



# **INTERPUMP GROUP**

**Interpump Group S.p.A.**

**"Fourth Quarter, 2022 Results Conference Call"**

**Wednesday, February 15, 2023**

MODERATORS: FABIO MARASI, BOARD MEMBER AND EXECUTIVE DIRECTOR  
ELISABETTA CUGNASCA, HEAD OF INVESTOR RELATIONS

OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome, and thank you for joining the Interpump Fourth Quarter 2022 Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "\*" and "0" on their telephone.

At this time, I would like to turn the conference over to Ms. Elisabetta Cugnasca, Group Head of Investor Relations of Interpump. Please go ahead, madam.

ELISABETTA CUGNASCA: Thank you. I am Elisabetta Cugnasca, Head of Investor Relations of Interpump Group. Good afternoon or good morning according to your time zone, and welcome to Interpump's fourth quarter 2022 financial results conference call. As usual, it's my duty to draw your attention to the disclaimer slide inserted in the annex part of the presentation. I hope you were able to download from our website. Afterwards, it's my pleasure to leave the stage to Mr. Marasi, Board Member and Executive Director of the Group.

FABIO MARASI: Thanks, Ms. Cugnasca, and thanks to all of you for the attendance. Before entering into details of the fourth quarter 2022 results, please allow me to make 2 step back. The first one, to the 14th of February, 2022, and the second one to the 12th of February, 2020, to remind you to what we commit ourselves.

In particular, 1 year ago, we committed ourselves to exceed the €2 billion of sales through a double-digit organic growth and acquisition. In this regard, let me remind you that our initial expectation was to have a nice single-digit

organic growth, but afterwards, in the spring time, we upgraded it to a double-digit growth. We're committed to confirm and protect the profitability excellence of the group and to consolidate and align group's sustainability activities and processes.

3 years ago, we said, we committed ourselves to achieve a 33% total sales growth to confirm a 22% EBITDA margin, including M&A, temporary dilution effect and to keep our leverage between 1 and 1.5 time. Today, I'm very proud and honoured to say that we significantly over-deliver all these commitments. I'm even more proud and honoured to underline you that these results were achieved in a completely different scenario compared to what we expected. We did not expect a pandemic. We did not expect the huge disruption in the supply chain of the last 3 years. And we did not expect inflation rate of a magnitude, which only my parents could recall.

Notwithstanding, we delivered...and we delivered well above our expectations. First, we delivered sales growth commitment, widely overcoming the €2 billion target for 2022, and moreover, almost doubling the 33% target that we have given in 2020. Between 2020 and 2022, we recorded a growth close to 52% with a compounded average growth rate of 15%, an outstanding result based on 2 of our most important group capabilities, operations and acquisition excellence. Through our never-ending focus on operation, we delivered a 10% organic growth in the period compounded. Through our never-ending focus on acquisitions, we acquired and integrated companies that brought €360 million of new sales to the group.

Second point, we delivered on our profitability commitment, far above our threshold of 22% indicated in 2020. And in reality, in 2022, we protected the record group margin achieved of 23.7%. To be precise, 2022 EBITDA margin has been 2 bps higher than the record margin achieved in '21 on a reported basis and 50 basis points higher on a like-for-like basis, something that is absolutely not granted considering all the threats to profitability we faced.

In the group scheme of things, the acquisition of companies with a dilutive impact is almost normal due to the profitability excellence level that we have achieved. Proudly, I can say we faced and we overtake all these difficulties reaching outstanding results. And we did all this without hampering our financial strength. We remain comfortably in our leverage guidelines of 1 to 1.5 times EBITDA. And in the meantime, we pushed the right balance between supporting the growth considering CAPEX and acquisitions, we invested almost €700 million and delivering our commitment to shareholders with more than €250 million between buyback and dividends.

We over-delivered what we committed ourselves both on February 2020 and February 2022. And therefore, today, 15th of February, 2023, is time to commit ourselves again for the future for 2025. To commit ourselves to what it is in our D&A, growth and profitability excellence in a financial balanced way. And in details, we expect a total growth of 25% between organic and external evolution. And we expect the confirmation of our level of profitability excellence, considering the possible dilutive effect that acquisitions may have due to the fact that we represented the excellence.

