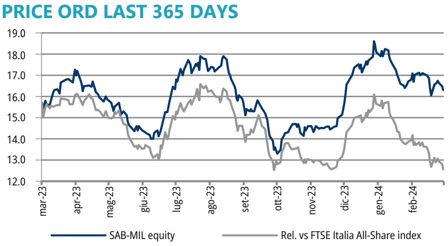
SABAF

Earnings Review

BUY ord. *(Unchanged)*
Target: **€ 22.00** *(Unchanged)*
Risk: High

STOCKDATA			ORD
Price (as of 19 Mar 2024)			16.3
Bloomberg Code			SAB IM
Market Cap (€ mn)			203
Free Float			46%
Shares Out (mn)			12.4
52 week Range			€ 13.3 - 18.6
Daily Volume			5,305
Performance (%)	1M	3M	1Y
Absolute	-3.0	5.8	2.9
Rel to FTSE Italia All-Share	-9.9	-5.7	-22.0
MAIN METRICS	2023	2024E	2025E
SALES Adj	238	274	291
EBITDA Adj	33.1	44.1	51.5
EBIT Adj	17.5	22.9	29.7
NET INCOME Adj	14.2	14.5	18.5
EPS Adj - €c	120	116	149
DPS Ord - €c	54.0	55.0	56.0
MULTIPLES	2023	2024E	2025E
P/E ord Adj	14.5x	14.0x	11.0x
EV/EBITDA Adj	8.9x	6.2x	5.1x
EV/EBIT Adj	16.8x	11.8x	8.8x
REMUNERATION	2023	2024E	2025E
Div. Yield ord (A)	3.4%	3.4%	3.4%
FCF Yield Adj	9.4%	7.9%	8.8%
INDEBTEDNESS	2023	2024E	2025E
NFP Adj	-73.2	-63.9	-52.9
D/Ebitda Adj	2.2x	1.5x	1.0x

PRICE ORD LAST 365 DAYS



Analyst: Domenico Ghilotti
d.ghilotti@equita.eu I +39 02 6204.249

2024 OFF TO A GOOD START, AFTER A WEAKER-THAN-EXPECTED 4Q

Sabaf delivered weaker-than-expected results in 4Q23 on an adjusted basis, due to lower contribution from recent acquisitions (MEC, PGA). 2024 got off to a good start, with mid-to-high single-digit organic trend and more robust M&A contribution, supporting our 2024 projections and the strong momentum embedded in our estimates.

4Q23 below expectations, due to lower contribution from M&A

Sabaf (SAB) reported lower-than-expected 4Q23 results, mainly due to lower contributions from newly acquired companies (MEC and PGA). Sales grew by 18% to € 62.8mn (vs. € 65.6mn exp), of which +6.6% organic and +11.8% from M&A (+5.0% and +19% expected). **Adj. EBITDA +42% to € 8.7mn vs € 9.9mn expected. Margin stood at 13.8%, below 3Q23 levels (14.3%) and our expectations (15.1%),** mainly due to lower volumes of acquisitions. Below EBITDA, results were supported by lower D&A and positive taxes recorded in 2023 at adjusted level.

NFP €-73mn vs. € -74mn exp. with an improvement of € 11mn in FY23. BoD proposed a **DPS of €54c vs. €20c expected given the good deleverage**.

- Sales € 62.8mn, +18% YoY vs. +24% exp.;
- Adj. EBITDA € 8.7mn, with margin at 13.8% vs. 15.1% exp.;
- NFP € -73.2mn vs. € -74.4mn expected.

Strong start to the year

Company commented a strong start to the year, with double-digit growth in 1Q24 (from the call, € 68/69mn revenues projected in 1Q24), with a M2HSD organic growth and an improvement in the contribution of MEC/PGA. **The good order intake brings visibility until May with a revenue trend that remains good in 2Q24 as well**. Recovery was driven by LatAm and the Middle East, NA was positive, EU stable. The improved volumes are expected to lead to a recovery in profitability as early as 1Q24.

Key messages from the call

Other takeaways from the call:

- **First sales from induction** in March, with € 2-4mn expected for the year (our expectation € 2.5mn). **Plant in Mexico started-up** with € 3/4mn expected in FY23 and € 10mn in a couple of years (our expectation 2024 was € 5mn). **India** expected to contribute € 3-4mn of revenues in 2024, growing to € 5-6mn in a couple of years;
- The difficulties of a competitor in Chapter 11 (Robertshaw) offer **opportunities to gain market share** (€ 2-4mn on an annual basis by the end of the year)

2024 estimates despite the lower 2023 base

Overall, despite the lower 2023 numbers, the indications on the start of 2024 and progress in strategic projects lead us to confirm our estimates for the year of € 274mn sales and € 44mn EBITDA (16% margin). We have adjusted DPS's estimates, incorporating the 2023 proposal and slight YoY growth in subsequent years.

Stronger momentum finally materializing and supporting the stock rerating

We confirm the target of € 22PS which corresponds to 11x EV/EBIT or 14x PE 2025 discounted to 12M.

The stock is trading today at 12-9x EV/EBIT and 14-11x Adj. PE 2024-25. **We think the stock can rerate** on confirmation that **2023 was the bottom** and that there is **good momentum on top-line and margins in 2024**, also thanks to the **execution of strategic projects** that are starting to make tangible contributions.

MAIN FIGURES - EURmn	2021	2022	2023	2024E	2025E	2026E
SALES Adj	263	253	238	274	291	303
Growth	42.4%	-3.9%	-6.0%	15.1%	6.4%	4.2%
EBITDA Adj	54.1	36.3	33.1	44.1	51.5	54.9
Growth	45.9%	-32.9%	-9.0%	33.4%	16.8%	6.6%
EBIT Adj	37.5	19.9	17.5	22.9	29.7	32.4
Growth	86.7%	-47.0%	-11.9%	30.9%	29.5%	9.3%
Net Income Adj	26.5	22.1	14.2	14.5	18.5	20.7
Growth	87.9%	-16.6%	-35.7%	1.9%	27.9%	11.9%

MARGIN - %	2021	2022	2023	2024E	2025E	2026E
EBITDA Adj Margin	20.6%	14.4%	13.9%	16.1%	17.7%	18.1%
Ebit Adj margin	14.2%	7.9%	7.4%	8.4%	10.2%	10.7%
Net Income Adj margin	10.1%	8.7%	6.0%	5.3%	6.4%	6.8%

