Natuzzi S.p.A.

Fourth Quarter and Full Year 2024 Financial Results Webcast

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PRESENTATION

Operator

Welcome to the Natuzzi S.p.A. Fourth Quarter and Full Year 2024 Financial Results Webcast.

As a reminder, if you'd like to dial into the conference via telephone, please +1-412-717-9633, then passcode 39252103#. Once again, to dial in via phone, please press +1-412-717-9633, then passcode 39252103# in addition to the link already provided to join via video.

At this time, all participants are in a listen-only mode. Following the introduction, we will conduct a question-and-answer session. Instructions will be provided at that time.

Joining us on today's call are Antonio Achille, Chief Executive Officer; Pasquale Natuzzi, Chief Executive Chairman; Carlo Silvestri, Chief Financial Officer; Daniele Tranchini, Chief Marketing and Communication Officer; and Piero Direnzo, Investor Relations. As a reminder, today's call is being recorded.

I'd now like to turn the conference call over to Piero. Please go ahead.

Piero Direnzo

Thank you, Kevin.

Good day to everyone. Thank you for joining the Natuzzi's conference call for the 2024 fourth quarter and full year financial results. After a brief introduction, we will give room for the Q&A session.

Before proceeding, we would like to advise our listeners that our discussion today could contain certain statements that constitute forward-looking statements under the United States securities laws. Obviously, actual results might differ materially from those in the forward-looking statements because of risks and uncertainties that can affect our results of operations and financial condition. Please refer to our most recent Annual Report on Form 20-F filed with the SEC for a complete review of those risks. The Company assumes no obligation to update or revise any forward-looking matters discussed during this call.

Now, I would like to turn the call over to the Company's Chief Executive Officer. Please, Antonio.

Antonio Achille

Thank you, Kevin, Thank you, Piero.

Good morning to everyone joining from the U.S., and good afternoon to those of you connecting from Europe. It's a pleasure to be with you once again.

Today, we will be discussing our results for the last quarter as well as for the full fiscal year 2024. As always, we aim to go beyond simply presenting the numbers. We want to provide you with a broader perspective on the initiatives and strategies we are advancing.

To that end, Pasquale and I have invited our Chief Marketing Officer to join us today. Together, we will share insights into the progress we have made on our brand retail journey and highlight the key milestones we have achieved thus far.

Let me begin with our financial results. As you will have seen from our press release, we closed the year with revenues of €318.8 million, representing a 3% decline compared to the previous year.

As you know, market conditions have remained highly volatile and challenging throughout 2024. While this level of sales is not where we aspire to be, it does underscore the resilience of our Company, particularly given the persistent softness across many of the geographies in which we operate.

Turning to the composition of our revenues, of the €318.8 million in total sales, €289 million was generated through our branded business. This is a clear reflection of the strategic vision set forth by our Chairman, Pasquale, to evolve from a pure manufacturer into a brand-driven retail company.

To put this into context, branded sales stood at €295 million in 2023 and €295.9 million in 2019. We continue to view 2019 as a key benchmark, as it represents the last full year before the series of major global disruptions — including the pandemic, geopolitical conflicts, and tariff challenges — that have significantly impacted market dynamics. It is also worth noting that our total sales in 2019 were €387 million.

When we look specifically at branded sales, we see that they have remained broadly stable. This demonstrates the significant work we have done to improve the quality of our sales, which, as you will see later, is reflected positively in our margins.

Today, branded sales account for approximately 93% of our total revenues, compared to 80% in 2019. I believe it is important to highlight that we have increased the proportion of revenue generated through our branded business by nearly 13 percentage points. This shift is not only more favorable from a margin perspective, but also a more authentic expression of our Company's DNA and long-term strategic vision.

Closely linked to this is the growing importance of our retail presence. As a branded company, it is critical that we express our DNA through the customer experience in a controlled environment — whether through freestanding stores in the U.S., franchised locations, or our gallery concept, which enables us to maintain a strong, curated presence within leading multibrand retailers.

