



INTERPUMP GROUP

Interpump Group S.p.A.

4Q2025 Results Conference Call

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OPERATOR: Good afternoon, this is the Chorus Call conference operator. Welcome and thank you for joining the Interpump Group Fourth Quarter 2025 Financial 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 Elisabetta Cugnasca, Head of Investor Relations. Please go ahead, Madam.

E. CUGNASCA: Thank you. I am Elisabetta Cugnasca, Head of Investor Relations of Interpump Group. Good afternoon or good morning, depending on your time zone, and welcome to this Interpump fourth quarter 2025 financial results conference call. As usual, I must draw your attention to the disclaimer slide inserted in the annex part of the presentation that I hope you were able to download from our website.

Now, I would like to leave the floor to Mr. Marasi, Group Chief Executive Officer.

F. MARASI: Thank you, Ms. Cugnasca, and thanks to all of you for joining our call. We are here to speak about fourth quarter '25 results, 2026 expectations and group path to 2028. It has now become my habit to open our regular meeting by highlighting the most important numbers, and I will do the same today.

First, the fourth quarter 2025 results. Plus 4.8%, the growth rate of the Hydraulic division in the quarter. The division recovery is not simply going on, it's accelerating. €220 million of free cash flow, this is a splendor, a number to be very proud of. This is the best result in our history, surpassing the previous record of €205 million achieved in 2024.

As some of you may recall, in August 2022, we committed to improve our cash flow generation. We have achieved this goal for 2 consecutive years, and all conditions are in place to deliver a third consecutive record this year.

Moving to 2026 guidance. An organic growth rate range between minus 2% and plus 3%, to which we had the contribution from the businesses acquired in 2025, estimated in approximately 2% of revenue. As we will see shortly, both the full year '25 figures and the early 2026 trends are fully aligned with our most recent performances, a steady and increasing recovery in the Hydraulic division and the weakening, only apparent of the Water Jetting division. The deterioration of the current geopolitical context represents a risk that cannot be disregarded. And this explains why the guidance range starts from a number that is still negative.

Third, the path to 2028. We aim to reach €2.5 billion in revenue through a combination of organic growth and small to midsized acquisition, maintaining an excellent profitability and zeroing our net financial position.

The understanding of our short and medium-term expectations begins with reviewing our 2025 closing figures. Therefore, I would like to take a closer look at the results of the quarter just ended in terms of revenue, EBITDA and cash generation.

Starting from sales, the recovery continues with the third consecutive quarter of group's revenue growth of plus 2.5%, driven by the further strengthening of the Hydraulic division which accelerated the increase of more than 3% achieved in the third quarter, reaching almost a 5% growth rate in the fourth one.

The underlying trends behind this growth are noteworthy. While in the previous quarter, roughly half of the division revenue was still declining, low single-digit, but still declining. In the most recent quarter, over 80% of the business returned to growth with only one meaningful application market that is still decreasing, that is leasing.

The best performing application were agriculture and construction, both posting increases of around 40%, a real explosion. However, if we look not only at growth rates, but also at weight within the division, specifically adapters industrial vehicles and generic dealers, which together represent 40% of the division. Their single-digit growth is even more reassuring.

From a geopolitical standpoint, the picture is less clear. Among key countries, the only one that appears to be consolidating its recovery trend is Italy. The United States finally delivered its first quarter on growth, approximately 5% after 6 consecutive quarters of decline, but it is clearly far too early to speak of a genuine recovery. Let me remind you that this is our most important region, accounting for 20% of the division's revenue.

Moving to the Water Jetting division. I hope the roughly minus 2% result did not come as a surprise, considering that fourth quarter 2024 was the second-best quarter of last year with organic growth of more than 7%. I would like to reiterate my recommendation regarding this division.

Quarterly comparison can be extremely misleading due to the impact of a single contract, more or less significant, and the results should be assessed on a full year basis. In fact, 2025 was yet another year, I would say, the fifth consecutive of outstanding performance.

As shown on Slide 42 of our presentation, since 2021, we have been reporting organic growth rates in the double-digit or high single-digit range. And the least satisfactory year was 2024 with only 5% growth rate. At the application market level, food and beverage, the most important segment of the division, accounting for approximately 25% of its revenues grew by more than 15%.

On this point, let me highlight an important evolution, especially for those who have been following us for a long time. We entered this market less than 10 years ago with the acquisitions of Inoxpa and Mariotti & Pecini. And in this period, it has not only become the division's most important application, but as you can see on Slide 38, it now represents 10% of total group's revenue. It has, therefore, surpassed agriculture, construction and cleaning, our traditional applications historically associated with us, which, however, have become far less prominent, thanks to our diversification strategy.

I would like to conclude this revenue overview by emphasizing again the importance of the diversification goal, perhaps the most important of our group. The beginning of 2025 was still very challenging for the Hydraulics division with a minus...with a 14% revenue decline in the first quarter. Gradually, things improved, minus 7% in the second, then plus 3% in the third and now nearly plus 5%, resulting in a full year decline of around 4%.

This weakness was counterbalanced by more than 6% growth in the Water Jetting division, following an opposite trend, a strong start at an extraordinary second quarter and then a gradual normalization. The strength of Water Jetting once again offset the weakness of Hydraulics and our diversification enabled us to reach the upper end of the growth range announced in February 2025.