SHARE DATA	2021	2022	2023	2024E	2025E	2026E
EPS Adj - €c	236	196	120	116	149	166
Growth	89.1%	-17.1%	-39.0%	-2.7%	27.9%	11.9%
DPS ord(A) - €c	60.0	0.0	54.0	55.0	56.0	57.0
BVPS	10.8	13.8	14.2	14.8	15.7	16.8

VARIOUS	2021	2022	2023	2024E	2025E	2026E
Capital Employed	195	245	254	252	253	251
FCF	-0.5	3.4	17.8	16.0	17.9	23.3
CAPEX	23.8	20.9	18.6	15.1	16.0	16.7
Working capital	68.5	78.2	76.6	82.2	89.8	94.2
Trading Working capital	77.4	84.0	82.5	87.4	94.3	98.2

INDEBTNESS	2021	2022	2023	2024E	2025E	2026E
Nfp Adj	-67.6	-84.4	-73.2	-63.9	-52.9	-36.6
D/E Adj	0.55	0.54	0.42	0.35	0.27	0.17
Debt / EBITDA Adj	1.2x	2.3x	2.2x	1.5x	1.0x	0.7x
Interest Coverage	45.9x	21.8x	8.6x	13.2x	11.6x	13.2x

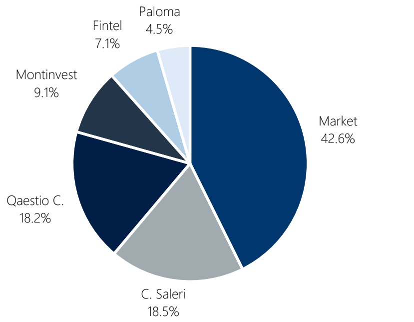
MARKET RATIOS	2021	2022	2023	2024E	2025E	2026E
P/E Ord Adj	10.2x	8.5x	14.5x	14.0x	11.0x	9.8x
PBV	2.2x	1.6x	1.1x	1.1x	1.0x	1.0x

EV FIGURES	2021	2022	2023	2024E	2025E	2026E
EV/Sales	1.3x	1.1x	1.2x	1.0x	0.9x	0.8x
EV/EBITDA Adj	6.3x	7.6x	8.9x	6.2x	5.1x	4.5x
EV/EBIT Adj	9.1x	14.0x	16.8x	11.8x	8.8x	7.5x
EV/CE	1.8x	1.1x	1.2x	1.1x	1.0x	1.0x

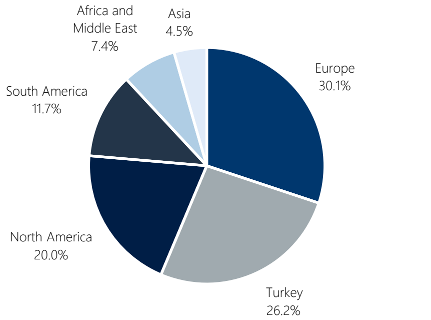
REMUNERATION	2021	2022	2023	2024E	2025E	2026E
Div. Yield ord	2.6%	0.0%	3.4%	3.4%	3.4%	3.5%
FCF Yield Adj	-0.2%	1.4%	9.4%	7.9%	8.8%	11.5%
Roce Adj	15.1%	6.8%	-389.1%	6.7%	8.6%	9.4%

Source: Company data and Equita SIM estimates

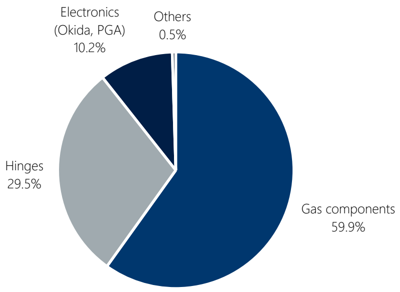
SHAREHOLDERS



SALES BY GEOGRAPHY



SALES BY DIVISION



BUSINESS DESCRIPTION

Sabaf (SAB) is one of the world's leading manufacturers of components for household gas cooking appliances (60% of 2023 group sales and a market share of around 50% in Europe and a global share of about 10%), and **in the manufacturing of hinges for consumer appliances** (30% of 2023 group sales and undisputed worldwide leader with size c2x the second player). The company is also expanding its presence in **electronic components** (10% of group sales in 2023) made of electronic control boards, timers, display and power supply units for ovens, kitchen hoods, vacuum cleaners, refrigerators and freezers. The company has also developed internally competencies to **enter the induction hob segment**, with initial sales expected in 2023 and a target to reach a 5% market share in the medium term. The majority of Sabaf's sales consist of original equipment supply.

The group **generated 30% of its 2023 revenues in Europe**, **26**% **in Turkey**, **20% in North America, 12% in LatAm**, 7% in MENA and 4% in APAC. The Group is characterised by a **high revenue concentration**, with some 50% arising from sales to its ten largest customers.

The Group in the last 5 years made acquisitions to enter the market of **electric components** (10% of 2023 sales) and strengthened its presence in the market of hinges for consumer appliances (30% of 2023 sales).

SAB main production facilities are in Italy, **Brazil and Turkey**. The company is also present in Poland and China and is building additional plants in **India** and **Mexico**.

7-YEAR BUSINESS TRENDS (€ mn)

	2017	2018	2019	2020	2021	2022	2023
Adj. SALES	150	151	156	185	263	252	239
- gas components	*141*	*136*	*122*	*130*	*182*	*157*	*143*
- hinges	*9*	*10*	*24*	*41*	*58*	*69*	*70*
- electronics	*0*	*4*	*10*	*14*	*22*	*26*	*25*
Adj. EBITDA	31.0	30.0	27.0	37.1	54.1	36.3	33.1
Adj. EBITDA margin	20.6%	19.9%	17.3%	20.1%	20.6%	14.4%	13.8%
Adj. Net Income	12.4	11.5	8.1	14.1	26.5	22.1	17.5

Source: Company data

In 2016-2019 SAB set the base for a stronger business diversification, expanding the relation with strategic clients (Whirlpool NA, Electrolux, Mabe), entering in new markets (electronics) and strengthening the presence in hinges. The strategy was led by the **CEO Pietro Iotti**, former head of Interpump Hydraulics. **2020-2021 saw strong growth in sales and margins**, thanks to a **sharp increase in market demand** boosted by higher spending on household appliances during the pandemic and the **first contribution of new projects with strategic clients**. **The spending in household appliances normalized in 2022-23**, driving declining organic sales and margins in the industry. 4Q23 was the first quarter with a return to positive organic growth since 2Q22.