Focusing on our directly operated stores, we reported revenues of €70.1 million for the year, representing an increase of 4% compared to 2023 and 18% compared to 2019. This growth was also driven by our performance in the U.S., where we also expanded our footprint with the opening of a new store in Denver during 2024.

To better interpret these figures, it is important to consider a like-for-like perspective. During the year, we closed two underperforming Natuzzi Italia stores — one in Spain and one in Switzerland — as well as one nonperforming Divani&Divani store, the brand we use for selling Natuzzi Editions in Italy. These strategic closures are part of our ongoing effort to strengthen the quality and profitability of our retail network.

How should you interpret these store closures? In a positive light. The Company began building its retail network over 30 years ago, at a time when both the brand and our collections were very different from what they are today — and this is a theme we will explore further during today's discussion.

In particular, Natuzzi Italia has undergone a profound evolution. Some of the locations selected decades ago no longer align with the brand's current identity. Whenever an opportunity arises to exit a lease that no longer supports our brand positioning, we seize it in order to continuously upgrade and requalify our retail network.

Another critical area of focus throughout 2024 has been the continuation of our transformation journey. It has been a 'silent' transformation — meaning it has unfolded without media attention — but it has been profound and far-reaching within the organization.

During the year, we reduced our workforce by approximately 638 people, a significant portion of whom were based in China. As I will explain in more detail later, we made the strategic decision to relocate our production activities from Shanghai — where labor and operational costs were no longer cost-effective — to Quanjiao, located about 300 kilometers south, where we benefit from more favorable cost structures and rental conditions.

In making these changes — and I must give full credit to our Chairman for his foresight — we also took the strategic decision to cease production of Natuzzi Editions for the North American market in China. As of October 2024, this production has been successfully relocated to Europe. At that time, we could not have predicted the extent of the evolving tariff environment, but this move has proven to be highly prudent. Today, given the current trade dynamics, it would have been virtually impossible to efficiently serve the North American market from China. The new facility in Quanjiao is now fully dedicated to serving the domestic Chinese market, where we operate through our joint venture.

Looking at the broader horizon — one I have had the honor of serving during this important phase of transformation — we have achieved a net workforce reduction of 1,141 people. It is important to emphasize that while we reduced overall headcount, we also made targeted investments by hiring over 100 professionals to strengthen our marketing, retail, and digital capabilities. Daniele, for example, is one of these strategic additions.

In total, we have reduced our workforce by approximately 26%, a significant and pervasive change. This transformation reflects our commitment to protecting and strengthening what we can call the 'new Natuzzi' — one that is more focused on merchandise excellence, retail, marketing, and digital innovation, while resizing the historical production capacity that had been built to serve a very different, high-volume manufacturing model.

For 2024, our gross margin closed at 36.3%, marking an improvement of two percentage points compared to 2023, which stood at 34.3%. Let me reiterate these figures clearly: our margin in 2024 was 36.3%, compared to 34.3% in 2023 and 29.7% in 2019. This represents an improvement of nearly seven percentage points compared to 2019.

What's particularly notable is that we've continued to make progress in margin expansion over the last two years — a period that, I must emphasize, has presented numerous challenges from various fronts.

When we look at breakeven, it's interesting to note the comparison with 2019. Back then, with €387 million in sales — approximately €70 million higher than this year — the Company reported a loss of €22.5 million. This year, despite €70 million less in revenue, we closed with a loss of €6.3 million. While, of course, we are far from satisfied with these results, I believe this shift demonstrates that we are successfully lowering our breakeven point.

In fact, if we exclude restructuring costs, which under IFRS are accounted for before EBIT, our operational loss would have been just €1 million. While we are clearly not operating with the goal of incurring losses — our ultimate objective is profitability — I believe these results highlight the ongoing progress we are making in terms of operational efficiency and extracting greater value from our operations.

