stated	Q3 23	%	Q3 22	%	Chg. YoY
Revenues	75,2	100,0%	95,7	100,0%	(21,4%)
EBITDA adjusted	7,5	9,9%	11,8	12,3%	(36,6%)
EBIT adjusted	0,4	0,5%	4,9	5,1%	(91,8%)

- 9M consolidated revenues account 16,6% decrease
- Divisional trends:
 - Heating: 9M -25,0%, Q2 -31,5%
 - Metering: 9M +24,4% , Q2 +25,2%
- EBITDA adj at €21,9M vs €35,6M of PY
- EBIT adj at €1,2M (0,5% of revenues) vs €15,4M (5,3%)
- Net income adjusted at €0,9M, 0,4% of revenues vs 2,8%
- Cash flow from operations is minus €21,5M after capex for €15,8M
- NTWC of €85,2M (26,3% of revenues) vs €81,0M (20,9%) of PY
- Net financial debt stands at €159,0M vs 2022 year end of €130,5M vs €138,7 of PY
- Adjustments in EBIT includes impairment loss on goodwill for €17,0M and non-recurring restructuring costs

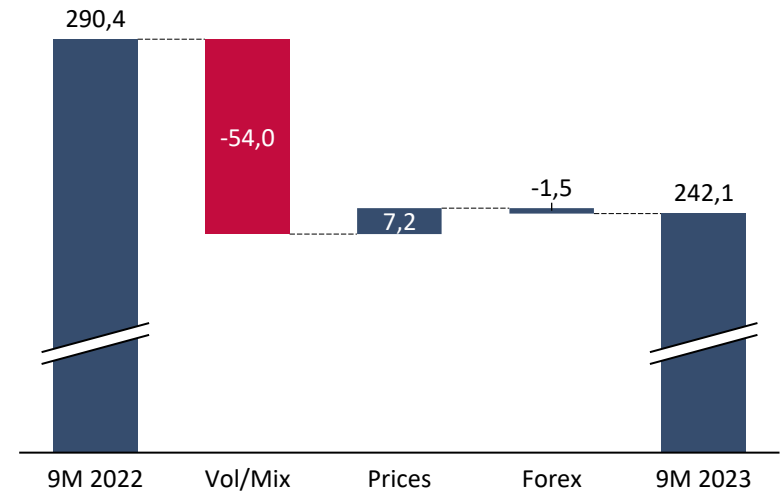


Consolidated revenues – 9M

Breakdown by Division

€M, unless otherwise stated	9M 23	%	9M 22	%	Chg. YoY
Heating & Ventilation	176,1	72,7%	234,8	80,9%	(25,0%)
Metering	64,0	26,4%	51,4	17,7%	24,4%
Total business sales	240,1	99,2%	286,2	98,6%	(16,1%)
Other revenues	2,0	0,8%	4,2	1,4%	(51,2%)
Total revenues	242,1	100,0%	290,4	100,0%	(16,6%)

Consolidated revenue bridge

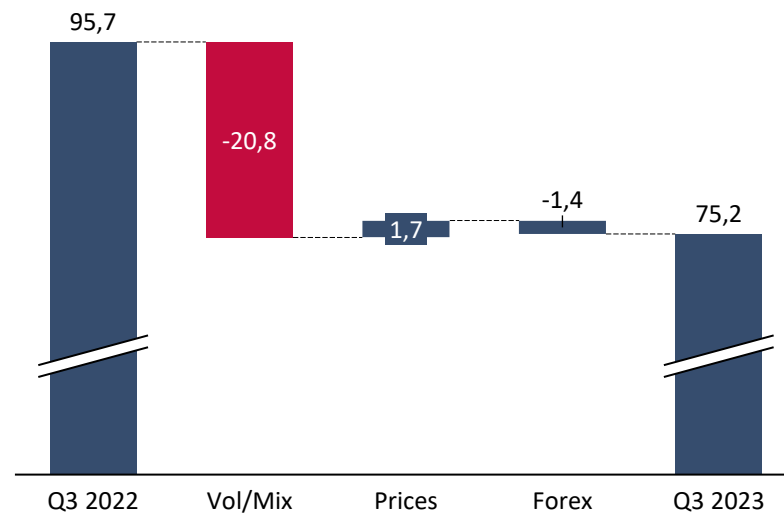


Consolidated revenues – Q3

Breakdown by Division

€M, unless otherwise stated	Q3 23	%	Q3 22	%	Chg. YoY
Heating & Ventilation	52,7	70,1%	77,0	80,5%	(31,5%)
Metering	21,6	28,7%	17,3	18,0%	25,2%
Total business sales	74,3	98,8%	94,2	98,5%	(21,1%)
Other revenues	0,9	1,2%	1,4	1,5%	(39,0%)
Total revenues	75,2	100,0%	95,7	100,0%	(21,4%)