Post 2023 reserved capital increase to finance MEC acquisition, Sabaf's largest shareholders are: the Saleri family (18.5% of capital and 24.9% of voting rights) and Quaestio Capital (18.2% of capital and 24.5% of voting rights) due to a loyalty share mechanism for investors keeping the shares for at least 2 years**.**

STRENGTHS / OPPORTUNITIES	WEAKNESSES /THREATS
- Strong leadership in Europe - High quality and efficiency, innovation skills - Direct manufacturing presence in key countries - Development of new markets and clients - Track record of inorganic expansion	- Concentration of revenues with large appliances manufacturers - Exposure to mature markets (WE), where induction is taking share from gas cooking - Volatility of commodity and energy prices - Client consolidation

4Q23 RESULTS BELOW EXPECTATIONS

Sabaf (SAB) 4Q23 results were below our expectations, mainly due to lower contribution from recently acquired companies (MEC and PGA).

Sales grew by 18% to € 62.8mn (vs. € 65.6mn expected), of which +6.6% organic and +11.8% from M&A. **We were expecting a similar organic performance (+5.0%) but higher M&A contribution (+19%).**

Adj. EBITDA grew by 42% to € 8.7mn vs € 9.9mn expected. Margin stood at 13.8%, below 3Q23 level (14.3%) and our expectation of 15.1%. The key reason was the impact of lower volumes from MEC and PGA, as previously commented.

The bridge in EBITDA margin compared to 4Q22 (13.8% in 4Q23 from 11.5% in 4Q22) was driven by:

- higher organic **volumes** (€ 1mn)
- better **Raw Material** and **energy costs** (respectively € 2.0mn and € 0.5mn)

… partly offset by

- **prices** (€ -0.4mn)
- **FX** (€ -0.65mn)
- **labour inflation** in Turkey (€ -0.7mn).

Below Adj. EBITDA, results were supported by lower D&A (we were overestimating the pick-up in D&A due to the new plants) and positive taxes booked in 4Q23.

SABAF - 4Q 23 - Results

		EXPECTED		REPORTED		CONS
	Q4-22	Q4-23E	YoY gr. %	Q4-23	YoY gr. %	Q4-23E
Revenues	53.1	65.6	24%	62.8	18%	66.8
Adjusted EBITDA	6.1	9.9	63%	8.7	42%	9.0
Margin	11.5%	15.1%		13.8%	-	13.5%
Adj. EBIT	1.7	2.3	157%	4.4	157%	1.1
Margin	3.2%	3.5%	-	7.0%	-	1.6%
Adj. net income	4.6	0.3	25%	5.8	26%	nn
Margin	8.7%	0.4%	-	9.2%	-	n.a.
NFP	-84.4	-74.4	n.m.	-73.2	n.m.	-74.0

Source: Equita SIM estimates and Company data

SABAF - 12M 23 - Results

		EXPECTED		REPORTED		CONS
	12M-22	12M-23E	YoY gr. %	12M-23	YoY gr. %	12M-23E
Revenues	252.0	241.8	-4%	239.0	-5%	243.0
Adjusted EBITDA	36.3	34.3	-6%	33.1	-9%	33.4
Margin	14.4%	14.2%		13.8%	-	13.7%
Adj. EBIT	19.9	15.5	-22%	17.5	-12%	14.2
Margin	7.9%	6.4%	-	7.3%	-	5.8%
Adj. net income	22.1	8.7	-61%	14.2	-36%	nn
Margin	8.8%	3.6%	-	5.9%	-	n.a.
NFP	-84.4	-74.4	-12%	-73.2	-13%	-74

Source: Equita SIM estimates and Company data

From a geographical standpoint, in 4Q LatAm was the strongest region (+60%), while EU was the weak spot (we calculate still -14% organic). NA, net of M&A, was up by +21%.

SALES BREAKDOWN BY PRODUCT – 4Q (€ mn)

	4Q22	4Q23	YoY change	organic
Europe	19.0	16.3	-14%	-14%
Turkey	15.2	16.9	11%	11%
South America	4.3	6.8	60%	60%
North America	7.1	13.7	93%	21%
Africa and Middle East	3.7	4.0	8%	8%
Asia	2.2	4.1	87%	87%
Total sales	53.1	62.8	18%	6.6%

Source: Company data

SALES BREAKDOWN BY PRODUCT – FY (€ mn)				
	FY22	FY23	YoY change	organic
Europe	87.3	71.6	-18%	-24%
Turkey	66.8	62.4	-7%	-4%
South America	28.5	27.9	-2%	-2%
North America	39.8	47.6	20%	-14%
Africa and Middle East	19.1	17.7	-7%	-7%
Asia	11.5	10.7	-7%	-15%
Total sales	252.0	239.1	-5%	-12%

Source: Company data

In terms of products, gas components rebounded by 17%, hinges were up by 8% organically while Electronic Components suffered a severe decline in PGA and a -10% decline in Okida.

SALES BREAKDOWN BY PRODUCT – 4Q (€ mn)				
	4Q22	4Q23	YoY change	organic
Gas components	32.1	37.5	17%	17%
Hinges	12.9	20.2	57%	8%
Electronic components	8.1	5.1	-37%	-37%
Total sales	53.1	62.8	18%	6.6%

Source: Company data

SALES BREAKDOWN BY PRODUCT – FY (€ mn)				
	FY22	FY23	YoY change	organic
Gas components	157.2	144.4	-8%	-8%
Hinges	68.6	70.4	3%	-19%
Electronic components	26.1	24.3	-7%	-26%
Total sales	252.0	239.1	-5%	-12%

Source: Company data

NFP ended slightly better than expected (on a projection recently upgraded) thanks to NWC release (€ 13mn), down to 31.5% of annualized 4Q23 sales compared to 39.6% in 4Q22 and back to 2021 levels. Both inventories and receivables returned to normal levels.