In terms of net financial costs, we've seen relative stability. As you are aware, under IFRS accounting principles, a portion of lease expenses is included in net financial costs. Specifically, we incurred €0.7 million in additional net financial costs due to the expansion of our store network in 2024, which directly impacted this cost category.

We have continued with our strategy of divesting non-strategic assets. As previously communicated, the Board approved a proposal from our internal shareholder to acquire a property located in High point, with the transaction completed in March 2025. We have been transparent about this process in our press release. It's important to note that the residual payment of €8.3 million, which was reported, has not yet been reflected in our net cash position, as at December 31, 2024, whereas the transaction was closed in March 2025. This collection will be visible in our next reporting cash flow statement.

I won't go through the details of the last quarter line by line, but there are two key areas I'd like to highlight. First, the reallocation of production between plants — specifically, the closure of our Shanghai facility and the transfer of production for the domestic market to Quanjiao. This transition, which involved a ramp-up period, was carefully planned.   Additionally, the move of the Natuzzi Edition collection for North America was another significant step, which, while well-executed, represents a major strategic shift.

Another key point I'd like to highlight is that the last quarter closed with a margin of 38.1%. This represents a strong progression, especially when compared to the same period in 2023, where the margin was 30%. That's an increase of eight percentage points year-over-year. Clearly, this is a result we are pleased with, and we remain committed to maintaining discipline in defending and further improving this margin.

That concludes the financial overview, and we are, of course, happy to take any questions. Now, let me provide some additional context on the initiatives we're currently focused on.

In 2024, we dedicated significant efforts to shaping the future of the Group, because we firmly believe in its strong potential. Our approach has been a blend of short-term focus and long-term vision. It's essential to manage costs with a microscope, but at the same time, you must use a telescope to keep looking toward the future. If you focus solely on tactical decisions, you risk neglecting the strategic foundations, aimed at sustained growth. While we remain committed to stringent cost control, we also maintain our ability to invest in strengthening our brand and retail system.

I've already highlighted our achievements in terms of margins, which remain a key focus for us and will continue to be a priority moving forward. Another important aspect I'd like to mention is the significant work we've put into transforming the Company. For much of our history, we were a manufacturer, but we've set our sights on becoming a retailer. That vision has now evolved into action, and the transformation we've undergone, although not yet fully reflected in our sales, has focused not just on the vision, but on building the systems and competencies necessary to support that transition.

At this point, I'd like to invite Pasquale to share his perspective, as he is the person best equipped to speak about this journey. It was his vision that set us on this path, and he is the most qualified person to describe not only the challenges we faced but also the significant milestones we've achieved. Transforming a highly successful manufacturer into a company that needed to learn the new role of a retailer has not been simple. Pasquale, could you kindly share your insights with the team on the difficulties we've overcome and the key steps we've taken along the way?

Pasquale Natuzzi

Probably, Antonio, we should first allow the shareholder to ask some questions, okay?

Antonio Achille

Absolutely. Absolutely. Kevin, I would say let's open the first round of discussion.

The next item on the agenda, which I will address either directly or with Pasquale's support, concerns the progress we've made on the commercial front. I wanted to share this with you because, naturally, I believe—and I welcome your perspective on this—but speaking also as an investor in the Company, one might reasonably ask: "we've improved the margins, but when will the revenue follow?" In other words, the engine is now better positioned to perform, but it needs fuel—that is, sales—to move forward. I'd like to walk you through the steps we're taking to drive those sales.

But let me stop here for the first round of Q&A.

Operator

Thank you. If you'd like to ask a question at this time, please use the Ask a Question feature on your screen. Once again, anyone who would like to ask a question at this time, please use the Ask a Question feature that is on your screen.

At this point it appears nobody has any questions at this time.

Antonio Achille

Okay. Let's complete the presentation, and I'm sure there will be questions at the end.

(Inaudible) was mentioning, and Pasquale, you can jump in at any time, but then I will ask Daniele to comment: is the transformation in the direction of being a retailer? Do you want to contribute, Pasquale, or should I continue? As you prefer.