Consolidated revenue bridge



Q3 sales by geography

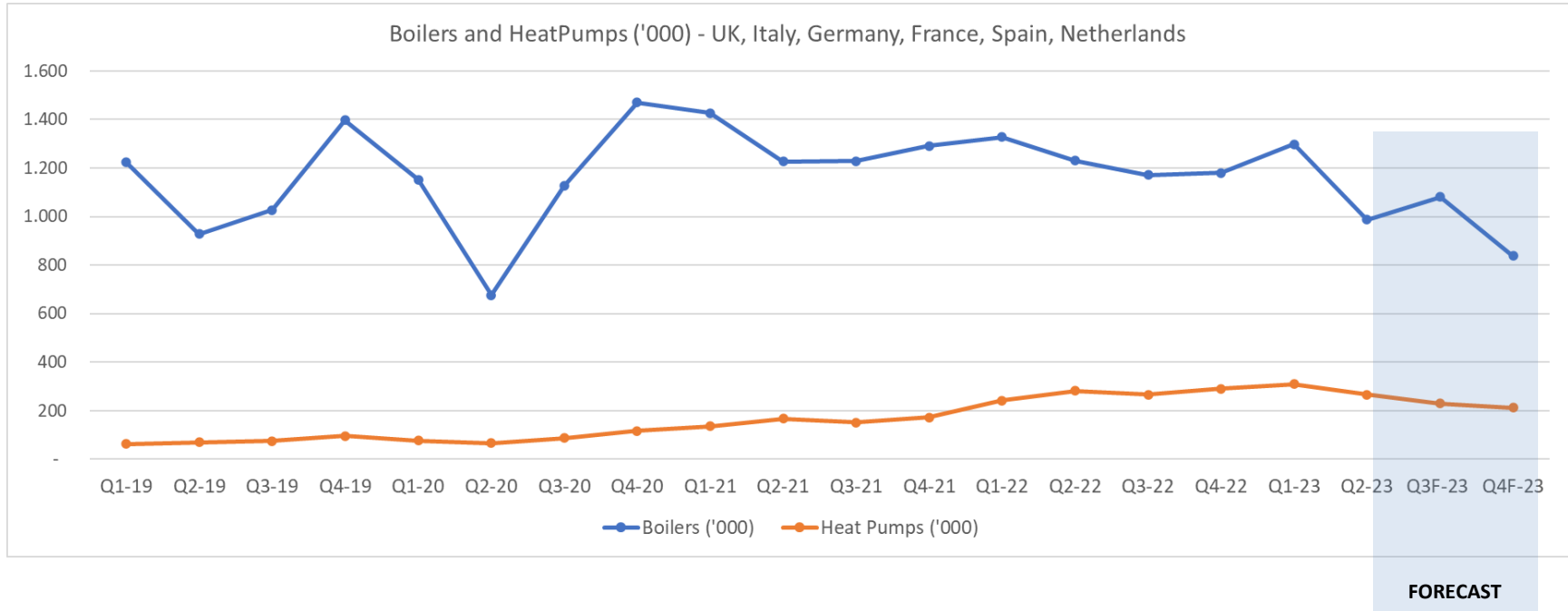
€M, unless otherwise stated	Q3 23	%	Q3 22	%	Chg. YoY
Italy	6,9	13,1%	15,2	19,7%	(54,2%)
Europe (excluding Italy)	27,9	52,9%	33,4	43,4%	(16,5%)
America	9,7	18,3%	17,9	23,2%	(45,9%)
Asia/Pacific	8,3	15,7%	10,5	13,7%	(21,6%)
Total business sales	52,7	100,0%	77,0	100,0%	(31,5%)

9M sales by geography

€M, unless otherwise stated	9M 23	%	9M 22	%	Chg. YoY
Italy	28,5	16,2%	45,1	19,2%	(36,7%)
Europe (excluding Italy)	92,0	52,2%	101,0	43,0%	(8,9%)
America	32,5	18,4%	59,8	25,5%	(45,7%)
Asia/Pacific	23,1	13,1%	28,8	12,3%	(19,9%)
Total business sales	176,1	100,0%	234,8	100,0%	(25,0%)