Moving to EBITDA. In the fourth quarter, the 4.8% organic increase of the Hydraulics division resulted in an improvement of more than 18% of profitability. Consequently, over the full year, the division's profitability declined slightly from 19.8% to 19.6%. In other words, a decrease close to 4% in revenue resulted in a 5% decrease in EBITDA. And when adjusting both figures for the effects of perimeter changes and currency movements, a 4% decline in revenue corresponded to an EBITDA slightly lower decline of a bit more than 3%, a fantastic result that is once again the proof of the resiliency of our business.

As for the Water Jetting division in fourth quarter, the slight decrease in revenue had no impact on profitability, which remained stable at 25.7%, allowing us to close the full year with a margin that improved from 26.2% to 27.2%.

During the year, on one hand, we did not see a repetition of the event that negatively affected the second quarter '24, the relocation of Inoxpa operation in India to the new facility. On the other hand, the work on improving production processes to manage demand peaks continue successfully.

As a result, at group level, our colleagues in operation across both divisions were able to continuously adjust the cost structure, even though in 2 radically different revenue environment. In the Hydraulics division, the group transitioned from actions aimed at mitigating declining revenue to a phase of constant adaptation, in line with an initial improvement, and then to a return to growth.

In the Water Jetting division, the efforts were initially focused on reducing the impact of production inefficiencies, linked to the demand spikes experienced in the previous year and subsequently, on adapting to stabilizing revenue levels.

To complete the EBITDA overview, it's important to highlight that the group was able to offset the impact of US, tariffs, having increased prices or having recharged them to customers. The newly acquired companies did not have any dilutive effects.

To conclude the discussion on profitability, I would like to draw your attention to Slide 11, which, in my view, exemplifies the strength of our group. Thanks to our diversification and operational flexibility, in years marked by extreme volatility, we have demonstrated an excellence resilience in margins that few industrial companies can match.

Cash generation, I have already mentioned the new records we achieved, and the fact that we are working to deliver a third one. And now, I would like to explain why in more detail. The commitment we made in August '22 to improve cash generation has been implemented by working on 2 fronts, trade working capital and CAPEX. With CAPEX at 4.4% of revenue, we can undoubtedly say that we have fulfilled our commitment. Equally undoubtedly, from a working capital perspective, we still have work to do.

The progress made in 2025 represents only one step in a broader journey that must continue. Going into details; trade working capital. As many of you who have known us for a long time are aware, trade working capital is a key element both in supporting growth and in protecting profitability. In 2021 and 2022, the post-COVID rebound years characterized by extraordinary demand but also major issues in logistics and supply chains, we were able to achieve organic revenue growth above 20%, partly, thanks to our inventory level. But trade working capital is not only inventory; it also includes trade receivables, which naturally increased significantly alongside the strong revenue growth previously mentioned.

In addition to this organic evolution, 2022 also saw the consolidation of White Drive, a perimeter change that had a very significant impact from this standpoint. Improvement efforts we undertook yielded immediate results. In 2023, the trade working capital to sales ratio improved from 39.5% to 38.2%. Unfortunately, in '24, the significant revenue decline minus 14% organic, naturally led to an improvement in trade receivables and payables. But given the magnitude of this change, we were unable to perform equally well in terms of inventory, and the ratio exceeded 41%. This year, we have moved back below 41%, but this improvement is clearly not sufficient. Therefore, we confirm our objective of returning to what we consider the optimal level for our group, that is 35%-36% of sales.

CAPEX, again, with capital expenditure equal to 4.4% of revenue, we have finally reached our goal of returning to a CAPEX level consistent with the future production needs of our group. We made this commitment in August 2022, and we can now say that we have delivered on it. I would also like to underline that our satisfaction in reaching this milestone is matched by the positive result of the 2021-2023 Investment Plan.

In Slides 16, 17, and 18, we have included images of the group's most important facilities that were expanded or entirely rebuilt, as well as the machinery purchased to further increase the high level of automation that characterizes us. We launched a project that involved the entire group across all major geographies and in both divisions. Between 2021 and 2022, a significant portion of resources was allocated to land acquisition and facility construction.

And let me remind those less familiar with our industry that owning our production sites is a major strategic advantage. In more recent years, instead, our focus has shifted to production assets. As a result, we believe we now have best-in-class factories, increased capacity, and, above all, higher production efficiency.

All these elements contribute to securing a competitive advantage for the years ahead. Those of you who have visited us in recent years have been able to appreciate this progress first hand, and we wish to reiterate our full availability to welcome you again.

Consequently, to summarize, the process of normalizing our investments has been completed, where we still have considerable work to do on trade working capital. This means that there is indeed room for further improvement, allowing us to achieve new records.

Moving to acquisitions, I have to underline that this year, all acquisitions were concentrated mainly in the last part of the year. We have already discussed Tutto Hidráulicos in Brazil. Now, I would like to briefly talk about Borghi Assali and Farma, which enable us to pursue the same strategic objective product diversification.

Borghi Assali axles are complementary products to gearboxes, in particular to regenerative products. While Farma tanks components fit with Padoan products. The acquisition finalized last June, and therefore with Interpump Hydraulics complete kits.