Pasquale Natuzzi

You can continue, Antonio. Don't worry, I'm here just to support you.

Antonio Achille

Feel free to jump in at any time.

Let me speak very transparently—as we always have with you, our investors. Back in 2000, the Company made a strategic decision to evolve into a retail-driven business. This shift was largely guided by Pasquale's clear vision. At the time, it became evident that continuing solely as a manufacturer based in Italy—particularly a value manufacturer—was no longer a sustainable or defensible model, given the pressures of the Euro and rising inflation. At the same time, there was a strong recognition that Natuzzi had the heritage, the design innovation, and the aesthetic discipline to support a distinctive brand position. These qualities—innovation, style, and a structured ability to create beauty—are fundamental to our brand identity. And by its very nature, such a brand is best expressed through a retail presence.

This vision did, in fact, gain meaningful traction—particularly through the opening of franchised stores, and later through Natuzzi's own decision to directly operate stores. However, at that time, there was a significant gap between the strategic vision and operational execution. The systems in place were not capable of providing real time data. Additionally, there was a lack of the specific competencies required to run a successful retail operation—skills in areas such as merchandising, customer experience, and visual presentation. There was also limited autonomy and agility in decision-making. As we've previously discussed, this contributed to the closure of some stores, even in locations that were strategically sound. The missing piece was a coherent, methodical approach to retail management.

In many ways, the Company had to learn while already in motion—stores had been opened, expectations had been set, yet the supporting infrastructure was not fully in place. Speaking candidly, and drawing from my 25 years in advisory, I must say I'm genuinely impressed by how quickly this Company has equipped itself with the necessary tools, systems, competencies, and talent. Over the past three years, we've established entirely new divisions that simply didn't exist before. One example is the Customer Experience division, led by Michele Ciani—someone I look forward to introducing to you on an upcoming call. He is defining a clear framework for how we create emotion within the store environment, because our stores are not just transactional spaces—they are meant to evoke emotion, to reflect the soul of the brand.

We have now established that every market introduction must follow an end-to-end marketing approach. In fact, we've deliberately moved away from referring to them as 'products'—we now speak in terms of 'projects.' This reflects a more structured and strategic mindset, similar to what we see in the automotive or consumer electronics sectors. When we commit to launching a new project, it is guided by a clear market positioning, a defined marketing strategy, and a compelling value proposition. To that end, we've identified five key projects—two under Natuzzi Italia and three under Natuzzi Editions—which I'm sure Daniele will elaborate on shortly. These projects are designed not to represent isolated collections, but rather to set the tone and direction for a broader range of collections.

We also had to invest significantly in developing the right tools. Merchandising, in our context, is a highly complex task. Our collections are deeply customizable—across dimensions such as size, versatility, fabrics, coverings, and colors—each configuration designed to address specific market segments. Determining the optimal merchandising layout for a single store used to take four to six weeks. With a network of 630 stores, this naturally became a major operational bottleneck. Importantly, this is not a market where we can afford to let individual partners make isolated decisions on store setup. That's why we've implemented an automation process that has fundamentally changed our capabilities. Tasks that once required weeks are now completed in hours. Our system now provides an immediate diagnostic of layout needs and proposes optimized solutions—still reviewed and fine-tuned by our teams, but faster and more efficient.

I can certainly go into more detail on many of these points, but the key message is this: the Company is successfully bridging the gap between vision and execution. Years ago, the decision was made to become a retailer—now, we are actively becoming one. Unless Pasquale would like to add any additional remarks, I'll now turn it over to Daniele to present how we are redefining our marketing approach. This is no longer solely about brand marketing—because, as you know, Natuzzi already holds strong brand recognition in the U.S., Europe, and China. The challenge now is not awareness, but conversion—driving traffic into our stores. And in that regard, we've made significant progress in making our efforts both measurable and predictable. Daniele will walk you through what that looks like in practice.

Daniele Tranchini

Thank you, Antonio. I don't know if I can share my screen just for a few minutes.