And to share with you our internal approach and point of view, I will refer again to the analogy I used last August when we commented first half results. With 23.7% in '21, we reached the Mount Everest in terms of profitability. With 23.7% in 2022, we built a [Indiscernible] close to the flag we planted last year.

The results of White Drive integration plan, the most important acquisition we did in our history, proved that we can target bigger companies and more complicated integration processes than in the past. We will not give up looking for the usual candidates, but for sure, we can raise the bar in terms of targets, dimension and complexity. And obviously, acquiring something bigger and probably less profitable would have a bigger and longer impact in terms of margin dilution.

Summarizing, we are now on Mount Everest, it could happen that we'll end on K2, but in any case, we will stay at the top and we will start climbing again. The commitment is to maintain the financial balance with a leverage in the usual range between 1 and 1.5 times EBITDA.

The usual range with the usual balance approach in terms of capital allocation, Group cash generation will be dedicated to our commitment to growth and to shareholders to grow through expansion of our production capacity and through acquisitions to shareholders through dividend and buyback. We consider all these targets fair, considering that nowadays external landscape, which is characterized by clearer skies compared to previous years, even if still marked by the presence of some clouds.

Please do not misunderstand our words. Even if there are elements which give us more confidence, this will not change our commitment that is not only in line with the one of previous years, but also even stronger. In the last 3 years, this group faced difficulties never seen before. And despite that, we reached the best organic growth rate for sales and the highest EBITDA margin of group history. It's of course our managerial duty to always work for the top.

These are our commitments for the period 2023-2025. Obviously, we will work to go on with our path already in 2023 in terms of growth, profitability consolidation, cash conversion improvement. And in details, in terms of growth, considering the backlog that nicely weighed on our shoulder in January start, we are expecting for 2023, an organic growth of at least 5%, the growth of a normal good year.

Allow me to share with you some remarks. As of January end, group backlog is consistent in terms of dimension with the one of previous months, vice versa, there is a nice difference in terms of a slight, but consistent increase of the weight of the Water-Jetting backlog. We need a normal year during which we can fine-tune operations, focusing on production efficiency and not only on production, speediness and growth.

As already anticipated last November, having answered to one of your questions, our sales expectations incorporated a possible adjustment of selling price policy. We were fair, as I will explain later in our meeting. And in 2022, in managing prices, we will be fair again in 2023. And it goes without saying that the group's scouting activities for new acquisitions are always on-going.

Profitability, as far as today, 23.7% is the top-ever reached. It is our duty to work as much as we can to protect and consolidate this result. What we did in 2022 is the evidence of our capability to promptly react to extraordinary exogenous events, thanks to our consistent and steady focus on operation.

As far as of today, there are less elements to be worried about compared to 1 year ago. In terms of inflationary trends, today are influencing labor cost, but seems reverted in terms of raw material and energy. In any case, we should not lower the guard because the recent history told us how things can change suddenly.

Cash conversion improvement, it is to assume that cash results of 2022 will not be of full satisfaction [technical difficulty] who do not share our industrial approach to inventories and CAPEX management, approach which was enhanced during 2022 as group reaction to support production continuity and profitability.

Skies are clearer, and now what we have at our disposal in terms of raw material and spare parts is in line with expected sales evolution, and therefore, we do not envisage the need to keep our approach so severe. We anticipated you this change last November, and you can already see the results. While in the fourth quarter 2021 we did not generate cash, in the fourth quarter 2022, we generated around €25 million of cash flow.

After this long overview on the future, please allow me to share with you the elements of 2022 results we consider the most important. Organic growth

evolution, profitability results achieved, development of group CAPEX, production expansion plan, and last but not least, a short overview on recent acquisitions.

Organic growth, after the drop of almost 13% in 2020, in 2021 we saw a massive rebound, almost 20% plus. And this year, organic growth was close to 14%, this 14% is source of our...satisfaction compared to the previous plus 21%. This easy comp effect was for sure lower and was achieved in a much more difficult environment in terms of raw material availability. This result was driven by both price and volumes, very roughly I can say, 6% in terms of price effect and 8% in terms of volumes effect.