CASHFLOW STATEMENT (€ mn)		
	FY22	FY23
Cashflow provided by operations	33.5	23.4
(Increase) decrease in NWC	-9.3	13.0
(Purchase of fixed assets)	-20.9	-18.6
FCF	3.4	17.8
(Other net investments)	-9.8	-21.2
(Distribution of dividends)	-6.7	0.0
Right issue / (buy-back)	0.2	16.9
Others	-3.9	-2.3
(Increase) decrease in net debt	-16.8	11.2

Source: Company data

NET WORKING CAPITAL TREND (€ mn)										
	4Q22	% 4xQ Sales	1Q23	% 4xQ Sales	2Q23	% 4xQ Sales	3Q23	% 4xQ Sales	4Q23	% 4xQ Sales
receivables	59.2	27.9%	62.8	27.0%	52.8	23.2%	63.8	26.0%	55.8	23.3%
inventories	64.4	30.3%	65.8	28.3%	59.5	26.2%	67.4	27.5%	62.0	25.9%
payables	-39.6	-18.7%	-43.9	-18.9%	-45.8	-20.2%	-40.3	-16.4%	-42.5	-17.8%
Trade Working Capital	84.0	39.6%	84.7	36.5%	66.5	29.3%	91.0	37.1%	75.3	31.5%

Source: company data

Here below we present the reported and adjusted P&L, on a YoY and QoQ view. The main adjustment is due to the accounting of Turkey as hyperinflationary economy (IAS 29). **Start-up costs related to the new plants and induction launch** were € 0.7mn in 4Q23 and € 2.6mn in FY23 at EBITDA level (€ 1.1mn and € 3.7mn at EBIT level).

ADJUSTED AND REPORTED 4Q AND 12M P&L

Consolidated results for the fourth quarter of 2023

	Q4 2023*	Q4 2022*	2023-2022 change	% change
Sales revenue	61,043	51,430	9,613	*+18.7%*
Hyperinflation – Turkey	1,780	1,649		
Start-up revenue	(8)	-		
Normalised revenue	**62,815**	**53,079**	**9,736**	***+18.3%***
EBITDA	7,466	6,636	830	*+12.5%*
EBTIDA %	*12.2*	*12.9*		
Start-up costs	744	274		
Hyperinflation – Turkey	470	(802)		
Normalised EBITDA	**8,680**	**6,108**	**2,572**	***+42.1%***
Normalised EBITDA%	***13.8***	***11.5***		
EBIT	2,276	1,863	413	*+22.2%*
EBIT %	*3.7*	*3.6*		
Start-up costs	*1,201*	321		
Hyperinflation – Turkey	886	(488)		
Normalised EBIT	***4,363***	**1,696**	**2,667**	***+157.3%***
Normalised EBIT%	***6.9***	***3.2***		
Group net result	1,738	2,153	(415)	*-19.3%*
Net result %	*2.8*	*4.2*		
Start-up costs	1,135	294		
Hyperinflation – Turkey	2,882	2,159		
Normalised result of the Group	**5,755**	**4,606**	**1,149**	***+24.9%***
Normalised result %	***9.2***	***8.7***		

(*) unaudited figures

	2023	2022	2023-2022 change	% change
Sales revenue	237,949	253,053	(15,104)	*-6.0%*
Hyperinflation – Turkey	1,160	(1,091)		
Start-up revenue	(23)	-		
Normalised revenue	**239,086**	**251,962**	**(12,876)**	***-5.1%***
EBITDA	29,612	40,092	(10,480)	*-26.1%*
EBTIDA %	*12.4*	*15.8*		
Start-up costs	2,649	704		
Hyperinflation – Turkey	786	(4,469)		
Normalised EBITDA	**33,047**	**36,327**	**(3,280)**	***-9.0%***
Normalised EBITDA%	***13.8***	***14.4***		
EBIT	11,062	21,887	(10,825)	*-49.5%*
EBIT %	*4.6*	*8.6*		
Start-up costs	3,724	820		
Hyperinflation – Turkey	2,710	(2,838)		
Normalised EBIT	**17,496**	**19,869**	**(2,373)**	***-11.9%***
Normalised EBIT%	***7.3***	***7.9***		
Group net result	3,103	15,249	(12,146)	*-79.7%*
Net result %	*1.3*	*6.0*		
Start-up costs	3,530	756		
Hyperinflation – Turkey	7,521	6,077		
Normalised result of the Group	**14,154**	**22,082**	**(7,928)**	***-35.9%***
Normalised result %	***5.9***	***8.8***		

Source: SAB press release

2024 OUTLOOK: A STRONG START TO THE YEAR

From Sabaf press release: *"The beginning of 2024 is characterised by a **very positive business trend**. Based on the sales to date and the order book, we expect double-digit sales growth in the first quarter compared to the same period last year. The recovery in production volumes will help to improve profitability. The technical and commercial synergies with the recently acquired companies (PGA and MEC), the product diversification initiatives (particularly in the induction cooking components segment) and internationalisation (with the activities of the new production plants in India and Mexico) continue according to plan and will contribute to the 2024 results and ensure the Group's sustainable growth in the medium and long term."*

The messages about the start of the year are therefore decidedly positive, as better specified in the call, where the management indicated a **1Q24 organic growth in M2HSD area**, with recovery supported by both **restocking** after a severe reduction in inventories in 4Q23 and **better final demand**. From a geographic standpoint, **LatAm and Middle East** are the strongest areas, **NA** is positive, while **Europe** is flattish.

Indication on 1Q24 is pointing to € 68/69mn sales or slightly higher (we have € 70mn, not unrealistic).

ADDITIONAL MESSAGES FROM THE CALL QUITE SUPPORTIVE

We report the additional key messages from the call:

- **MEC and PGA (the most recent acquisitions) were weaker than expected in 4Q,** explaining the lower sales/margin booked in 4Q23 compared to our and management expectations provided in the 3Q23 call. **Contribution is back to normal in 1Q24.**
- **Orders are now covering until May**, supporting the comment that **2Q should be as good as 1Q24**.
- **Profitability is expected to recover**, supported by RM and energy tailwinds and better volumes, while labour cost (mainly in Turkey) is the main headwind.
- **First sales in induction were billed in March**. Management expects to expand the customer base in 2H with total contribution between € 2 and € 4mn sales in 2024 (we have € 2.5mn, but the key message is that sales have finally started)
- The new Mexican plant is expected to generate some € 3/4mn in 2024 (we had € 5mn, but the plant is starting up now, with a few weeks delay), moving to € 10mn in a couple of years. India sales will be around € 3/4mn in 2024 and € 5/6mn in 2025/2026.
- **Some opportunities are emerging for gaining share due to the bankruptcy of competitor Robert Shaw** (€ 2/4mn potential sales contribution on a FY basis).