Antonio Achille

Sure. Maybe, Kevin, you can help.

Operator

You should be able to hover your mouse over the platform and there should be a share screen on the bottom.

Daniele Tranchini

Yes. While I try to—in fact, while I try to get the technology to assist me, let me start by commenting on some of the words that somehow, I don't seem to be able to…

Operator

I apologize. It says you're sharing your screen now, I just don't see anything being shared.

Daniele Tranchini

Yes, that's all right. Don't worry. Let me give you a few comments to reinforce what Antonio was talking about just now. The challenge that I've taken on as…

Pasquale Natuzzi

Daniele, while you may not be able to show the visuals of the new collection and accompanying marketing at this moment, let me take a moment to elaborate on the broader journey the Company is undertaking in its transformation into a true retailer.

Historically, Natuzzi has always been known for creating beautiful products—there's no question that consumers are drawn to them. This appeal has inspired many entrepreneurs across markets—from China to the U.S., the U.K., Spain, and beyond—to open Natuzzi stores and showcase our brand and products.

However, showcasing a brand is not the same as managing a retail operation. Each entrepreneur, and each market, interpreted and managed the brand in their own way. While we've been sincerely grateful for their belief in Natuzzi and their contributions to our global presence, we came to a critical realization: to truly grow and evolve, we need to take control of our brand experience.

That's why we've been investing heavily in analytics. We began by mapping and characterizing our global store footprint: where we're located, how many stores we have, and whether those locations are strategically positioned. From there, we've successfully established connections with our stores to monitor key retail metrics—such as foot traffic and, crucially, conversion rates. It's not just about how many customers walk through the door—it's about whether we're converting those visits into actual sales.

Antonio Achille

Kevin, again, maybe you want to do a round of Q&A if there's questions.

Operator

Will do. If anyone would like to ask a question at this time, please use the Ask a Question feature on your screen to be placed in the question queue. Once again, if you'd like to ask a question at this time, please use the Ask a Question feature on your screen.

Our first question is coming from Corey Pinkston. Corey Pinkston, your line is live.

Corey Pinkston

Good afternoon gentlemen. Can you hear me?

Antonio Achille

We do.

Pasquale Natuzzi

Yes.

Corey Pinkston

Okay, great. Congratulations on navigating the environment we're in, especially with the manufacturing movements that you made for Editions to get it back into Europe and all the rest and all the development of the brand. As you said, project versus product development in the Company which probably is as critical today as it has ever been in light of the current environment.

One question, I missed the very beginning of your comments, Antonio, but as it relates to the tariffs, I know we're speculating as to how long, how they're going to be, what they're going to be, etc. Based on—as you look at the current market, if we assume that there are going to be some kind of increased tariffs in place and maybe we can speculate on that. As it relates to either pricing of the product to the customer or margin impact, is there any ability to give us some thoughts as to how to think about that.

Also, I don't—we're not as close to the market as you are, but when Natuzzi is in America, obviously, we can look at the comps that are out there, whether it's RH or others. But you're very different, I'll say brand and approach to the market. As we think about the fact of the consumer being in very different categories, whether it's a higher end consumer, medium, higher medium, can you just give us a little bit of idea as to what you're seeing in the market now, obviously, without trying to give us a forecast?

Antonio Achille

Yes. No, and Thank you, Corey, for the thoughtful and respectful way you framed your question. I'd like to structure my response in three parts.
First, I'll outline how we've already responded—and continue to respond—to the situation.
Second, I'll address the potential short-term impact this may have, particularly in relation to large distributors and end consumers.
And third, I'll speak to how this positions Natuzzi in the broader competitive landscape, especially in comparison to the major players in the U.S. market. While you didn't mention them by name, we're all aware of the key competitors—Restoration Hardware, Crate & Barrel, Arhaus, and others. I'll share how we see ourselves evolving in that context.