As usual, I'm suggesting you not to compare division organic growth otherwise, you will be misled by cyclicity, different impact on the 2 businesses, and even more by different business characteristics. For example, how long it takes to sign a contract with a customer or how long it takes to produce what order in the 2 divisions. Therefore, we are really proud of the plus 8% of Water-Jetting as we are proud of the plus 16% of the Hydraulics division.

And how did we achieve this 8% and this 16%? In another way, I repeating myself again, how did we transform orders in invoices? We transformed order in invoices, thanks to the production continuity, the capability to keep production going despite the previous mentioned problems in terms of raw material and components availability and pandemic resurge in the first month of last year. And of course, the production flexibility that means the fast support we can get from high quality and trustworthy suppliers with whom we have been able to build relationship in the past.

Second point, profitability results achieved. In this case, I would like to reason not hopefully our data, but specifically on the fourth quarter data since this latter data allow everybody to make a fair comparison, due to the fact that the fourth quarter 2022 and in the fourth quarter 2021, White Drive does not create consolidation distortion and there are no accounting impacts on

IMM Romanian fire. And at the end of the day 210 basis point improvement is the clear evidence of the capability of Interpump to overcome massive inflationary trends.

We envisaged this inflationary trend last quarter and we adjusted selling price in a consistent, and moreover, in a fair way, which means to find the most suitable mechanism to transfer inflation according to almost each customer and to identify the proper amount of increase.

We work closely with our customers, with our partner. We did not squeeze them. In 1 year, we successfully managed the inflationary trend. 1 year could seem a very long period from the financial world, but for the industrial world we belong, it's just the opposite. Successfully managed means improved margin, not keeping them flat.

Third point, the CAPEX plan, we launched on a production capability announcement plan in 2021 for both divisions. And this is the reason why for the second year in a row, you see our CAPEX to sales ratio of around 6%. In 2021 and in 2022 we implemented the first phase, buying suitable spaces, raising buildings. And this create a sort of extraordinary peak concentrated in these years. Now we are entering in the second phase, fitting buildings, and therefore, we are expecting to gradually move back to group usual CAPEX level between 4% and 5% of sales. We share with you 2 examples of what we are doing, one for each division.

Last but not least, acquisitions, I will start with White Drive, which was the most important group acquisition, but we'll elaborate also on Reggiana Riduttori, because we believe that these acquisitions are the ones, which at the best, shown the implementation of group acquisition strategy in the last 3 years.

White Drive is undoubtedly the most important acquisition of the group, but please let me elaborate how we define the concept of importance. Importance is, for sure, correlated to sales dimension, but considering



Interpump DNA, it is even more correlated to the cultural and managerial approach.

The group will base its growth and its profitability strategy on decentralization and entrepreneurial approach among its managers, both a business line of a centralized conglomerate. White Drive was the test to demonstrate to ourselves not only the capability to digest something bigger compared to our usual standard, but moreover, something very far away from our mind-set and we passed the test.

In the fourth quarter 2022, White Drive reached the 21% EBITDA margin threshold of hydraulic sector, driven activities in Poland, which mean almost 60% of total White Drive sales. I'm sure you recall that our target is to make White Drive profitability at least in line with the hydraulic profitability. And finally, in the fourth quarter, exactly one year later compared to the acquisition closing, we reached 21%.

Now we will work in the next months and quarters to improve this achievement, which has to be full and consistent quarter-after-quarter. How did we do it? And moreover, how will we do it further? We did it having shared the group's best practices in terms of operations and inventory management and CAPEX industrial approach. And this adjusted us as we anticipated last November, rationally and intentionally suspend all activities correlated to cross-selling opportunities.

Production capacity increased and sales and customer experience improvement deserve the priority. This decision paid off with a 21% margin in the quarter. How we will do it further? We will do it going on exactly on this path with even a stronger focus on U.S., operation that today are still lacking behind.

And obviously, the transfer of 4 new production lines created to this part of business more difficulties and inefficiencies compared to Poland, but now this tap is completed. And the fourth line simply needs some components

and additional machinery to be operative. And focus on profitability can be fully exploited. Some focus in Europe, where this year, we will implement a reorganization between German and Polish businesses.