MESSAGES FROM KEY INDUSTRY PLAYERS

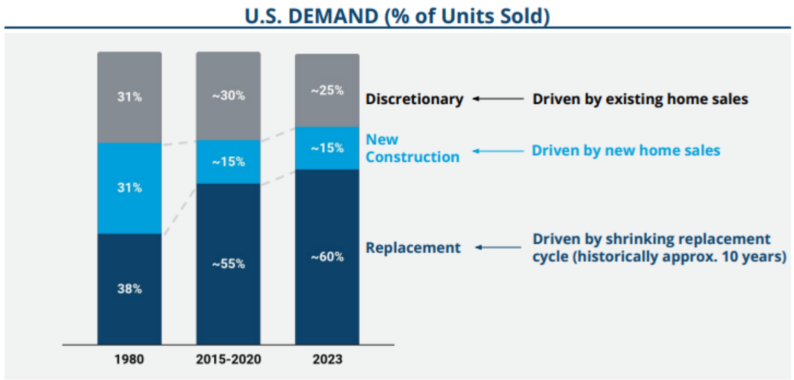
Whirlpool provided some comments during the 4Q23 results conference call and CMD, focusing on NA, LAtAm and Asia (EU business has been sold to Arcelik, with deconsolidation effective from 2Q24). Outlook is pointing to a flat to moderately growing market: "*Starting with industry demand, we expect a dynamic global industry to be flat to up 2%. We expect to see similar demand trends in the US that we saw in the second half of 2023, with resilient replacement demand creating a solid footing for industry volumes and consumer discretionary demand continuing to be impacted by elevated mortgage rates driving down existing home sales. Overall, we expect MDA North America to be flat to slightly positive as well as we expect the MDA Latin America industry to also be flat to slightly positive. India has one of the fastest growth rates globally and we expect MDA Asia industry volumes to accelerate by 4% to 6%.*"

2024 INDUSTRY SHIPMENTS FORECASTS BY WHIRLPOOL AND ELECTROLUX

Source: Whirlpool and Electrolux 4Q23 presentation

The resilience of the NA market is underpinned by a shrinking replacement cycle that is offsetting a decline in discretionary (existing home sales) and new construction (new home sales), hit by higher mortgage rates.

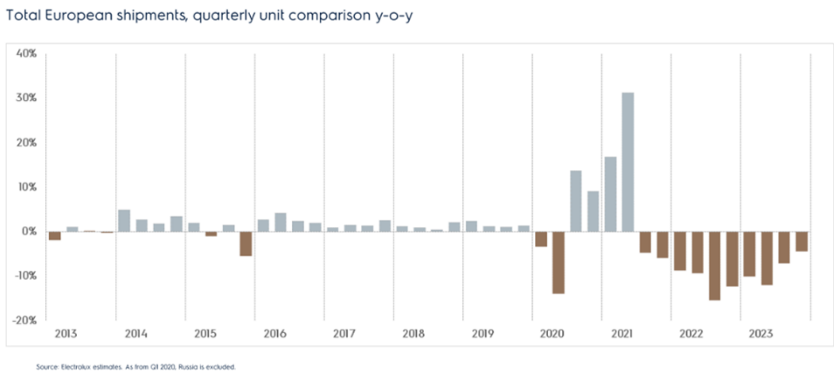
US MARKET DEMAND DRIVERS

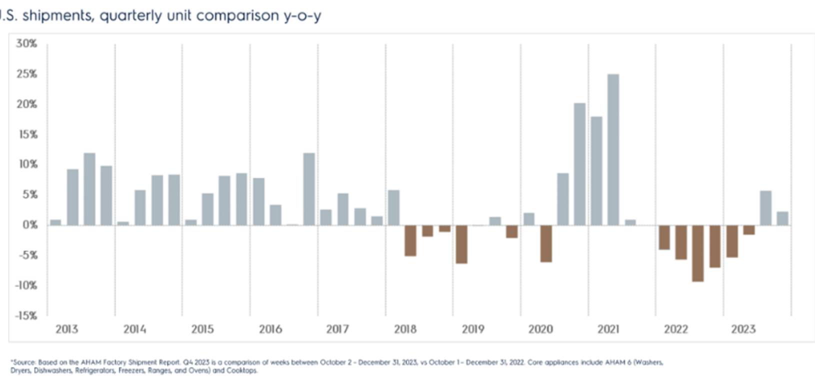


Source: Whirlpool CMD presentation

Electrolux is sticking to a prudent market outlook for 2024, with volumes flattish in all key areas and prices down on consumer downtrading, while demand should be supported by replacement cycle: *"Looking into the beginning of 2024, weak consumer sentiment is anticipated to continue, with consumers shifting to lower price points and postponing purchases in discretionary categories. Forced replacement is expected to continue to be the main demand driver. However, as the inflationary pressure is subsiding and the interest rates are expected to come down, we expect demand in major markets to stabilize in the course of the year."*

QUARTERLY INDUSTRY SHIPMENTS IN EUROPE AND NORTH AMERICA

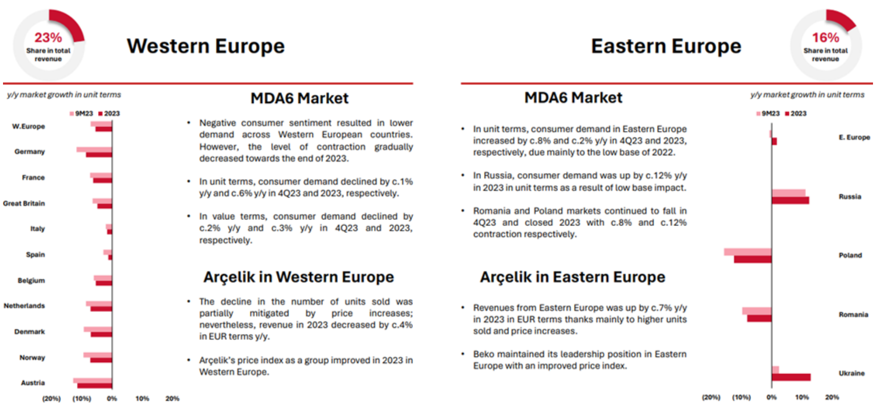




Source: Electrolux 4Q23 presentation

Arcelik pointed out a still negative consumer demand in Western Europe, though gradually improving in 4Q vs. 9M. As commented in the slides below: *"**negative consumer sentiment resulted in lower demand across Western European countries. However, the level of contraction gradually decreased towards the end of 2023**. In unit terms, consumer demand declined by c.1% y/y and c.6% y/y in 4Q23 and 2023, respectively. In value terms, consumer demand declined by c.2% y/y and c.3% y/y in 4Q23 and 2023, respectively."*

WESTERN AND ESTERN EUROPE MARKET DEMAND (9M23 AND 12M23)



Source: Arcelik 4Q23 presentation

ESTIMATES: WE CONFIRM OUR 2024-25 PROJECTIONS

Despite weaker 2023 results, we have confirmed our 2024-25 projections, thanks to comments on a very good start to the year pointing to sales very much consistent with our expectations and supporting a good rebound in margins.