How are we reacting? Clearly, this is not the scenario we would have hoped for—we were actually expecting a degree of stability, particularly from the U.S.. That said, our platform is inherently more resilient in times of volatility, precisely because we're not heavily reliant on third parties. We control our own production. As I've mentioned, we operate across multiple manufacturing platforms. Our branded collections are produced in Italy, but we also have facilities across Europe—such as in Romania, where our operations span over a one million square feet surface. So it's huge and definitely scalable. In addition, we have a production, as I mentioned before, in China. We have a production predominantly outsourcing in Vietnam, and we have production in Brazil and Salvador de Bahia.

While this multi-platform setup represents a complex legacy structure, it also gives us critical flexibility.

In moments like this, that flexibility becomes a strength. It allows us to reallocate production in a way that aligns with market demands. For example, as I mentioned earlier, we've already taken steps to shift Natuzzi Editions production for North America from Asia to Europe. And we are actively evaluating additional adjustments across the network as needed.

That covers our industrial footprint. Now, turning to the protection of our margins—naturally, this has been a key focus. As you're aware, there's been a 90-day postponement on the implementation of certain tariffs; however, even within that window, a 10% rate has already been applied. To safeguard our margins during this period, we've engaged in open and constructive discussions with our partners to ensure a fair distribution of the impact—even on orders placed prior to the tariff announcement. We've taken great care to protect our profitability in a context that is, frankly, beyond our control. It's a situation not unlike what we faced in 2021, when freight costs surged dramatically. At that time, we responded by transparently introducing a freight surcharge—not as a result of any inefficiency on our part, but as a necessary step to manage external cost pressures imposed by global conditions.

So, in summary, this is how we are responding. We're leveraging our diversified and flexible production footprint to adapt quickly to shifting conditions. And we are taking clear steps to protect our margins—introducing what is effectively a duty-related surcharge to offset the impact of tariffs on sales into North America. It's important to note that this adjustment is limited to North America; our other geographies remain unaffected by these changes.

What we're observing is a heightened level of uncertainty in the market, which is clearly not conducive to business. Since the beginning of the tariff introduction, we've noticed that large distributors and consumers have adopted a much more cautious and selective approach. The unpredictability around trade policies—whether involving China, Vietnam, or Europe—is creating a climate where it's very difficult to make informed decisions. For example, the possibility of tariffs fluctuating between 0% and 135% creates significant risk. In such an environment, it's understandable that major distributors in the U.S. are hesitant to commit to large-scale investments without greater clarity.

To address your question on how this positions Natuzzi relative to competitors: while we don't view this situation as positive for the industry as a whole—and we certainly don't take any satisfaction in others facing difficulties—it's clear that companies heavily reliant on sourcing from the Far East, particularly China or Vietnam, may face significant challenges if tariffs are confirmed after the current 90-day period. Rebuilding a supply chain in our industry is not something that can be done overnight. If, for instance, a company sources 85% of its product from a region suddenly subject to 40%–120% tariffs, that creates substantial disruption. While we also face headwinds, Natuzzi's more diversified supply chain may position us with a relative competitive advantage in such a scenario. So, in short, yes—this situation could potentially reinforce our strategic positioning.

Corey, I hope this response gives you the clarity you were looking for—please let me know if you'd like me to elaborate further.

Corey Pinkston

No, it—thank you very much. It really does. Part of the thesis that, as shareholders, is being a little bit smaller than the competition, being in a different segment than the competition to a certain extent as we look at it, which is you're across the board. I think the flexibility you have on the supply chain gives us a lot of comfort and hopefully as you said, we get to some type of resolution sooner rather than later. But thank you very much, Antonio.

Antonio Achille

If any of you who sit in the U.S. can help, we would be very grateful to each of you, huh?

Okay, next?

Operator

It appears there are no further questions at this time. But if you do want to ask a question, please use the Ask a Question feature on your screen.

Operator

It appears there are no further questions at this time.

Antonio Achille

Pasquale, it looks like your line has been stabilized.