The second example is Reggiana Riduttori that is much smaller. It was only €80 million when we bought it, but with a crucial strategic role because it allow us to enter in a completely new business for the group, the power transmission one. This company was the perfect trigger and the perfect driver to fuel group growth with further acquisitions; Transtecno in 2020, Berma and DZ data Trasmissioni in 2021, Drintech last April, and this was a growth complemented with profitability improvement, with the margin growing from 20% to more than 24% in terms of EBITDA margin.

To elaborate the last 2022 commitment, consolidate and align group sustainability activities and processes. I hand the floor over to Ms. Cugnasca.

ELISABETTA CUGNASCA: Thank you, Mr. Marasi. The presentation of our ESG journey last October was a very important step for our group because it was the first project defined and executed at the group level. It reflects our effort to incorporate balance and leverage some of the most important group key success factor.

The diversification by product, geography and application sector; the business model heterogeneity, a growth strategy based on both organic and M&A with a soft integration policy for acquired company is one of the milestones of the M&A strategy; powerful and consistent focus on operations and execution.

We share with you much information to explain our 2023-2025 journey and our 20 action and we discuss them in depth. Today, I would only...I'd like only to clarify 2 points...3 points. The starting point to elaborate the journey was based on a sample of the most important group manufacturers entities. Referring to 2021 group data, the sample covers almost 65% of sales, around 50% of productive sites and around 70% of employees. But then it was

validated by all the group entities and its execution embraced the entire group.

In terms of our environment [ph] 2023 will be the cornerstone to define our carbon neutrality strategy, will include the entire group perimeter and all Scope 1, 2 and 3 with the aim to reduce the impact of the group on climate change.

Going to details of governance, we are working on the 2 truck activities. From one side, we have 6G targets in the plan. Among them, the establishment of World ESG Committee, the definition of the succession plan and the consolidation of the tax compliance are the most important with the first one to be executed this year.

From another side, we have the fine-tuning of the first part of the remuneration policy scheduled for 2023. Please do not mislead by the timing and by the role of the next April Annual Shareholder Meeting in this regard.

The 2 mentioned G action planned for 2023 will have the Annual Shareholder Meeting as a trigger, better as a starting point due to the group board renewal. After their definition, the new board and the new committees will start to work on this action to execute them before year end. The fine-tuning of the first part of the remuneration policy is something on which we have been working since many months and that will be finalized and disclosed on the Annual Shareholder Meeting.

After this short clarification, I'm asking Mr. Marasi to conclude our overview on 2022 results and 2023-2025 commitments.

FABIO MARASI:

Thanks again, Ms. Cugnasca. The achievement, let me proudly correct myself, the over-achievement from the commitments taken in recent years and the beauty of 2022 results, allow me to be very short and very optimistic about the future of the group. Once again, Interpump Group shown its operational strength and therefore, its resilience. These features are inside

our DNA and on them, we leverage to make concrete our never-ending aspiration to growth and to profitability excellence. Thank you.

## Q&A

**OPERATOR:** This is the Chorus Call operator. We will now begin the question and answer session. Anyone who wishes to ask a question, may press "\*" and "1" on their touchtone telephone, to remove yourself from the question queue, please press "\*" and "2." Please pick up the receiver when asking questions. Anyone who has a question may press "\*" and "1" at this time. The first question is from Matteo Bonizzoni of Kepler. Please go ahead.

**MATTEO BONIZZONI:** Thank you. Good afternoon, I have 3 questions. The first one is with regards to margin evolution which we observed in 2022 compared to a normal year. So in 2022, the fourth quarter was the most profitable one with a margin of 23.9%, so better than all the previous 3 quarters, while typically Q4 since we follow Interpump has been weakest. So how should we think about this 23.9% marginal shift in Q4. Does it mean that for 2023 for example, you should...you could let's say exceed that 24% margin. Can you comment on that?

The second question is with regards to the figure below EBITDA. While EBITDA in Q4 was a clear bit, the rest of the P&L not, in fact, EBIT and net profit were below, I think my estimates, but also most other estimates. In particular, I want to ask, there was a big item...negative item between EBITDA and EBIT around €9 million in addition to depreciation. There was this €9 million drag to the EBIT and so to the net profit. Can you comment about that? And in general, if you look at the P&L, both other revenues and other costs grew much more than the rest of the P&L items. Can you comment on other revenues and other costs during 2022?