We have only **updated our numbers for the higher DPS** proposed by the BoD, which led us to assume a higher dividend pay-out also going forward.

CHANGE IN ESTIMATES (€ mn)

	2023 Exp.	2023 Act.	2024E Prev.	2024E Curr.	2025E Prev.	2025E Curr.
Revenues	241.9	237.9	273.8	273.8	291.2	291.2
% chg		-1.6%		0.0%		0.0%
Abs chg		-4.0		0.1		0.1
Adj. EBITDA	34.3	33.1	44.1	44.1	51.7	51.5
% chg		-3.6%		0.0%		-0.5%
Abs chg		-1.2		0.0		-0.3
Adj. EBIT	15.4	17.5	22.9	22.9	29.8	29.7
% chg		13.3%		0.2%		-0.6%
Abs chg		2.1		0.0		-0.2
Adj. Net income	8.7	14.2	14.5	14.5	18.9	18.5
% chg		63.5%		-0.1%		-2.0%
Abs chg		5.5		0.0		-0.4
Net income	2.7	3.1	14.5	14.5	18.9	18.5
% chg		16.7%		-0.1%		-2.0%
Abs chg		0.4		0.0		-0.4
Adj. EPS (€ cents)	73.1	120	116.3	116	151.7	149
% chg		63.5%		-0.1%		-2.0%
Abs chg		46.4		-0.1		-3.0
NFP	-74.4	-73.2	-59.4	-63.9	-44.8	-52.9
% chg		-1.6%		7.6%		18.1%
Abs chg		1.2		-4.5		-8.1
FCF	16.1	17.8	17.5	16.0	18.3	17.9
% chg		10.7%		-8.5%		-2.5%
Abs chg		1.7		-1.5		-0.5
CAPEX	18.6	18.6	15.1	15.1	16.0	16.0
% chg		0.0%		0.0%		0.0%
Abs chg		0.0		0.0		0.0
DPS (€	20.0	54.0	30.0	55.0	35.0	56.0
% chg		170.0%		83.3%		60.0%
Abs chg		34		25		21

Source: Equita SIM estimates

VALUATION CONFIRMED

We confirm our valuation at € 22PS, as the average between market multiples and DCF valuation. As target market multiples we use 13x Adj. PE and 11x EV/EBIT applied to 2025 estimates (+ residual MEC synergies post 2025) and discounted to 12M from now.

PE MULTIPLE VALUATION	
(A) 2025E multiple	13 x
(B) 2025 EPS (€)	1.5
(C) synergies EPS contribution post 2025 (€)	0.1
(D)=(A)x((B)+(C))) Stock value (€)	21
(E) Dividends to be cashed-in (€)	1.1
(F) = (C)+(D) Total stock value (€ PS)	22
(G) Discount (1+Ke)	1.08
(H)=(F)/(G) Target (€ PS)	20

TARGET PRICE SENSITIVITY			
(A) 2025E multiple	11 x	13 x	15 x
(B) 2025 EPS (€)	1.5	1.5	1.5
(C) synergies EPS contribution post 2025 (€)	0.1	0.1	0.1
(D)=(A)x((B)+(C))) Stock value (€)	17	21	24
(E) Dividends to be cashed-in (€)	1.1	1.1	1.1
(F) = (C)+(D) Total stock value (€ PS)	19	22	25
(G) Discount (1+Ke)	1.08	1.08	1.08
(H)=(F)/(G) Target (€ PS)	17	20	23

Source: Equita SIM estimates

EV/EBIT MULTIPLE VALUATION (€ mn)	
(A) 2025E multiple	11.0 x
(B) 2025 EBIT	30
(C) synergies post 2025	1
(D)=(A)x((B)+(C)) EV	336
(D) NFP 2025E	-53
(E) minorities	-4
(F) Dividends to be cashed-in	14
(G) = (C)+(D)+(E)+(F) Total stock value	292
(H) Discount (1+Ke)	1.08
(I)=(G)/(H) Target (€ PS)	271
(L) shares (mn)	12.4
(M)=(I)/(L) Target (€ PS)	22

TARGET PRICE SENSITIVITY (€ mn)			
(A) 2025E multiple	9 x	11 x	13 x
(B) 2025 EBIT	30	30	30
(C) synergies post 2025	1	1	1
(D)=(A)x((B)+(C)) EV	275	336	397
(D) NFP 2025E	-53	-53	-53
(E) minorities	-4	-4	-4
(F) Dividends to be cashed-in	14	14	14
(G) = (C)+(D)+(E)+(F) Total stock value	231	292	353
(H) Discount (1+Ke)	1.08	1.08	1.08
(I)=(G)/(H) Target (€ PS)	214	271	327
(L) shares (mn)	12.4	12.4	12.4
(M)=(I)/(L) Target (€ PS)	17	22	26

Source: Equita SIM estimates

The DCF-based valuation leads to a target of € 25PS, based on a WACC of 8.7% and perpetual growth of 2.5%.

DCF (€ mn)

Assumptions	
G	2.5%
WACC	8.7%

Valuation (€ mn)	
NPV of FCF (2024-28)	93
NPV of Terminal Value	293
Estimated Enterprise Value	386
2023E NFP	-73
Adjustment to NFP	0
SAB IM Equity	313
Minorities & Peripheral	-4
Total Equity	309
Adj. # of shares (mn)	12.4
Target Price (€ PS)	25

	2024E	2025E	2026E	2027E	2028E	Perpetuity
Sales	274	291	303	313	322	330
Change %	*15.1%*	*6.4%*	*4.2%*	*3.0%*	*3.0%*	*2.5%*
EBITDA	44	51	55	57	59	59
Change %	*33.4%*	*16.8%*	*6.6%*	*4.1%*	*3.0%*	*1.0%*
Margin	16.1	17.7	18.1	18.3	18.3	18.0
D&A	-21.2	-21.8	-21.2	-20.3	-20.9	-21.5
EBIT	23	30	32	37	38	38
Change %	*30.9%*	*29.5%*	*9.3%*	*13.6%*	*3.0%*	*3.1%*
Margin	8.3	8.4	10.2	10.7	11.8	11.8
Taxes	-6	-8	-9	-10	-10	-10
EBIT after Tax	17	22	24	27	28	28
Change %	*30.9%*	*29.5%*	*9.3%*	*13.6%*	*3.0%*	*3.1%*
Capex/acquisitions	-15	-16	-17	-20	-21	-21
(increase) decrease in NWC	-6	-8	-4	-3	-3	-3
Free Cash Flow before minorities	17	20	24	24	24	25
Free Cash Flow	17	20	24	24	24	25
Discount Factor	1.0	1.1	1.2	1.3	1.4	1.4
PV of FCF	18	19	21	19	18	18