- Divisional sales
 - Q2 -31,5%, -29,7% at same forex
 - H1 -25,0%, -24,4% at same forex
- Italy, 9M down 36,7% due to change in incentives regulations with all product segments impacted. Higher impact in Direct Heating (-58,5%) due to pellet stoves.
- Europe. 9M down €9,0M, -8,9% vs PY. Turkey (18,9% of Divisional sales) is up €8,3M, +32,9%, due to Fans (+€2,8) and mechanical controls; UK, (8,1% of Divisional sales) is overall in line with PY with flues (+29,4% YTD); Central Europe markets in 9M are down for €11,6M (-29,4%) mainly in Central Heating with Heat Recovery Units up €1,1M, +14,0%
- America. 9M sales are down €27,4M, -45,7%. Impact in both Direct Heating and SWH applications.
- Asia/Pacific H1 accounts decrease for €5,7M, -19,9%, -14,8% at same forex vs PY; China posted a Q3 at -8,2% bringing 9M down €1,8M, -16,5%, -8,6% at same forex vs PY; Australia, 2,7% of divisional sales, accounts a 9M decrease of €1,9M, -28,3%, 23,6% at same forex

European Heating end-market quarterly trend



- FY 2023E boilers end market expected at -14,4%, Heat pumps at -5,8%
- Q3 23E boilers end market expected at -7,7%, Heat pumps at -13,5%
- Q4 23E boilers end market expected at -29,0%, Heat pumps at -27,0%

Q3 Smart Gas Metering

€M, unless otherwise stated	Q3 23	%	Q3 22	%	Chg. YoY
Residential	12,5	83,9%	9,1	80,0%	38,4%
Commercial & Industrial	2,4	15,8%	2,2	19,6%	6,1%
Other	0,0	0,3%	0,0	0,4%	9,6%
Total business sales	14,9	100,0%	11,3	100,0%	31,9%

9M Smart Gas Metering

€M, unless otherwise stated	9M 23	%	9M 22	%	Chg. YoY
Residential	36,5	82,2%	27,0	81,7%	35,4%
Commercial & Industrial	7,8	17,5%	5,8	17,6%	34,3%
Other	0,1	0,3%	0,2	0,6%	(37,9%)
Total business sales	44,5	100,0%	33,0	100,0%	34,7%

9M 2023 Foreign sales are ≈4%, mostly Greece and Croatia

Q3 Water Metering

€M, unless otherwise stated	Q3 23	%	Q3 22	%	Chg. YoY
Water meters, finished	2,4	36,1%	1,9	32,5%	24,8%
Water meter parts	3,6	54,3%	3,5	59,2%	3,0%
Other	0,6	9,5%	0,5	8,3%	29,0%
Total business sales	6,7	100,0%	5,9	100,0%	12,2%

9M Water Metering

€M, unless otherwise stated	9M 23	%	9M 22	%	Chg. YoY
Water meters, finished	7,1	36,7%	7,6	41,2%	(5,8%)
Water meter parts	10,6	54,5%	9,4	51,3%	12,5%
Other	1,7	8,8%	1,4	7,4%	26,1%
Total business sales	19,5	100,0%	18,4	100,0%	5,9%

9M 2023 geography breakdown: Portugal 18,8%, Spain 38,4%, Rest of Europe 32,2%, Americas 7,6%, Asia/Pacific 3,0%

From EBITDA to Net income – 9M

€M, unless otherwise stated	9M 23	% of sales	9M 22	% of sales	Chg. YoY
EBITDA	20,0	8,3%	26,8	9,2%	(25,1%)
D&A, impairment of assets	40,2		20,2		
EBIT	(20,2)	-8,3%	6,5	2,3%	(408,7%)
Net financial (charges)/income	(5,2)		6,5		
Net forex (charges)/income	0,5		(1,6)		
EBT	(24,9)	-10,3%	11,4	3,9%	(317,2%)
Taxes	5,5		(1,0)		
Net income	(19,4)	-8,0%	10,5	3,6%	(284,9%)
Ebitda adjusted	21,9	9,1%	35,6	12,3%	(38,4%)
Ebit adjusted	1,2	0,5%	15,4	5,3%	(92,2%)
Net financial (charges)/income adjusted	(5,2)	(2,1%)	(2,2)	(0,8%)	130,2%
Net income adjusted	0,9	0,4%	8,2	2,8%	(89,3%)