Third and last question about debt and interest charges. We clearly saw an increase of interest charges already in Q4, I don't know if it is all related to pure interest charges, so cost of debt or there is also something else like

FOREX or other things. My question is, is your gross debt still, let's say, 100% or largely predominantly at variable rates. And if in general, can you provide the guidance for the interest charges in 2023, assuming an average cost of debt, whatever you want, but I would say, between 3.5% and 4%, which I think is reasonable? Thanks.

FABIO MARASI:

Thank you, Matteo. Regarding margin evolution in the different quarters of 2022, I would comment that the evolution that we have seen is really interesting, because of the reasons that you have mentioned. And the explanation of this evolution can be found in the progressively entrance of the price increase that we have transferred to the customers and the evolution of White Drive that has been improving during the year, but in particular in the fourth quarter, its results. And then having fully transferred the price increase effect and having consolidated the improvement of the result of White Drive, brought [ph] usual weak quarter or weaker quarter like the fourth one to the highest level of the year, 23.9% in particular, if we compare with the 21.8% of last year is super satisfactory results, more than 200 basis points more.

Regarding the expectation for 2023 in terms of margin, I'm not able to say if we will be able to exceed 24%. It is always very difficult to increase targets considering the level of excellence at which we stay. For sure, we will work hard to protect, to consolidate these results. That is also what we announced and what we had as a guideline for last year. For us, maintaining this level of excellence is the goal and for sure, we see that we have all the possibilities in place to do this.

I'll jump to the debt and interest charges. I confirm you that almost entirely our net financial position is on a variable rate and then the interest charges for next year, if we consider 3.5% to 4% interest rate is something that will stay between €25 million and €30 million...€25 million, I would say. I don't have a clear answer regarding the €9 million between EBITDA and EBIT, I ask my colleagues if Elisabetta, do you have some more comment on this?

ELISABETTA CUGNASCA: No, we do not have posted any strange things if you're asking about the write-offs or something like this.

OPERATOR: The next question is from Domenico Ghilotti of Equita. Please go ahead.

DOMENICO GHILOTTI: Hello. Okay you can hear me. I have a couple of questions. First, just a clarification on the comment you gave on the price for 2023. So I'm not sure if you are let's say...if you want to stick to the prices that have been applied or if you are ready to give back some of the, let's say, of the benefit that you received given the disinflationary environment that we are in some way seeing at least on raw materials and logistics?

Second question is, well, on the White Drive integration. So you have achieved 21%. So for sure, so this is a driver. So I'm trying to understand on the profitability for 2023, because you are 5% organic. That's a good say contribution in general to the profitability, you have White Drive full integration. That is okay, it's organic, but starting from a bit dilutive contribution in 2022. And you have an environment that is, let's say, more or less...but I wonder if you see any particular stress on the labor cost to justify a decline in the margin?

FABIO MARASI: Okay. First of all, we are not seeing any decline in margin. We have not commented this at all. It is true what you said that with a 5% organic growth at least and catch-up on White Drive profitability, we should have and we will have a good support for protecting and consolidating our margins in 2023.

Regarding White Drive integration, we have commented on data. Results are encouraging, we still have to work and to improve the results of the American side of the business, but overall, the results of the fourth quarter are absolutely in line with our expectation. And we are very happy and proud that we have delivered 21% EBITDA margin.

Your first question was on prices, it depends. In 2023, in general...let's say, in general, we want to have a fair approach. We have not benefited in 2022 in transferring to the customer more than the cost that we have had. We have been very transparent and very fair in transferring more or less exactly the inflation on our raw material and energy costs, and we are prepared to give back something whenever it will be possible and whenever it will be rationally demonstrated.

For example, I have in mind a couple of examples of energy surcharge that were applied on the fourth quarter of 2022, that will not be maintained in 2023, because energy price went down significantly in the fourth quarter. But this is just a way of being honest and transparent and real partner with your customer, we don't want to speculate and we didn't want to speculate last year, even if we have many cases to do this. We want to maintain a fair approach and we are prepared to give back something whenever it will be possible and for this reason, we do not expect any significant price variation then we can assume now that the price effect from 2023 will be between 0% and 2%.