Source: Equita SIM estimates and company data

DCF SENSITIVITY ANALYSIS (€ PS)

		Perpetual growth G		
		1.5%	2.5%	3.5%
WACC	8.2%	23	27	33
	8.7%	22	25	29
	9.2%	20	23	26

Source: Equita SIM estimates

SABAF VALUATION			
	Weight	Target multiple	Valuation (€ PS)
PE multiple valuation	33%	13x	22
EV/EBIT valuation	33%	11x	20
DCF valuation	33%	n.m.	25
Target price			22

Source: Equita SIM estimates

A confirmation of favourable momentum could support higher multiples over the next few quarters, considering that SAB historical 1-year forward Adj. PE has been more in the 14-18x range at the bottom/initial part of recovery cycle.

STATEMENT OF RISKS FOR SABAF

The main factors that could negatively affect SAB are the following:

- Weaker market demand
- Higher competitive pressures
- Sharp increase in aluminium and steel prices
- Inability to acquire and integrate companies
- Inability to enter new markets
- Inability to protect its product exclusivity
- Development of alternative technologies

P&L - €mn	2021	2022	2023	2024E	2025E	2026E
SALES Rep	263	253	238	274	291	303
Growth	42.4%	-3.9%	-6.0%	15.1%	6.4%	4.2%
EBITDA Rep	54.1	40.1	29.6	44.1	51.5	54.9
Growth	45.9%	-25.9%	-26.2%	48.9%	16.8%	6.6%
Margin	20.6%	15.8%	12.4%	16.1%	17.7%	18.1%
D&A	-16.6	-18.2	-18.5	-21.2	-21.8	-22.5
EBIT Rep	37.5	21.9	11.1	22.9	29.7	32.4
Growth	86.7%	-41.6%	-49.5%	107.1%	29.5%	9.3%
Margin	14.2%	8.6%	4.6%	8.4%	10.2%	10.7%
Net Interest Charges	-1.2	-1.8	-3.4	-3.4	-4.4	-4.1
Financial Expenses	-7.8	-9.7	-11.1	-3.4	-4.4	-4.1
Non Recurrings	0.0	0.0	0.0	0.0	0.0	0.0
PBT Rep	29.7	12.2	-0.1	19.6	25.2	28.3
Growth	104.6%	-58.9%	n.m.	n.m.	29.0%	12.1%
Income Taxes	-5.0	3.0	3.4	-5.1	-6.7	-7.5
Tax rate	16.8%	-24.9%	5643.3%	26.0%	26.6%	26.7%
Minority Interest	-0.8	0.0	-0.2	-1.0	-1.2	-1.2
Discontinued Operations	0.0	0.0	0.0	1.0	1.2	1.2
Net Income Rep	23.9	15.2	3.1	14.5	18.5	20.7
Growth	71.2%	-36.2%	-79.7%	366.2%	27.9%	11.9%
Margin	9.1%	6.0%	1.3%	5.3%	6.4%	6.8%
Net Income Adj	26.5	22.1	14.2	14.5	18.5	20.7
Growth	87.9%	-16.6%	-35.7%	1.9%	27.9%	11.9%
Margin	10.1%	8.7%	6.0%	5.3%	6.4%	6.8%

CF Statement	2021	2022	2023	2024E	2025E	2026E
FFO	41.6	33.5	23.4	36.6	41.5	44.4
Chg. in Working Capital	-18.3	-9.3	13.0	-5.6	-7.6	-4.4
Other chg. in OCF	0.0	0.0	0.0	0.0	0.0	0.0
NCF from Operations	23.2	24.2	36.4	31.1	33.9	40.0
CAPEX	-23.8	-20.9	-18.6	-15.1	-16.0	-16.7
Financial Investments	0.0	-9.8	-21.2	0.0	0.0	0.0
Other chg in investments	0.0	0.0	0.0	0.0	0.0	0.0
NCF from Investments	-23.8	-30.6	-39.8	-15.1	-16.0	-16.7
Dividends paid	-6.2	-6.7	0.0	-6.7	-6.8	-7.0
Capital Increases	0.0	0.2	16.9	0.0	0.0	0.0
Other changes in financing	-4.6	-3.9	-2.3	0.0	0.0	0.0
CHG IN NFP	-11.3	-16.8	11.2	9.3	11.0	16.3

Source: Company data and Equita SIM estimates

INFORMATION PURSUANT TO EU REGULATION 2016/958 supplementing Regulation EU 596/2014 (c.d. MAR)

This publication has been prepared by the following financial analyst(s) on behalf of EQUITA SIM SpA (licensed to practice by CONSOB resolution no. 11761 of December 22nd 1998 and registered as no. 67 in the Italian central register of investment service companies and financial intermediaries) to which he/she/they is/are bound by an employment contract: Domenico Ghilotti

In the past EQUITA SIM has published studies on Sabaf

EQUITA SIM is distributing this publication via e-mail to more than 900 qualified operators and to unqualified operators via Borsa Italiana website on Wednesday, 20 March 2024 at 04:00 PM.
The prices of the financial instruments shown in the report are the closing prices of the date indicated in the first page stock data table.

EQUITA SIM intends to provide continuous coverage of the financial instrument forming the subject of the present publication, with a semi-annual frequency and, in any case, with a frequency consistent with the timing of the issuer's periodical financial reporting and of any exceptional event occurring in the issuer's sphere of activity.
The information contained in this publication is based on sources believed to be reliable. Although EQUITA SIM makes every reasonable endeavour to obtain information from sources that it deems to be reliable, it accepts no responsibility or liability as to the completeness, accuracy or exactitude of such information. If there are doubts in this respect, EQUITA SIM clearly highlights this circumstance. The most important sources of information used are the issuer's public corporate documentation (such as, for example, annual and interim reports, press releases, and presentations) besides information made available by financial service companies (such as, for example, Bloomberg and Reuters) and domestic and international business publications. It is EQUITA SIM's practice to submit a pre-publication draft of its reports for review to the Investor Relations Department of the issuer forming the subject of the report, solely for the purpose of correcting any inadvertent material inaccuracies. This note has been submitted to the issuer.
The recommendation was produced using proprietary Excel models that are stored on company servers. The models are backed up at the end of each month.
EQUITA SIM has adopted internal procedures able to assure the independence of its financial analysts and that establish appropriate rules of conduct for them.