I hope my explanations regarding 2025 closing have been satisfactory. Let us now move on 2026, which began with the month of January that confirmed trends already visible in previous months. Continued growth in the Hydraulics division, and an apparent weakness in the Water Jetting division. But as we do every year, to better explain our expectations, let us focus on the evolution of the backlog, which you can see on Slide 21.

The process of consolidating the backlog at levels significantly above those seen pre-COVID has not simply continued. The backlog is growing, stabilizing between €600 million and €700 million. The backlog of the Hydraulics division is increasing, while that of the Water Jetting division naturally reflects the extraordinary contracts recorded in the first part of the previous year. Therefore, as we did last November, we should think in terms of order intake. As you can see, at the end of December, the order intake of the Water Jetting division was not only growing compared to December '24, but was growing more than it was in 2024 compared to 2023. We felt it was important to provide visibility on this KPI to reassure you.

Our Water Jetting division is solid, and if in the first part of '26 you do not see revenue growth, it's only because the comparison base is exceptionally strong. The 14% growth shown on Slide 22. It's equally clear that the evolution of the Hydraulics division will be the exact opposite, as it face a relatively easy comparison base. In the first part of 2025, its revenue declined by almost 11%.

As a result, I don't think there is much need to explain the likely evolution of the 2 divisions within the organic growth range of 2026, which, as I mentioned earlier, is between minus 2% and plus 3%. What is important is to explain why the starting point of this range is still a negative number. As I highlighted earlier when discussing geographic trends of the oil division in the fourth quarter of 2025, these trends are not yet stable.

Italy confirmed the recovery seen in third quarter, but Germany did not, and the United States showed growth, but only after 6 quarters of decline, some of them were double-digit decline. This pattern is reflected at group level. These key countries ended 2025 in difficulty, with the US down almost 7%, Germany down nearly 5%, and France down 3%. This makes the situation particularly complex to read, and understandably worrisome, especially for the United States, our most

important market, and unfortunately, the one currently facing perhaps the highest level of political and macroeconomic uncertainty. The minus 2 reflects the risk of further deterioration in these important countries, risks that our geographic diversification can certainly mitigate but not eliminate. As for EBITDA, as you know, it's our practice to provide precise guidance in May based on early year data. With regard to cash generation, I believe I have already indicated the objective we will be working toward this year.

Let us now move to the final part of our meeting, our medium to long-term expectations, namely our target of reaching €2.5 billion in revenues by 2028. Before doing so, or better to do so, we believe it's important to reflect on why it was not possible to reach the €2.5 billion target this year, and to share with you the highlights and lowlights of the 3-year period just ended, which we have summarized on Slide 25.

The most significant downside was certainly a post-COVID normalization that proved to be much longer and much more intense than we had anticipated. We had to face 7 consecutive quarters of declining revenues, and these declines were substantial, with an average reduction of around 12%. Our expectations were for a phenomenon roughly at that size.

Another negative factor was that in the years immediately preceding this downturn, the results of the companies within the Hydraulics division had been so strong that sellers' price expectations reached levels that were quite extraordinary, even for companies that were not true perfect fits for us. This situation changed dramatically in the second half of 2024 due to the ongoing normalization, and indeed, in just over a year, we acquired companies that are unquestionably perfect fits. [Indiscernible] Borghi Assali, Tutto Hidráulicos, and Farma.

As a result, while the normalization in the Hydraulics division deprived us of the important support of organic growth in our overall expectations, it has more recently brought seller expectations and valuations back to levels consistent with industrial fundamentals.

A second positive aspect, chronologically preceding the one I have just described, was the identical phenomenon observed starting in the second half of 2022 in the Water Jetting division, driven by a significant reduction in private equity and financial sponsor activity due to rising interest rates. This allowed us to resume building the flow processing vertical within the Water Jetting division.

The first step was taken in 2017 with the double acquisition of Inoxpa and Mariotti & Pecini, but these were not followed by further move precisely because the interest from these players extended even to smaller companies that normally would not fall within their typical scope.

Finally, starting in April 2023, our development path in this highly attractive vertical resumed, and we completed 5 acquisitions in less than 2 years. I.MEC, WAIKATO, PP China, YRP Flow Technology, and ALFA VALVOLE. Again, companies that can undoubtedly be defined as a perfect fit.

In years marked by unprecedented operational volatility, I can assure you that we evaluated every opportunity we considered interestingly. What we did not do, and as a group CEO I am proud of not having done, was starting acquiring companies that were not perfect fits or accepted valuations that did not correspond to the true value of the businesses simply to offset the revenue decline.

Speaking also on behalf of my colleagues who work with me every day on potential deals, we regret not having reached the target we had set for ourselves, but we do

not regret having refused compromises or easy shortcuts that might have been yielded short-term benefits but could have turned out to be detrimental to the group in the long term.

Acquisitions must be priced correctly, but above all they must be the right ones because companies cannot be bought and sold like shares. The fact that our integration model can be described as soft does not mean neither that integration does not take place, nor that we do not begin working alongside with companies joining our group to help ensure the improvement of their performance.