DOMENICO GHILOTTI: Okay. So you are not saying that you were benefiting significantly from, let's say, increasing prices that was not matching any cost increases. So you were, I'm not saying overcharging, but say moving ahead of the price increases, and so, with an extra margin in 2022. Now, just say, okay, I don't want to get additional, let's say, advantages if there is a decline in cost.

FABIO MARASI: Correct.

DOMENICO GHILOTTI: Okay.

OPERATOR: The next question is from Michele Baldelli of BNP Paribas. Please go ahead.

MICHELE BALDELLI: |Hi, good afternoon to everybody. I've got a couple of questions on the D&A front. But just to understand on an annual basis, what is the level of the D&A for the right of use?

And the second one if I may, what has been the impact or what is the total of the PPA into the D&A pool?

And finally, on the White Drive acquisition and the recovery of margins. In the last conference call, you gave a certain picture. I just wanted to understand if that picture is still valid or some of the benefits on the margin expansion of White Drive have been brought forward into 2022? So if you can, let's say, update us also on that statement that you made? Thank you.

FABIO MARASI: I can start with this last point. We commented several times regarding White Drive margin that we had as a target to have an EBITDA margin at least aligned to the one of the Hydraulic division of the group. But our real idea and our real feeling is that in a mid-term perspective, White Drive may have a profitability performance aligned to the one of the whole group and then in reality, an higher performance than the Hydraulics division. And we confirm these expectations, we confirm these comments. And the results of the fourth quarter are exactly supporting this feeling and this positive mood that we have towards the integration of White Drive.

Regarding the D&A of the right of use, I don't have clear detail. I don't know if you, Elisabetta, may support me on this. No, not possible. We will have to follow up on this.

MICHELE BALDELLI: And then maybe not for the PPA?

FABIO MARASI: What's that?

MICHELE BALDELLI: For the purchase price allocation D&A?

FABIO MARASI: Purchase price allocation of White Drive, you mean?

MICHELE BALDELLI: Yes. The D&A related to the purchase price allocation, maybe also on this item you will come back to us or you have...?



FABIO MARASI: Maybe we should come back later on because I do not understand clearly the question and I don't have this details.

MICHELE BALDELLI: Okay. Thank you.

OPERATOR: The next question is a follow-up from Domenico Ghilotti of Equita. Please go ahead.

DOMENICO GHILOTTI: I have 3 questions. One probably is, say, just a follow-up on the previous question in the sense that we have seen quite a significant pick-up in D&A in Q4. And obviously, we see also higher CAPEX over the last 2 years. So I don't know if you can help us in guiding on what can be level of D&A for 2023. So what can be a reasonable assumption for 2023?

The second question, you sounded on the M&A, I'm not saying already, but because you were already ready, but eager to do maybe something larger than usual. And so, I wonder if you have something, let's say, on the table apart from let's say the general comment that you have something on the table that is actually larger than usual?

And then the last question is on the organic growth, you were mentioning around or at least 5%. Can you give us a sense if you see quite balanced growth for the 2 divisions or you see maybe this year Water-Jetting exceeding the Hydraulics? I'll give the comment to you.

FABIO MARASI: Regarding D&A, it is clear that the evolution depends on the investments and the CAPEX that we have made in 2021 and 2022 in particular. And I believe that we can say that in 2023, the target or the expectations for D&A will be around €100 million.

Second question was on M&A. M&A, I have commented several times, and I confirm now after the very good results of the first year, after the acquisition of White Drive that we are prepared. We have the strategy, we have the

commitment and we have the managerial resources to evaluate and to address acquisitions or opportunities that are larger than our usual average or usual target. It depends, we have many dossiers here on the table at any single time. We are following and we are considering or discussing different dossiers and different targets, but you never know. That is not in our tradition and it is not wise to give you any target or any further comment.

What is really important to comment is the strategy of the group that remains unchanged and the willingness to do...to go ahead with our usual approach and being prepared to evaluate something larger and even more complicated in terms of integration, like the White Drive case, the most rated.

The third question was on the organic growth by division. And I would say that we should expect a more balanced growth between the 2 divisions. And if you go back to 2021 and 2022 results, you will see a significant over-performance of the Hydraulic division in comparison with the Hydraulic division. For 2023, I'm expecting a far more balanced evolution...a far more balanced growth.

