

# **Industrie De Nora**

**"First Quarter 2023 Financial Results Conference Call"**

**"Q&A"**

**Thursday, May 11, 2023, 15:00 CET**

**MODERATORS:**      PAOLO DELLACHA, CHIEF EXECUTIVE OFFICER  
                             MATTEO LODRINI, CHIEF FINANCIAL OFFICER  
                             CHIARA LOCATI, INVESTOR RELATIONS AND ESG MANAGER

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 touchtone telephone. To remove yourself from the question queue, please press "\*" and "2." We kindly ask to use handsets when asking questions. Anyone who has a question may press "\*" and "1" at this time, that's "\*" and "1."

The first question is from Michele Della Vigna with Goldman Sachs. Please go ahead.

MICHELE DELLA VIGNA: Thank you very much, and congratulations on another strong quarter of delivering. Matteo, thank you. Thank you so much for all of your help and best of luck for your next adventures and endeavours. I wanted to ask 2 questions; the first one, when we look at the large contract potentially coming up in the green hydrogen area, I was wondering if you could without mentioning single contract, but if you could give us an idea of which geographical areas you are seeing the biggest operational momentum and increase in activity?

And then the second question I wanted to ask you is, on this peak contract, you are looking at again in the green hydrogen space, should we assume that pretty much all of the large contracts would come through Nucera or are you starting to see some of your other Electrode clients also potentially winning large contracts and effectively diversifying some of your revenue exposure there from Nucera? Thank you.

PAOLO DELLACHA: Thank you, Michele. I'll answer. The current deals projects that are under discussion and negotiation are mainly in North and South America and Europe. And of course, as we said already, we are talking about quite substantial size kind of projects. There are 2 that have been already somehow announced, the extension of the Unigel project that we already

awarded for 60 megawatt, they will be moved to 240 megawatt and that our JV, ThyssenKrupp Nucera will finalize, but has already been announced this enlargement and but we consider it still an ordeal [ph] because as long as we don't get the order of course for us very diligently, it's considered an ordeal. They already also announced another project in Europe. We cannot disclose so much, but again that's very serious and approaching.

So we are talking about average, large size projects, and because of that, to answer the second question, I have to say that this project are coming from our JV, ThyssenKrupp Nucera mainly. So the great majority of what we are talking about is coming from them.

MICHELE DELLA VIGNA: Thank you.

OPERATOR: The next question is from Matteo Bonizzoni with Kepler Cheuvreux. Please go ahead.

MATTEO BONIZZONI: Thank you. Good afternoon. The first question relates [indiscernible] strong margin supported in the energy transition business in the first quarter which is also significantly above the guidance for the full year, so you reported already, I would say a 30% margin which compares to the guidance for the year in the [indiscernible] so 10%-12% around [indiscernible]. So I just want to know if there is some specific reason for this kind of high margin in energy transition, and why the next 3 quarters should go down compared to what we have seen so far?

Second question relates the Water Technology segment, in particular Pools. You have said that you expect Q2 to be still pretty [indiscernible] for Pools but you also expect some stabilization of initial recovery for [indiscernible] from the second half of the year. My question is what is the basis for your expectation for the second half relating to the issues like destocking in the same, relating to issues like final demand. So I

just wanted to know what are the ground for your expectation for recovery in Pools already in the second half of the year rather than [indiscernible] from...starting from 2024? Thanks.

**MATTEO LODRINI:** Hi, Matteo. I am Matteo, well for the energy transition, I think that we clearly underline very consistently our expectation for an improved profitability and not only we started to give evidence during the Quarter 4, but we clearly also give guidance for '23, and I think that Quarter 1 is well underlined the consistency of our expectation. Of course, we have to say that growing in volume gain efficiency and good project in itself has resulted in a very solid Quarter 1, but I will reiterate our confidence for the full year guidance that we gave for energy transition.