And on these topics allow me to brief digressions that may appear to deviate from the subject we are addressing, namely our expectations for the future. These 2 digressions are called Waikato and White Drive. 2 acquisitions that, for reasons that are not entirely clear to us, are unfortunately not perceived as perfect fits, or as successful acquisitions. They were, and still are, absolutely perfect fits, because they enable us to continue our diversification journey, both in terms of product and geography.

However, the timing was extremely unfortunate. We acquired Waikato just a few months before the collapsed, in global milk price, which forced us to carry out rationalization activities that had not been planned. Instead of working solely on the international network, we had to intervene significantly in the activities of the New Zealand parent company as well.

As for the White Drive, I assume you all remember that our integration process aimed to bring the group to a 21% EBITDA margin. And I hope you also remember how, in February '24, we announced the completion of the integration process and the achievement of the 21% margin in the fourth quarter of '22. A result achieved again in the first quarter of '23. Unfortunately, the normalization of the agriculture

sector started in the third quarter affected this company more than any other in our group. And indeed, revenues in '24 fell by almost 40%.

In Slides 29 and 30, we have shown what happened and what is happening now, namely the gradual exit from this difficult situation. Waikato and White Drive Poland are certainly on the right track, while White Drive US is to be fully honest, still behind, although improving. The year '26 will still require significant work in this company. The new CEO appointed roughly one year ago after an initial assessment phase has set in motion the organizational changes still needed. And together with our Polish colleagues, is working to achieve the most efficient allocation or certain production processes between the US and Poland.

The fact that these 2 companies are recovering, so quickly after 2 severe crisis in their respective reference markets demonstrates 2 things. First, that they were and remain perfect fits. And second, that while we may not be fond of restructuring story, we know how to execute them when necessary.

After so many wars, here are the numbers. We aim to achieve revenues of €2.5 billion in 2028, assuming positive organic growth with the only concern being 2026, as previously mentioned, and execution of small to mid-sized acquisitions consistent with our historical track record. In that same year, we expect to bring our net financial position to zero, thanks to the cash generation we aim to deliver. These objectives will be pursued while adhering to our profitability guideline, the 22.5% margin represents a level of excellence that cannot be compromised.

I hope I have managed to have illustrated the 3 topics discussed today and, of course, we are here to answer your questions. Before handing over to you, I would like to conclude with a clear message. We are an industrial group with an industrial

approach. In recent years, we have demonstrated an excellent ability both to protect margins and to generate cash.

Our growth path over the past 3 years did not materialize as we hoped, but growth remains the direction we intend to pursue with determination and discipline. In recent years, our group has successfully faced truly challenging situations and has emerged stronger. And this strength may be used, just as our Chairman anticipated a few months ago, to pursue growth options that are broader and more ambitious than ever.

E. CUGNASCA: Thank you. We are at your disposal for any questions.

Q&A

OPERATOR: Thank you. This is the Chorus Call conference operator. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on their 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 Cheuvreux.

M. BONIZZONI: Thank you. Good evening. I have 3 questions. I would start from the 2025 close. There is €8 million EBITDA in Q4, which is around 8% compared to consensus minus. And, as it was also last year, it is driven by Hydraulics, no? Because in Hydraulics, I was seeing that the margin is 16.7%, which is around 400 basis points below the 9 months. It stood at in Q4, typically, if I look back in my model for the last 10 years, the margin is slightly softer, but 400 basis points is a lot. So, I would like to ask you, if also there is some sort of one-off factors to mention, and if yes,

if you can refer it to any subsidiary, like right kind of inventory or any kind of these impact?

Second question is on the guidance, organic minus 2, plus 3. There is no guidance on the margin. Can you disclose a little bit, an approximate range, if you want, or maybe it's early, I don't know, for both segments? And then, okay, there is no margin guidance, but you consider the 22.3% of 2025 sort of lower, or given that the mix is going to be negative because Hydraulics is up and Water Jetting is going to be probably down, this is going to play a negative role from the consolidated margin compared to the 2025 starting base.

Last one is on this statement which you have put in the press release on potentially larger than expected...not than expected, larger than usual M&A. Can you help us understanding the rationale and what's next, basically? Thanks.

F. MARASI: Thank you, Matteo. Clearly, the miss is based on the comparison with the consensus that you mentioned. Clearly, we are an industrial group, and we have to manage a very large, broad, and complicated organization. In order to comment these not brilliant results in the fourth quarter in Hydraulics, I will not refer to any significant one-off factor. Clearly, every year, at the end of the year, we are discussing with auditors, and we are adjusting the level of inventories, but there is nothing really meaningful in this. What is still meaningful is the weakness or the less-than-expected strength in the market that prevent us in utilizing fully or adequately the manufacturing capacity that we have.

And then we had to manage some extra day of shutdown of our factory in order to manage the production rates and production efficiency in the proper way. Then I will not mention any one-off or any exceptional cost that is penalizing in these

numbers, just the consequence of the weakness in some market or in some company, or this lower-than-expected recovery.

Markets, in particular in Hydraulics, are recovering, as we have seen in the comments made before. We are accelerating quarter-by-quarter, but clearly, we still have situations in which we are not utilizing at a 100% rate our internal manufacturing capacity, creating some inefficiency in the utilization and amortization of the cost base. Then this is the real reason.