DOMENICO GHILOTTI: Okay. Thank you very much.

OPERATOR: The next question is from Bruno Permutti of Intesa Sanpaolo. Please go ahead.

BRUNO PERMUTTI: Yes, good evening everyone. I have a few questions. The first one concern the medium term guidance. So it is feasible to assume that in this guidance more or less, one half should come from organic growth and the other 50% from potential acquisitions?

The second one relates to the EBITDA margin target that you gave for 2025. It seems to be very conservative looking at your past performance, it would imply a quite low profitability...quite low profitability of the acquired companies, I mean, between 10% and 15% if we assume that your profitability for the rest of the group will remain stable...at least stable at the

current level. So I would like to understand if this is a very conservative approach or exactly what's the reason for this?

And the third question concerns the tax rate, it was a little bit high in 2022. I'd like to understand if there is any particular reason for this? And what we have to factor in our models for 2023 and the following years?

FABIO MARASI: Okay. Regarding the mid-term guidance, I confirm you that our approach has been very conservative but this is part of our DNA. This is part of our history, and this very conservative approach is the one that we have always used in the past. We have been very conservative in 2020 when we announced the first 3 year plan, and we significantly overachieved this target. And of course, our aim is to overachieve this 3 year target once again, but you never know. You never know in particular, the potential dilution of the M&A, it is correct that we have been cautious also on the profitability of the company that we consider to acquire. But what is more relevant and more important [technical difficulty] our aim is to under promise and to over-deliver. This is what we could keep in mind.

Regarding tax rate, I believe that last year tax rate was something like 27%. And it has been a couple of percentage points higher than last year. We expect to be less in 2023, then we expect that it will be closer to 25% and to 27%.

BRUNO PERMUTTI: Okay. Thank you. If I may, just one more question concerning the seasonality in 2022, we saw a very inexistent seasonality in terms of profitability between the quarters. I'd like to understand if you have a different view on 2023? If you see a different...if you see some factors that could balance in a different way the profitability seasonality in 2023?

FABIO MARASI: Okay. No, I believe that it's better not to speculate on seasonality and on quarterly evolution of the margins. I believe that, like I've commented many times in the last couple of years, it's much, much, much more important to look at the yearly results because monthly results or quarterly results may

have some variance. Even if we demonstrated that in reality, the fourth quarters of 2023 were almost...2022 were almost equal. But generally speaking, I'm much, much more impressed by the stability of the results of the last 4 or 5 years. If we start from the 23% EBITDA margin of 2019, we go to 22.7% of the terrible year of 2020. We jumped to 23.7% of '21 and we maintained 23.7% in 2022. I believe that this consistency and this stability in results is what really matters. I don't care too much about the first quarter or second quarter profitability evolution also because we do not see particular seasonality. And I don't invite you to expect significant differences or a roller coaster between the different quarters of the year.

BRUNO PERMUTTI: Thank you.

OPERATOR: The next question is a follow-up from Matteo Bonizzoni of Kepler. Please go ahead.

MATTEO BONIZZONI: Thank you for this follow up. My question is, if you can comment on an indicative growth of your order book now that we are mid-February year-on-year compared to the same period of the last year? And if it is correct to imagine that this 5% organic growth target for the year could break down into a high single-digit growth for the first half, and then clearly the second half is probably more open in terms of backlog coverage? And so, let's say that it factors in a significant slowdown of the organic growth in the second half compared to the first half in order to meet this 5% for the full year. Thanks.

FABIO MARASI: Regarding the increase of order backlog, I say that at the end of January, it's around 20% in comparison with January last year. That is still significant, the absolute value remains at the top level. And we are very happy about what we have seen in the recent months and the recent weeks in terms of order intake and new project discussion with the customer.

The second question was related to...if you can repeat, Matteo?

MATTEO BONIZZONI: No, you have already, let's say, answered. So if you have a 20% growth of the order book, it's clear that the first half, I mean, if you have a 5% target in the full year, but the first half could be significantly better than that or I'm wrong?

FABIO MARASI: We will see, it's clear that we have a far better visibility on the first half in comparison with the second half because orders that we have on our backlog cover a significant part or a significant number of months, in particular, in some of our companies. Then it is correct. It is true that we have far better visibility on the first half of the year and lower on the fourth quarter.