Pasquale Natuzzi

Returning to our earlier point, one of the key positives for Natuzzi today is our ability to deeply analyze performance across our retail network. For example, we're in a position to assess why our Sarasota store is performing well—what differentiates it, why it's doing right. At the same time, we're able to critically evaluate underperforming locations, such as, for example, our store in the United Kingdom.

We're looking at all relevant drivers: Is the low traffic the issue? Are we seeing low conversion rates? Is it a matter of average ticket size? Are certain product categories underperforming? This diagnostic approach is central to our retail strategy and allows us to take targeted, data-driven action to improve profitability across the network.

Today, we're in a position to rapidly and efficiently assess the performance of each store and business model across our global footprint. This level of visibility enables us to quickly identify what's working, what's not, and to take corrective action where needed. It's a critical capability as we continue to optimize our operations and drive profitability.

As I was saying, our systems now allow us to closely monitor and assess the performance of each individual store worldwide. This capability enables us to implement targeted action plans—replacing underperforming products with new ones that, based on our expertise and market insights, are more aligned with consumer demand and supported by effective marketing strategies. Throughout 2024, we've been focused on preparation and execution. With our global presence—from China to the U.S., Europe, and the Middle East—we recognized the need to drive stronger sales across the network. We're confident that the new collection we launched this year, backed by high-quality, well-executed marketing campaigns, can show strong results.

Our primary challenge this year is to strengthen consumer confidence in every geography and at each individual store—and we believe we have the tools to achieve that. From an operational standpoint, we are well-positioned. Our production network is diversified, with manufacturing facilities in Brazil, Romania, Italy, China, and Vietnam. As such, we are not significantly exposed to the risks associated with tariffs or trade disruptions.

The key focus remains on driving sales. To support this, we've developed a new collection for both Natuzzi Italia and Natuzzi Editions, backed by comprehensive marketing plans. We've made significant investments to support our markets at both regional and store levels. For example, in the U.S., we've launched the 'Comfortness' collection in Florida, and then to Georgia and Texas. These initiatives are already showing positive signs—store traffic is up, and we're seeing a notable increase in consumer engagement.

In terms of marketing and product development, I can confidently say that the Company has been proactive in addressing the current challenges. There's no doubt this is a difficult environment, but we've taken concrete steps to navigate it effectively. We're closely monitoring how our peers are performing as well, and it's clear that the broader industry is facing similar headwinds. That's the reality of the market today

Antonio Achille

Thank you, Pasquale for closing in a very positive and optimistic way, and it's an optimism that comes from our work, not just from hope.

Kevin, I believe, unless there are questions, we have completed the section.

Operator

We do have one question from George Melas-Kyriazi. Okay? I'm going to direct him right through. George, your line is now live, sir. George, can you un-mute your phone? We've got you my friend, there you go.

George Melas-Kyriazi

Okay, great. It is interesting. I think Pasquale answered a lot of the questions that I had. I appreciate that, Pasquale. But it was about the tools, the tools in the system to really, in that transition into retail. I think you mentioned, Pasquale, that you have sort of all the tools, and I just wonder, go over that one more time. Are there certain things that you feel are missing, that you still need to add to your capability, primarily in terms of system?

Then the second question is with this analytical ability to really look at products across so many stores, what have you learned so far? How does that impact the way you think about the collection?

Pasquale Natuzzi

When it comes to the tools we have in place today, I believe we've achieved something we can truly be proud of. Managing a global retail network from our base in Italy—spanning the U.S., China, South America, Mexico, Europe, the Middle East, and Africa—has not been a simple task. Yet, we've built the infrastructure to assess performance across all markets. We're now able to diagnose performance gaps with precision. For instance, if a store is underperforming due to low conversion rates, we can identify that quickly and take targeted action, such as deploying training through our human resources team.

Given the breadth of our product offering—which includes living room, dining, and bedding categories—our focus is on creating a complete home furnishing solution. However, with that variety comes the need for continuous performance analysis. We must clearly understand which products are resonating with customers and which are underperforming. The key is agility: how quickly we can adjust merchandising and replace products that aren't delivering results. This is especially critical when considering sales per square foot, a metric that's increasingly important given the high cost of retail space, including leases and staffing. Driving higher productivity per store footprint is one of our core operational challenges—and one we are actively focused on.