Regarding the guidance, minus 2, plus 3, clearly, we didn't make particular comments on the division, but considering also how 2025 evolved, we are expecting, and it is clear in the performances of the recent quarter, that we expect a stronger Hydraulics and a weaker Water Jetting, in particular in the first half of the year, in particular for the...or based on the comparison base that we will face.

Regarding profitability, as you know, it is our tradition to deliver and to share with the market our guidance on margins after the first quarter results, then in the month of May.

And regarding your question on the 22.3% level of 2025, if this may be considered as a floor or it may be a risk, I believe it is too early to comment on this. Clearly, we are more profitable in the Water Jetting than in the Hydraulics division, but clearly, as stated one minute ago, we are not utilizing in the best possible way the manufacturing capacity in some company in Hydraulics. And then the organic growth that we expect in Hydraulics will represent a significant benefit also in the efficiency in...and also in the expected profitability of the division. Then, clearly, the hope and the most important goal, not only the hope that we have, is to protect the profitability once again, despite the headwind consequent to the more difficult mix between Water Jetting and Hydraulics.

Regarding this...and regarding the M&A activities and numbers that are factored in this plan. We have stated that we are factoring in this 3-year plan, our usual small to mid-size acquisitions. But as stated several times, we are prepared, and we are open to evaluate and to consider larger and more challenging transactions, considering also the excellent level of our balance sheet and considering expected cash flow generation for 2026 and beyond.

M. BONIZZONI: Okay, thank you.

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

D. GHILOTTI: Good afternoon. First question is a follow-up on the Water Jetting outlook, in the sense that you suggest looking at the full year. So, I'm looking at the full year 2025, so the growth has been 6.3% organic. I understood from your previous calls that the extraordinary contribution could have been in the range of 2%-3%. So, actually, what I mean is, if there is an underlying growth, as you suggested in previous calls, and also looking at your comments on the order intake that is rebuilding the backlog. So I'm a bit...say, a bit strange for me to look at negative for the full year 2026 top lines, or 2%, 3% is not changing too much on a full year basis for 2026. So, do you think that the flattish on a full year basis is something achievable, or you see really a totally different situation compared to the past?

Then I have a follow-up on the Hydraulic margin. If I'm not mistaken, last year a normalized level would have been, let's say, more in the region of 17%, 18%. So, a bit strange for me to see the decline compared to a normalized level of last year.

And last, on profitability and cash generation, I wonder if you can consider, given the very low leverage and strong cash flow generation, a more aggressive buyback for 2026, waiting for maybe some disposals...some acquisitions, sorry?

F. MARASI: Domenico, I'm not sure if I got entirely your question. Regarding the flattish scenario, in a moment in which we are rebuilding the order intake and the order backlog, I believe that is not contradictory, because clearly, we have commented during 2024 and 2025 how the order backlog evolved, and that was penalized by the normalization in the level of inventory of our customers. We are seeing today, in particular in Hydraulics, clearly. We are seeing today a better or a higher level of order intake and order backlog, in particular in Hydraulics, that combine with a tougher comparison base in Water Jetting, make us...made us conclude on a minus 2%, plus 3% organic growth rate for 2026. Flattish scenario, as you described.

Regarding Hydraulics...

D. GHILOTTI: Sorry, maybe just to clarify, maybe I was referring to is...to make it simple, is a flattish for Water Jetting for the full year too aggressive, so too bullish, given the fact that you will face some tough comps for on a full year basis? I'm looking at full year because actually on a quarterly basis, it's really not meaningful, as you would suggest.

F. MARASI: Okay. Now it's clear. Considering the comparison base, I believe that flattish today is quite aggressive. It is too early to conclude on the full year, considering that the mega order that we delivered last year in June, July was not in our backlog when we started the year. Then the delivery is quite short. The lead time is quite short. Then it may happen again, but it is too early or too aggressive to conclude on a flattish scenario. And then with our usual prudent approach in our estimates, we are considering a flattish scenario on a consolidated level that is factoring a growth

in Hydraulics and a slight decline in Water Jetting, just because of the comparison base, okay.

Regarding margins, you were mentioning 17%, 18%. But if my data are correct, last in '25, we closed at 19.6%. In '24, we closed at 19.8%...

D. GHILOTTI: I was referring to Q4 because last year, you were providing some elements suggesting that the underlying, so apart from the inventory write-down was more in the...

F. MARASI: Yes, it's clear. It's clear. Yes, apart the one-off that we commented last year, in the Q4, we were close to 17%. That is the level that we reached in Q4 2025. Not an optimal one. But clearly, once again, I'm always inviting to comment the full year. The full year is close to 20% in both years.

Regarding the buyback...regarding the buyback, it's something that, as always, we will certainly consider and we will certainly do. The magnitude of the buyback will depend also on the opportunity that we will find, considering that our first and most important focus will remain M&A and consolidation.

But clearly, in particular, if we think about the 3-year period and if we consider the sum of the cash flow that we expect for the 3 year and the zeroing of the net financial position, if we will not be able to make significant transaction, clearly it is reasonable to assume an higher level of buyback.