MATTEO BONIZZONI: Okay. If I may just a follow-up. Are you observing any slowdown in any specific end market, maybe I don't know, construction equipment or whatever or not? And on the other side, do you continue to have a very strong intake in some...I remember in the past, you mentioned agriculture as a strong market in 2022. Just to have a little bit of color of the different end markets and maybe geographies as you...?

FABIO MARASI: We do not see a significant slowdown anywhere. We see a very strong demand in almost every market and in almost every application with the only exception of China that we have commented several times. And agriculture, for sure, remains super strong, but also many other applications or many other businesses are very, very important in terms of growth and in terms of order. But the real beauty is that the growth and the demand from the market is really balanced between the different companies and the different divisions of the group. And this, of course, help to focus our efforts on exploiting efficiency and optimizing margins.

In terms of geographies, apart China, any other country or region is growing double-digit in comparison with last year, both in terms...what if we analyse the fourth quarter and the full year.

MATTEO BONIZZONI: Okay. Thank you.

OPERATOR: The next question is a follow-up from Domenico Ghilotti of Equita. Please go ahead.

DOMENICO GHILOTTI: My very last question. Would you consider starting the buyback...restarting the buyback or do you want to keep let's say cash on hand for any reason M&A or whatever?

FABIO MARASI: We will see after the Shareholding General Assembly. But generally speaking, we do not see a particular reason to not to rethink about the buyback during the year. It will depend on the opportunities that we will have in terms of M&A, of course.

DOMENICO GHILOTTI: Because at least working capital would not be a drag as it was, say, in 2022, if I understand it properly?

FABIO MARASI: Absolutely. You're absolutely correct. And we expect to have a significant cash flow generation this year, of course.

DOMENICO GHILOTTI: Okay. Thanks.

OPERATOR: The next question is from Alessandro Tortora of Mediobanca. Please go ahead. Mr. Tortora, your line is open. Please go ahead.

ALESSANDRO TORTORA: Yes, hi. Good evening to everybody. I have 3 questions. Can you hear me?

OPERATOR: Not so well.

ALESSANDRO TORTORA: Okay, and now?

FABIO MARASI: Let's try to go ahead Alessandro.

ALESSANDRO TORTORA: Yes. Thanks. Yes, the question is...let's say, 3 questions, if I may. The first one is related...just a follow-up on your question on...your point

on White Drive. Clearly, there's the strong price effect in the last part of the year. And what I would like to understand is if we can assume some carryover of this positive price effect also in 2023, meaning that White Drive should have a higher price component on the let's say organic growth for 2023 considering the strong sales increase in Q4?

The second question is on...is just a clarification on D&A. When you said that you expect something around the €100 million in D&A, does this number include the let's say D&A related to the IFRS 16?

And the last question is on, let's say, the performance by region. You commented let's say on the past performance, but entering now in 2023, do you see let's say significant differences, for instance, among Europe and U.S., or basically you see a positive trend for both markets? Thanks.

FABIO MARASI: Regarding the carryover for White Drive, I would say that the carryover is more related to the recovery in terms of manufacturing efficiency of the company instead of expecting a carryover on price increase application. It's much more related to the efficiency that month-after-month we are improving.

Second question, the D&A of €100 million certainly includes the IFRS 16 effect. And the performance by division with...by region, we do not see significant difference between Europe and U.S. We confirm that both regions are performing very well and the demand is strong in both areas.

ALESSANDRO TORTORA: Okay. And just financially, a quick follow-up on let's say your comment on the CAPEX trend also for the coming years, basically, you reiterated that we should come back to something in the range between 4% and 5% or let's say we still need to think about let's say the upper end of this indication considering the 6% on sales you achieved last year?

FABIO MARASI: No, between 4% and 5%, in particular, if we look at the 3 year plan, the 3 year period is something that enough...will be enough to complete our

Investment Plan for new buildings and to maintain a state-of-the-art manufacturing plant and efficiency.

ALESSANDRO TORTORA: Okay. Thanks.

OPERATOR: Mr. Marasi, there are no more questions registered at this time.

ELISABETTA CUGNASCA: So thank you very much. Have a nice evening, and speak to you in May. Bye.