For your second question, which I thank you again, about the evolution of the Water businesses in particularly the Pools in the second part of the year starting for Quarter 2. As we said, we have been noticing a persistence of...I will say stabilization in the market, despite the fact that Quarter 1 '23 in terms of revenue and in terms of square meters resulted higher than Quarter 4 '22. But having said so, my visibility on this week and in the coming months is for a persistent of a market that is quite stable. And I would say a little bit weak. So, we still seeing not in our stock, but in the customer stock, the end of the cycle of the de-stocking phase.

And I expect the recovery to be start to be visible in the second part of the year. Do not forget that the WT division is also including WTS, which apparently has proven to have a very solid growth in terms of volume in Quarter 1, and improve profitability and is well on track to achieve its target by the end of the year. Of course, the profitability in the Pool business is un-comparable higher than what if we have in the Water System project unit. So of course, the water division in itself will be much impact by the Pools, either in terms of volume or in terms of profitability than in the WTS. But the good story is that the WTS that

was showing a very strong backlog is now is on execution phase. So I'm expecting to see continue to grow in terms of volume in the course of the year, in the cost of each quarter. And each quarter continue to deliver is expected growth profitability that we declare in our guidance at the beginning of the year.

PAOLO DELLACHÀ: And also other income has increased?

MATTEO LODRINI: As a matter of fact. Thank you, Paolo.

MATTEO BONIZZONI: Thanks.

OPERATOR: Next question is from Isacco Brambilla with Mediobanca. Please go ahead.

ISACCO BRAMBILLA: Hi, good afternoon, everybody. Thanks for taking my questions. I have a couple. The first one is on the outlook for Electrode Technologies. You mentioned rich pipelines, which is translating into orders already from the second quarter. So is it fair to assume that the quarterly pace of revenues of the first quarter will be as of [indiscernible] even in for the next one this year?

Second question is a follow up on expectations on net cash position. You mentioned during your presentation that you expect increasing net cash position by the end of the year. Could you just clarify if this is compared to the figure of the end of March or compared to 2022?  
Thanks.

MATTEO LODRINI: Thank you, Isacco. In the Electrode business, to be honest, is a matter of formalities because we have executed orders in our hands. And I think that if I look on the managerial side, I don't see really any problem in the backlog. I think Quarter 2 will prove this evidence. I see the

business to remain solid and I do believe that we are confirming our guidance for the full year.

In respect to the cash position, we mentioned that last year the '22 December cash position was benefited from early payments that were supposed to come in January in our planning. So it was a little bit higher because of that, and in fact in the Quarter 2 there is the rollover effect of these advanced payments.

Now looking forward in terms of cash flow generation all our indicators are targeting exactly in line with our guidance. Quarter 2 don't forget that we are going to pay dividends. So out of the ordinary course of the business in Quarter 2, you will see a big cash-out because of the dividend, except for that the cash generation is on track. And I can tell you that also DPO, DSO are moving very well as plan. And if I may underline also the inventory, inventory was a big item in '22, you remember that we were at 38% in term of inventory ratio versus sales at the beginning. We trending down to over 35%. We are slightly lower than that, and I think the target that we want to achieve which is around 30% is what we are achieving. And even in Quarter 1, you can see that the action is there. So I'm confident that this will also improve not only the net working capital evolution, but also the net cash position by the end of the year.

ISACCO BRAMBILLA: Thanks Matteo. And I join Michele, wishing you all the best for your...for the next steps [ph] year-after-year.

MATTEO LODRINI: Thank you, Isacco. Thank you.

OPERATOR: Gentlemen, there are no more questions registered at this time. Locati, I turn the conference back to you for the closing remarks.

PAOLO DELLACHA: Thank you very much. And stay tuned. Talk to you soon. Thank you for listening.

MATTEO LODRINI: Thank you.

CHIARA LOCATI: Thank you.

PAOLO DELLACHA: All the best, bye.