D. GHILOTTI: Okay. Thank you.

OPERATOR: The next question is from Alessandro Tortora of Mediobanca. Please go ahead.

A. TORTORA: Yes, hi. Good evening to everybody. Let's say the first question, Fabio is, let's say, if you can come back a little bit on your, let's say, medium-term guidance of €2.5 billion and therefore, this cumulative 20% sales growth. So in terms of, let's say, capital allocation, M&A, the assumption you are making is, let's say, this...let's say, slightly organic growth with this 2026, let's say, close to stable and basically bolt-on M&A. And therefore, we are excluding, let's say, from that any, let's say, large size transaction. So just to have the confirmation that this is the assumption you made on that.

And the...let's say, the second question is on the profitability of Water Jetting. Clearly, we saw this year in 2025, this slightly above 27% level independent from the mix you mentioned before and considering also the exceptional sales level, thanks to the, let's say, exceptional order in China. Do you consider this 27% something sustainable or, let's say, the Chinese order helped in this case to, how can I say, not support a profitability level, let's say, in an exceptional and nonrecurring way? Thanks.

F. MARASI: Okay. Regarding your first question on the assumption on the 3-year plan, I confirm that this €2.5 billion target is the combination between an organic growth that is close to zero or flattish on the medium point in 2026, but we expect and we are factoring better numbers for '27 and '28, combined with the so-called bolt-on or add-on M&A, then €50 million, €70 million, €80 million per year. That is a combination of the two factors.

A. TORTORA: Okay.

F. MARASI: Then regarding the profitability of the Water Jetting, I believe and I confirm that the current level that is aligned with the level...the historical level of profitability of this division is sustainable even if...we will not have in 2026, the mega order that we got

in China with Hammelmann is a level that is based on a very consolidated profitability across the board in the Water Jetting division between the different companies.

A. TORTORA: Okay. And sorry, Fabio, just a follow-up on your comment on the US performance that was positive in Q4 after several negative quarters. Are you referring, let's say, to a specific division and therefore, you see, let's say, a differentiated trend, let's say, between Hydraulics and Water Jetting in the US, let's say, just have more color on this reversal in the US.

E. CUGNASCA: Okay. I'm taking this question. The 5% growth that was mentioned for Hydraulics is the growth rate of US...sorry, of the group. This number has been driven more by hydraulic than Water Jetting in terms of recovery. And this is a positive signal because, again, in the last...in the previous 6 quarters, US Hydraulics was down and was down high single-digit or double-digit. So the fourth quarter increase of the Hydraulics make us quite pleased. But unfortunately, due to the past trend, it's not easy to understand if it is only...it is really a recovery or are simply easy comp.

A. TORTORA: Okay. Thanks.

E. CUGNASCA: You're welcome.

OPERATOR: The next question is from Natasha Brilliant of UBS.

N. BRILLIANT: Thank you very much. I've got a few questions. I just wanted to come back on the margin, just to make sure it's very clear. So this time last year, we had a negative impact on the margin because of the inventory write-down. And I think you said at the time, excluding that, it would have been 22.4% versus the 22% that you reported.

As I understand it, that impaired inventory could be sold, so there should be a positive impact on the FY '25 margin. So compared to the 22.3% you've reported today, excluding that impact, what would the margin have been just so that we can compare like-for-like?

And then my second question is just on the M&A. I think the comments are pretty consistent with what you've said in recent quarters. But given the market dynamics, has the pipeline improved at all? Or are you seeing any more interesting assets? Or is it still quite tough to find interesting things?

And then finally, just within the guidance for 2026, can you help us understand how that splits between pricing and volumes? Is it still predominantly volume, or is there a pricing component in there as well? Thank you.

F. MARASI: Natasha, can you kindly repeat the first question? I'm not sure to have understood.

N. BRILLIANT: Yeah, okay. So, as I understand it, last year when you reported your margin, that reflected an impact from the inventory write-down. So you reported 22%, but I think if we excluded that impact, it would have been 22.4%. In 2025, if that inventory has been sold, that should have a positive impact on the margin because it's been sold at a lower cost. So, I'm just trying to understand what the positive impact was on the FY 2025 margin from the reversal of that inventory effect, if that makes sense.

F. MARASI: Okay. I understand now. I understand your point. Clearly, it's not mechanics, considering also that the cost of goods sold is an average. And then it is difficult for me to give precise numbers on the effect of the reversal or partial reversal of last year's accrual. Also because it was partially an accrual, partially a...let's say the

analysis performed by the auditors that evidenced in one company some missing, but it's a progression in this.

The utilization of the depreciated value is something that will happen over time, considering also the average cost of the inventory that we use in the cost of goods sold. Then I'm not able to comment, but I do not expect that this it's significant.

N. BRILLIANT: Okay.

F. MARASI: Regarding M&A and M&A dilution, considering the size of the acquisitions that we made or we are making, we are not expecting any significant change on the structural level of profitability, considering in particular if we are excluding any significant acquisition because the bolt-on acquisition that we are commenting and we are factoring in the 3-year plan, it is difficult that we contribute with 22.5% or 23% EBITDA margin on average, but even if on average these companies will be at 20%, the dilutive effect will be minimal. And our expectation is to repeat what we have done historically, I mean to maintain the excellent level of EBITDA margin despite the dilution, usually a light or slow or low dilution of the acquired companies, thanks to the synergies and thanks to the optimization that we have historically performed.