From a product perspective, we believe our 66 years of experience, combined with the strength and continuity of our team, is a significant competitive advantage. Unlike many in our industry who frequently shift operations from one country or region to another, we have maintained our roots and consistency in our home territory. This stability has allowed us to build deep expertise and get a management team that truly understands how to manage and grow the brand in a cohesive, strategic manner.

We're incredibly proud of the talent we have here in Apulia. Their expertise, combined with our strong production capabilities and global retail network, is a key asset. While we've made over time great improvements on how to manage our stores, we've also developed the tools necessary to support sales growth—be it through product innovation, new collections, or robust marketing strategies. We remain confident and motivated, despite the unpredictable global environment. Whether it's the ongoing situation in Ukraine, geopolitical tensions in the Middle East, or broader uncertainties, we are prepared to navigate these challenges. Our focus is on continuing to work hard, remain resilient, and adapt to the current challenging period.

George Melas-Kyriazi

Great. I appreciate that very much. Maybe a question for Antonio is my last question. Do you have a line of sight to profitability, what it takes to get to profitability? Of course, I think the real big factor is what Pasquale was talking about, increasing revenue and increasing revenue per store. But maybe can you talk a little bit about that, and maybe also about is there any expansion in the U.S., any retail expansion in the U.S. in '25, '26 that you're looking at?

Pasquale Natuzzi

Our primary focus right now is to drive organic growth. We are fully committed to enhancing the profitability of our existing stores. This will be our key challenge, both today and in the future.

Antonio Achille

Yes, I completely agree with Pasquale. We always make decisions in alignment and, given the current market conditions and the growth potential we still have, we believe that focusing on organic growth is a reasonable strategy for at least the remainder of 2025. Over the past 12 to 15 months, we've opened five new Natuzzi Italia stores in the U.S. Each of these new locations is like "a baby" that requires careful nurturing and adequate management to grow.

Regarding the other question, George, if we look at the Company's track record, we've invested heavily in this journey—over €1 billion. Looking at the past 15 years, we reported positive EBITDA results in 2021 and 2022. When reflecting on the current model, the breakeven threshold is much lower than it used to be. For example, in 2019, with €390 million in sales, the Company incurred a loss of €22 million. Today, I believe—though Carlo can correct me if I'm wrong—that with sales in the range of €340 million, we would be profitable. And with a slight increase beyond that, we would certainly generate positive cash flow. I think the level at which the Company can be breakeven has been seriously reduced.

George Melas-Kyriazi

Thank you.

Antonio Achille

Pleasure, George. Thank you for your continued trust in our Company.

Operator

Thank you, George. Antonio, there are no further questions at this time.

Antonio Achille

If this is the final question, I'd like to take a moment to thank Pasquale, Daniele, Carlo, and Piero for joining us today and contributing to the discussion. Most importantly, thank you to all of you for being part of this conversation.

We recognize that this is a particularly challenging time for retail and brand-driven businesses. However, we remain confident in the path we're on and in the model we are building—one that we believe is capable of delivering long-term results. As always, we welcome your follow-up questions. I, along with Piero and Carlo, will be happy to address them—even beyond the scope of this call.

Thank you all, and we wish you a great end to your week. If you happen to be in the High Point area, we warmly invite you to visit our building. It's a valuable opportunity to meet Pasquale, connect with our team, and explore our latest collection in person. While I'll be staying at our headquarters this time to focus on a few important matters, many of our colleagues will be there to share the energy and excitement surrounding the new collection. We look forward to welcoming you.

Pasquale Natuzzi

I extend and I confirm the invitation. I will be pleased to have anyone of you to visit us here. Thank you.

Operator

Thank you. That concludes today's webcast. You may disconnect your lines at this time and have a wonderful day. We thank you for your participation today, everyone.