Furthermore, it is pointed out that EQUITA SIM SpA is an intermediary licensed to provide all investment services as per Italian Legislative Decree no. 58/1998. Given this, EQUITA SIM might hold positions in and execute transactions concerning the financial instruments covered by the present publication, or could provide, or wish to provide, investment and/or related services to the issuers of the financial instruments covered by this publication. Consequently, it might have a potential conflict of interest concerning the issuers, financial issuers and transactions forming the subject of the present publication.

Equita SIM S.p.A. perform or has performed in the last 12 months the role of specialist for financial instruments issued by Sabaf. Equita SIM S.p.A. performs or has performed in the last 12 months the role of intermediary in charge of the execution of the buy back plan approved by the shareholders' meeting of Sabaf. Equita SIM S.p.A. provides or has provided in the last 12 months corporate finance services to Sabaf S.p.A. or to a company of the same group.

In addition, it is also pointed out that, within the constraints of current internal procedures, EQUITA SIM's directors, employees and/or outside professionals might hold long or short positions in the financial instruments covered by this publication and buy or sell them at any time, both on their own account and that of third parties.
Research Division management alone determines the remuneration of the analysts who produced the publication, and their remuneration is not linked to Equita SIM's Investment Banking transactions. It is linked to Equita SIM's total revenue, which includes the revenue of the Investment Banking and Sales & Trading Divisions.
For more details on the policies and principles designed to ensure the integrity and independence of Equita SIM analysts, please refer to the policy on organizational mechanisms of the Research activity available at www.equita.eu on the "Legal notices" section.

The recommendations to BUY, HOLD and REDUCE are based on Expected Total Return (ETR – expected absolute performance in the next 12 months inclusive of the dividend paid out by the stock's issuer) and on the degree of risk associated with the stock, as per the matrix shown in the table. The level of risk is based on the stock's liquidity and volatility and on the analyst's opinion of the business model of the company being analysed. Due to fluctuations of the stock, the ETR might temporarily fall outside the ranges shown in the table.

EXPECTED TOTAL RETURN FOR THE VARIOUS CATEGORIES OF RECOMMENDATION AND RISK PROFILE

RECOMMENDATION/RATING	Low Risk	Medium Risk	High Risk
BUY	ETR >= 10%	ETR >= 15%	ETR >= 20%
HOLD	-5% <ETR< 10%	-5% <ETR< 15%	0% <ETR< 20%
REDUCE	ETR <= -5%	ETR <= -5%	ETR <= 0%

The methods preferred by EQUITA SIM to evaluate and set a value on the stocks forming the subject of the publication, and therefore the Expected Total Return in 12 months, are those most commonly used in market practice, i.e. multiples comparison (comparison with market ratios, e.g. P/E, EV/EBITDA, and others, expressed by stocks belonging to the same or similar sectors), or classical financial methods such as discounted cash flow (DCF) models, or others based on similar concepts. For financial stocks, EQUITA SIM also uses valuation methods based on comparison of ROE (ROEV – return on embedded value – in the case of insurance companies), cost of capital and P/BV (P/EV – ratio of price to embedded value – in the case of insurance companies).

Ord SAB IM MOST RECENT CHANGES IN RECOMMENDATION AND/OR IN TARGET PRICE:

Date	Rec.	Target Price	Risk.	Comment
January 15, 2024	Buy	22.00	High	change in estimates/valuation
October 25, 2023	Buy	20.00	High	-
July 17, 2023	Buy	21.00	High	change in estimates/valuation
May 12, 2023	Hold	19.00	High	-

DISCLAIMER
The purpose of this publication is merely to provide information that is up to date and as accurate as possible. The publication does not represent to be, nor can it be construed as being, an offer or solicitation to buy, subscribe or sell financial products or instruments, or to execute any operation whatsoever concerning such products or instruments.
EQUITA SIM does not guarantee any specific result as regards the information contained in the present publication, and accepts no responsibility or liability for the outcome of the transactions recommended therein or for the results produced by such transactions. Each and every investment/divestiture decision is the sole responsibility of the party receiving the advice and recommendations, who is free to decide whether or not to implement them. Therefore, EQUITA SIM and/or the author of the present publication cannot in any way be held liable for any losses, damage or lower earnings that the party using the publication might suffer following execution of transactions on the basis of the information and/or recommendations contained therein.
The estimates and opinions expressed in the publication may be subject to change without notice.

EQUITY RATING DISPERSION AS OF DECEMBER 31, 2023 *(art. 6, par. 3 Delegated Regulation (EU) 2016/958 of 09 March 2016)*		
	COMPANIES COVERED	COMPANIES COVERED WITH BANKING RELATIONSHIP
BUY	53.5%	63.0%
HOLD	44.7%	34.2%
REDUCE	0.0%	0.0%
NOT RATED	1.8%	2.7%

The list of all conflicts of interest, rating dispersion, last 12 months recommendation made by Equita SIM's analysts and other important legal disclaimers are available on www.equita.eu in the "*Legal notices*" section.

This document has been provided to you solely for informational purposes and may not be reproduced or distributed, directly or indirectly, to any other person, nor may it be published, wholly or in part, for any reason, without EQUITA SIM's specific authorisation. By accepting this document, you agree to comply with the limitations indicated above.

For Entities and Clients in the United Kingdom

Equita is registered as a UK's "Overseas Persons Exclusion" ("OPE"): this means that Equita has not established an actual or deemed permanent place of business in the UK. Equita is not a member of the "Financial Conduct Authority" and Research Analysts and Research Reports must comply with requirements for fairness, balance and disclosure of potential conflicts of interest.
This research report is only being offered to UK "investment professionals" and "high net worth companies" and the investment to which it relates is available only to such persons and that any other person(s) should not act or rely upon it.

For Entities and Clients in the United States

Equita is not registered as a broker-dealer with the U S Securities and Exchange Commission, and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Equita is not a member of the Financial Industry Regulatory Authority. It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest.

This research report is only being offered to Major U S Institutional Investors and is not available to, and should not be used by, any U S person or entity that is not a Major U S Institutional Investor. Equita can not and will not accept orders for the securities covered in this research report placed by any person or entity in the United States. Orders should be placed with our correspondent, Auerbach Grayson & Co. 212-557-4444.