Regarding pricing and volumes, I believe that in 2026 we will have a flattish scenario on the 2 factors. We are benefiting from a slight reduction in the cost of some raw material that is offsetted by the increase in the cost of labor in some geography.

Regarding volumes, we are improving volumes in Hydraulics, not in Water Jetting. If we take a comment on a consolidated level, I would assume a flattish scenario on both aspects.

N. BRILLIANT: Okay. Great. Thanks. And just sorry, my question on M&A was more just what the pipeline looks like, whether there are interesting assets available, or whether the market is still quite slow in terms of M&A.

F. MARASI: Yeah, like we have commented in my speech before, considering the uncertainties and the difficulties that characterize the markets in 2024 and 2025, we see a positive market environment because small-to-mid size entrepreneurs, small-to-mid size companies, are more and more aware of how important it is to act or to have the possibility to operate with a global perspective.

The uncertainties that are risks, the geopolitical tensions, are worrying significantly small-to-mid size companies and entrepreneurs. And then I believe that for companies with our strategy, with our global footprint, and with our resources, there will be a lot of opportunities in 2026 and beyond. Our pipeline is solid in both divisions, and we are actively pursuing and working on this.

N. BRILLIANT: Great, thank you.

OPERATOR: As a reminder, if you wish to register for a question, please "*"and "1" on your telephone. The next question is from Andrea Adriano Scauri of Lemanik.

A. SCAURI: Hi, good afternoon, Fabio. I have a very simple question. From the answers that you gave to previous questions, you said a prudent approach. So, basically, the question is: what's the level of prudence that you have in this guidance, also considering what was your experience in the past, in the last 2 years, where there was a disappointment? So, basically the minus 2, plus 3% in your guidance, it can be seen as a very prudent floor that you are giving to the market, considering a repeat of the previous experiences in guidance that were not attended. Thank you.

F. MARASI: Tough, Andrea. This is a tough question, clearly. And clearly, the experience of the last 2 years are much more important, the uncertainty that is characterizing the global economies and the global geopolitical situation, make us prudent in approaching short-term or mid-term targets. I don't believe and I don't agree that we are missed 2025 guidance because last year we gave a plus 1, minus 5 range in terms of organic growth and we reached this goal but despite and without pointing on zero point something, I believe that the last couple of years has been pretty tough in some of our reference markets, but the company demonstrated once again how stable, how strong and how reliable our assets are.

And I believe that these uncertainties are not over yet. Are not over yet in some geography or in some business, and this is the reason why, considering also the very good performance of the Water Jetting last year and the previous 4 years, is very important for the company to share prudent guidance with the market, but even more important to define with a prudent approach the manufacturing capacity and the CAPEX and the workforce and so on for its activities.

Then, it's clear to me that I have not answered regarding how prudent is this guidance. I believe it is a serious one.

A. SCAURI: Okay, understood. Sorry if I come back again, but it's quite surprising in my view, considering the underlying business, in particular on the agriculture business, that is giving much more constructive, if I'm not wrong, messages from these companies. So, I suppose that your clients are back in a CAPEX mood and this should support, in particular, the Hydraulics division. But this is my personal view. I understand your point?

F. MARASI: No, Andrea, clearly, we are finally seeing very good performances, like I've commented before, in agriculture and construction, but please remind that

agriculture represents less than 10% of our sales, or construction more or less the same. Clearly, it will be more than welcome if this trend will continue toward 2026. We are discussing on a weekly basis with large OEMs that are our customers, and the good news is that they are, in these days, reviewing upwards their estimates and their manufacturing plans for the year.

But it's too early to consider that double-digit growth rate for these application fields will be possible to be assumed for the whole year, and in any case, we are a broadly diversified group, thanks God, and this is the reason why we have been able to protect our profitability and our top line in the last couple of years, in which agriculture and construction were very, very tough markets.

Clearly, this year, we will see double-digit growth in these markets. We will have a significant support, in particular, in Hydraulics, but clearly, we have to consider other markets or other application fields that performed very well last year, such as the Water Jetting as a whole. Then our prudence is because of the severe uncertainties and geopolitical tension all across the board and across the world. And then, I'm not even commenting the positive or the booming demand that we can expect if someday the Russian-Ukrainian war will end. We cannot factor this, clearly. And then, we should look at what we are seeing today, and we are factoring the level of uncertainties that is characterized in the markets as a whole in these days.

A. SCAURI: Okay. Thank you very much. Grazie, Fabio.

F. MARASI: Grazie Andrea.

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

M. BALDELLI: Hi, good evening to everybody. I have a question on the net financial charges that you may expect for this year, given that you are deleveraging. I was wondering, could you give us a sort of guidance on it or a range, please?

And the second question relates to the justice for the Water Jetting division. Sorry if I missed it, but just to understand on a quarter-on-quarter basis or a year-on-year basis, where it is evolving, it's flat, down, up. So, thank you.