- D&A for €20,7M, 8,6% of revenues vs €20,2M, 7,0%
- Impairment of assets for €19,5M (GW for €17,0M)
- EBIT of minus €20,2M vs €6,5M of PY
- Net financial (charges) €5,2M vs net financial income of €6,5 in PY due to changes in FV of Warrants expired in July 22
- EBT of minus €24,9M vs €11,4M of PY (both include one off items)
- 9M 23 taxes revenue for deferred tax assets
- Net income of minus €19,4M vs €10,5M of PY
- Adjustments in 9M 23 refer to impairment losses and non-recurring restructuring costs
- Adjustments in 9M 22 refer to change in FV of Warrants

Net trade working capital

€M, unless otherwise stated	2023.09	2022.12	9M 23 Change	2022.09	2021.12	9M 22 Change	YoY change
Inventory	98,2	91,4	6,9	101,7	70,1	31,6	(3,5)
Accounts receivables	50,3	63,8	(13,5)	61,7	56,1	5,6	(11,4)
Accounts payables	(63,2)	(81,4)	18,2	(82,4)	(80,8)	(1,6)	19,1
Net Trade Working Capital	85,2	73,8	11,5	81,0	45,4	35,6	4,2
<i>NTWC/Revenues</i>	<i>26,3%</i>	<i>18,8%</i>	<i>7,6%</i>	<i>20,9%</i>	<i>11,9%</i>	<i>8,9%</i>	<i>5,5%</i>

Reported 9M 23 NTWC: +€11,5M YTD

- Inventory increase (+€6,9M) due mainly to Gas Metering build up for planned production
- Account Receivables (-€13,5M) and Account Payables (+€18,2M) reflects decrease in volumes

Cash flow and Net debt

Change in net debt

€M, unless otherwise stated	9M 23	9M 22
Current cash flow	22,3	33,9
Change in NTWC	(9,7)	(34,0)
Inventory	(5,1)	(28,8)
Accounts Receivables	14,3	(4,2)
Accounts Payables	(18,9)	(1,0)
Other working capital	(18,2)	(7,1)
Capex, net	(15,8)	(17,6)
Cash flow from operations	(21,5)	(24,8)
Financial charges	(5,2)	(2,3)
Dividends paid	-	(7,3)
IFRS 16 - Leases	(0,6)	(0,7)
Other	(1,1)	3,1
Change in net debt	(28,5)	(32,0)
Net debt - BoP	130,5	106,7
Net debt - EoP	159,0	138,7

- Current cash flow of €22,3M vs €33,9M of PY
- YTD change in NTWC absorbs €9,7M. Inventory increase in Gas Metering business while trend in AR and AP reflect decrease in volumes
- Other working capital (-€18,2M) includes dispute settlement with customer accrued in 2022
- Capex for €15,8M vs €17,6M of PY

Net financial position

€m, unless otherwise stated	30/09/2023	31/12/2022	30/09/2022
(Cash & cash equivalents)	(17,2)	(23,5)	(24,5)
Current debt, net	54,9	20,5	19,9
Non current debt	108,6	117,5	127,8
MTM derivatives & M&A debt	(0,6)	1,2	1,0
IFRS 16 - Leases	13,2	14,9	14,5
Net debt - EoP	159,0	130,5	138,7

- Net Debt/EBITDA LTM: 4,75x vs 2,77x vs 3,09x of previous year
- Waiver on June 30 covenants was timely agreed by all lenders, covenant reset currently underway

Final comments and outlook



Looking forward we highlight two different trends

- Metering is riding a positive cycle leveraging competitive position and product portfolio ✓
- Heating is suffering weak demand in end-market due to confusing regulation, incentives cancellation, high inflation and interest rate impact on household spending. Value chain is still overloaded with excess stock, de-stocking will take longer than expected ✓

FY 2023 outlook

- Smart Gas Metering will maintain high double-digit growth (20% ≈ 25%) thanks to key projects with domestic top clients ✓
- Water Metering will grow between 10% ≈ 15% partially recovering the Q2 delay ✓
- Heating & Ventilation: the typical seasonality of H2 did not take place with further slowdown is expected (-25% ≈ -30%) ✓
- At consolidated level sales forecasts are expected to be further reduced. FY sales at -18% ≈ -21% ✓
- Cost reduction activities already in place with main structural effects expected from the beginning 2024 ✓
- EBITDA adjusted margin forecasted below double digit, between 9% ≈ 10% ✓
- Net debt expected in line with H1 reported level (approx €150M) ✓

Future developments

- Management is still working on a series of projects to accelerate internationalization and value generation, redesigning business portfolio targeting growth segments and cash generation potential



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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