E. CUGNASCA: Okay, in terms of interest charge, please remind that you have all the information related to the rates that we pay on the private placement. But please consider always that we do not cover in terms of FOREX, so there could be some negative and positive impact that we cannot predict on the interest charge, because we cannot predict the FOREX. And finally, keep in mind that in every fourth quarter, we make the adjustment of the liabilities that we have for the call put. And therefore, this element that is really calculated in a precise way on the fourth quarter can match. So, to give you a guidance of the amount of the overall interest charge, it's very difficult, because we cannot predict the FOREX movement and we cannot predict at the end of the year the evaluation and therefore the net debt calculation correlated to the possible exercise of the call option.

Can you please repeat the second question?

M. BALDELLI: The second question was relating to the backlog in the Water Jetting division, because I may have missed, and sorry if I missed it, but if you can give the flavor on the quarter-on-quarter growth, decline, or year-on-year.

E. CUGNASCA: Okay, in terms of the backlog, as we mentioned, as it is written down in the presentation on Slide 11, and as Mr. Marasi mentioned, the backlog of the Water Jetting is down. What is up is the order intake, and this is the KPI to be watched in

2026, because the backlog evolution is distorted by the Chinese ordering of the second quarter. So, the order intake is growing, and I show...we prepared a graph for you on Page 21, where there is the growth rate of the order intake in 2024 versus 2023. And there is a second column that shows you the growth rate of 2025 versus 2024.

You see that today, as of the end of December, the order intake is growing only close to double compared to the growth of the order intake in 2024. And the growth of 2024 has not the Chinese order, so this comparable is quite fair.

M. BALDELLI: Okay, thank you very much.

E. CUGNASCA: You're welcome.

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

D. GHILOTTI: Yes, thanks. A follow-up on the Hydraulic division, I'm trying to understand if...do you...if you have seen any relevant deterioration in some verticals, so specifically for Hydraulic at the end of 2025?

E. CUGNASCA: No, I mean, as I mentioned...as we mentioned during the call, 80% of...in the fourth quarter, 80% of the sales of the Hydraulics are growing. You probably remember that in the third quarter, we were 50% growing and 50% still declining, even if only low digit. Today, the only market...today I mean at the fourth quarter, the only market application that is going down among the most important one is lift. That lift means 8% of our sales, and lift is going down still high single-digit.

D. GHILOTTI: Okay, thank you. And last, just a clarification on a number that you gave previously on France, Germany, and the US are still declining. Are you referring to the full year or Q4?

E. CUGNASCA: No, we quote both in the sense that, if you take into account US, US, has been growing in the fourth quarter, okay, in Hydraulic. Italy was growing in the fourth quarter, in Hydraulic. Germany was down in the fourth quarter, always in Hydraulic. Okay?

D. GHILOTTI: Okay.

E. CUGNASCA: Then, if we move from Hydraulics to the group level, we have US still down, Germany still down and Italy flat, okay? Because fourth quarter variation change do not...were not able to change this entire situation at group level.

D. GHILOTTI: Okay, thank you.

E. CUGNASCA: Welcome.

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

B. PERMUTTI: Yes, good evening. Thanks for taking my question. I wanted to ask about the customer attitude. So, in the past conference, if I well remember, you told that you were selling for production and not for stocks. So, is this, it is...so you sell exactly what the client need. Is this still the case? What you are seeing in terms of stock at the client level?

And a second question, a concern, I guess, on the cash outflow for M&A in the plan. It could be reasonable to assume that you are considering more or less €250 million cash out related to possible M&A by 2028, it's something reasonable?

And last, very maintenance model questions. So, if you can confirm that the CAPEX level will remain very controlled on the next two, three years, and the tax rate level, considering that it was quite higher, perhaps, than expected in 2025. So, what do you expect going forward? Thanks.

E. CUGNASCA: Okay, I'm starting from the CAPEX. Yes, absolutely. We are expecting the CAPEX to remain in the...to remain at the level of this year. That means that our guidance is around 4%. This year, we were at 4.4%, so 4% for the next year is a fair assumption. I give the word for Mr. Marasi for the industrial question answer.

F. MARASI: Regarding the customer attitude, regarding the end of the de-stocking that I've commented before, I believe that this is the scenario. I'm not...I don't invite you to consider that the customer are building back their stock. We are not seeing extra demand driven by stock rebuilding activity. I'm still thinking, or the feeling that I have, the comments of the information that I have, are for an end-of-the-stocking mood or situation, in which customer are still ordering what they really need to assemble their machines, without taking the components from the stock that have been emptied in the last couple of years.

Regarding the cash out for M&A, you consider €250 million for the 3 years. I believe that in our assumption, clearly, it's a range. It's not a precise number, but between €200 million and €250 million in 3 years is something that is reasonable.

B. PERMUTTI: Thank you.

F. MARASI: Regarding the tax rate, I leave to Elisabetta the stage.

E. CUGNASCA: Okay. So thank you. The tax rate, we are assuming something in line with this...of this year, so something between 27% and 29%.

B. PERMUTTI: Thank you.

E. CUGNASCA: Welcome.

OPERATOR: For any further questions, please press "*" and "1" on your telephone. Ms. Cugnasca, there are no more questions registered at this time.

E. CUGNASCA: Okay. Thank you very much and have a nice e