



SABAF[®] | **SABAF**
GROUP

THERE'S LIFE INSIDE

FINANCIAL PRESENTATION

Sabaf - Roadshow Paris

6th October 2022

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COMPANY PROFILE

Sabaf Group: product range

SINCE 1950

GAS

- Standard Burners
- Special Burners
- Professional Burners
- Oven and Grill Burners
- Gas Valves
- Gas Oven Thermostats
- Microswitches & Accessories



SINCE 2018

ELECTRONICS

- Cooker Hoods
- Ovens
- Cookers and hobs
- Vitroceramic hobs control cards
- Refrigerators/freezers
- Other products



SINCE 2000, further expansion since 2019

HINGES

- Ovens
- Dishwashers
- Washing machines
- Special applications
- Small compartments
- Catering appliances



SINCE 2022

INDUCTION

Components for induction cookers and hobs



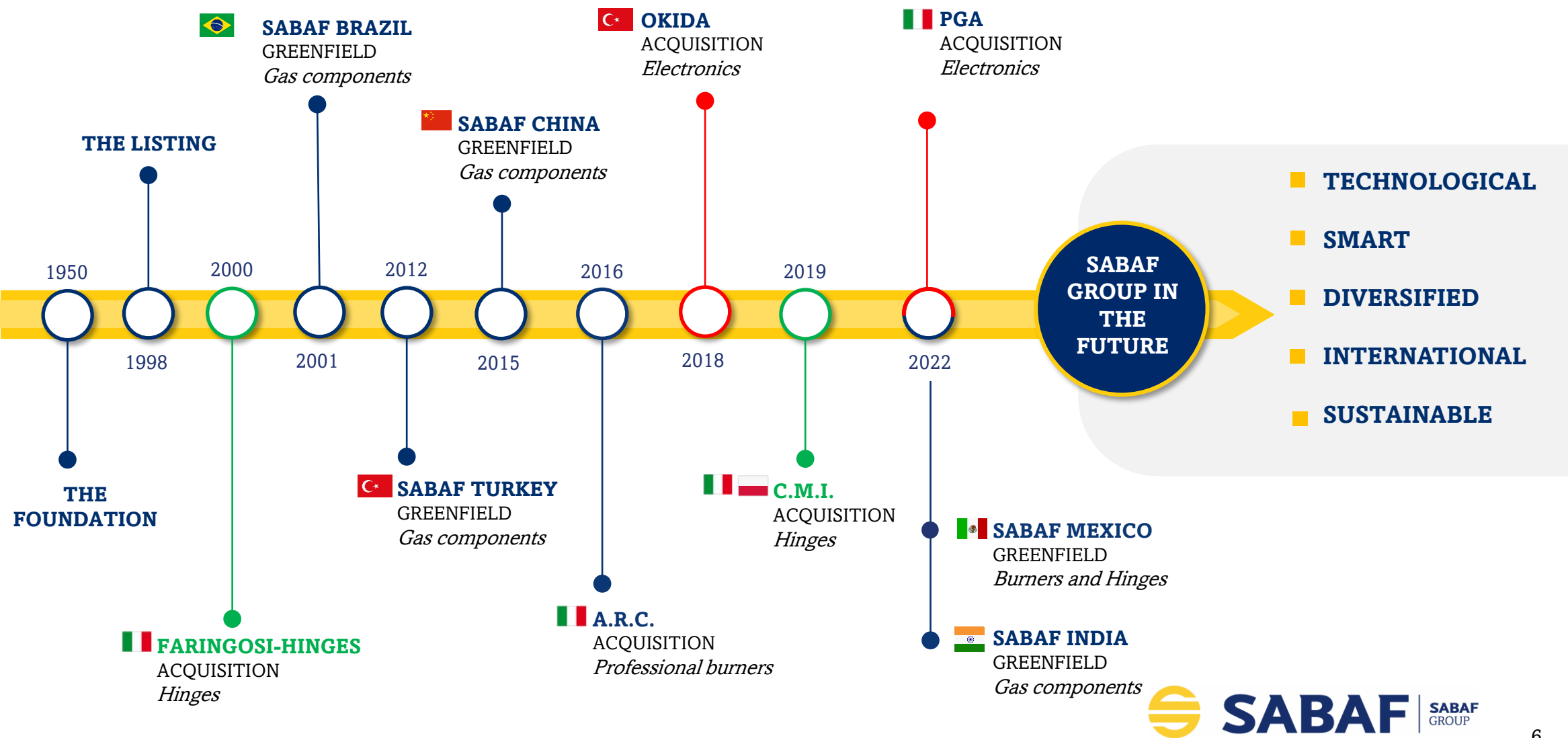
Inductor

Cooling system

Touch control

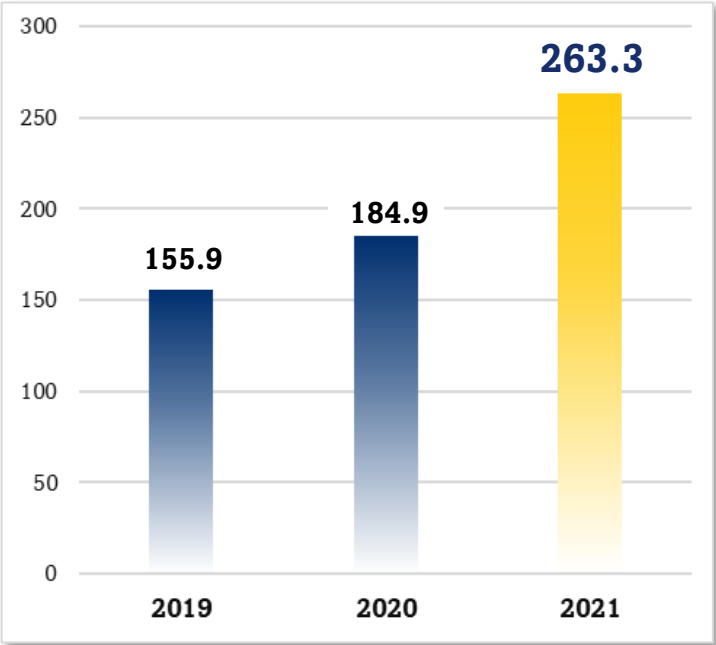
User interface

Sabaf Group: evolution



Sabaf Group: Revenues and EBITDA last 3 years

REVENUES



FY 2021 Revenues at € 263.3 mn

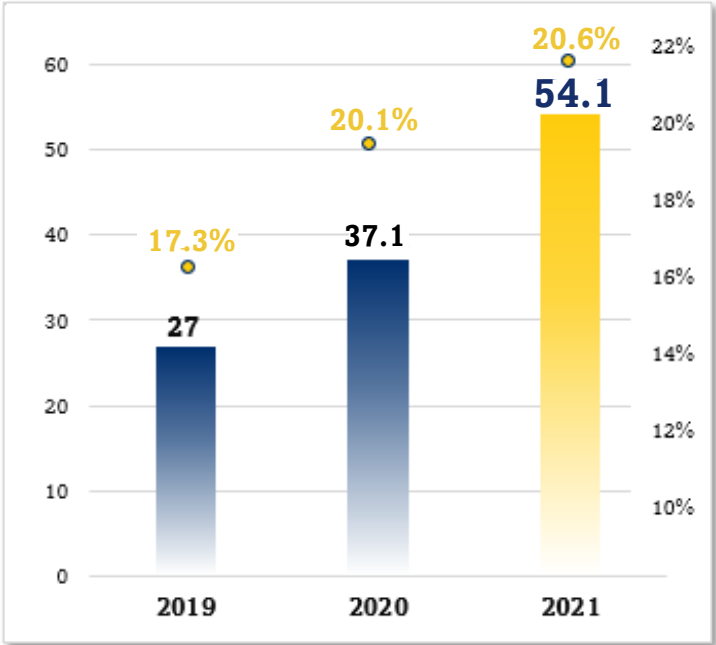


vs. 2020

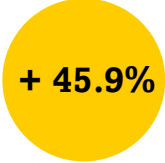


vs. 2019

EBITDA



FY 2021 EBITDA at € 54.1 mn



vs. 2020



vs.
2019

Sabaf Group: leading producer of components for household appliances



GAS



HINGES



ELECTRONICS

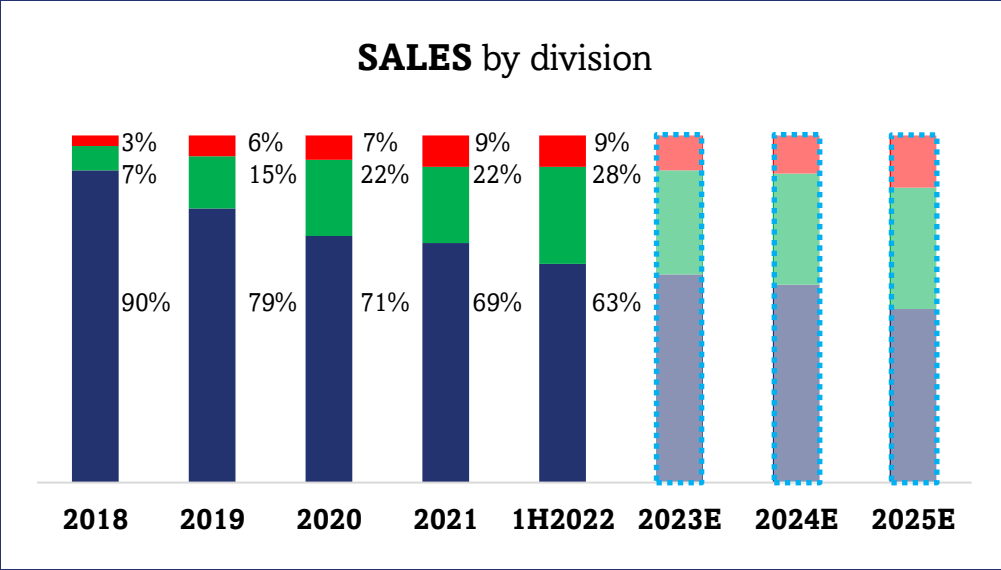


INDUCTION
NEW 2022

Widening product range

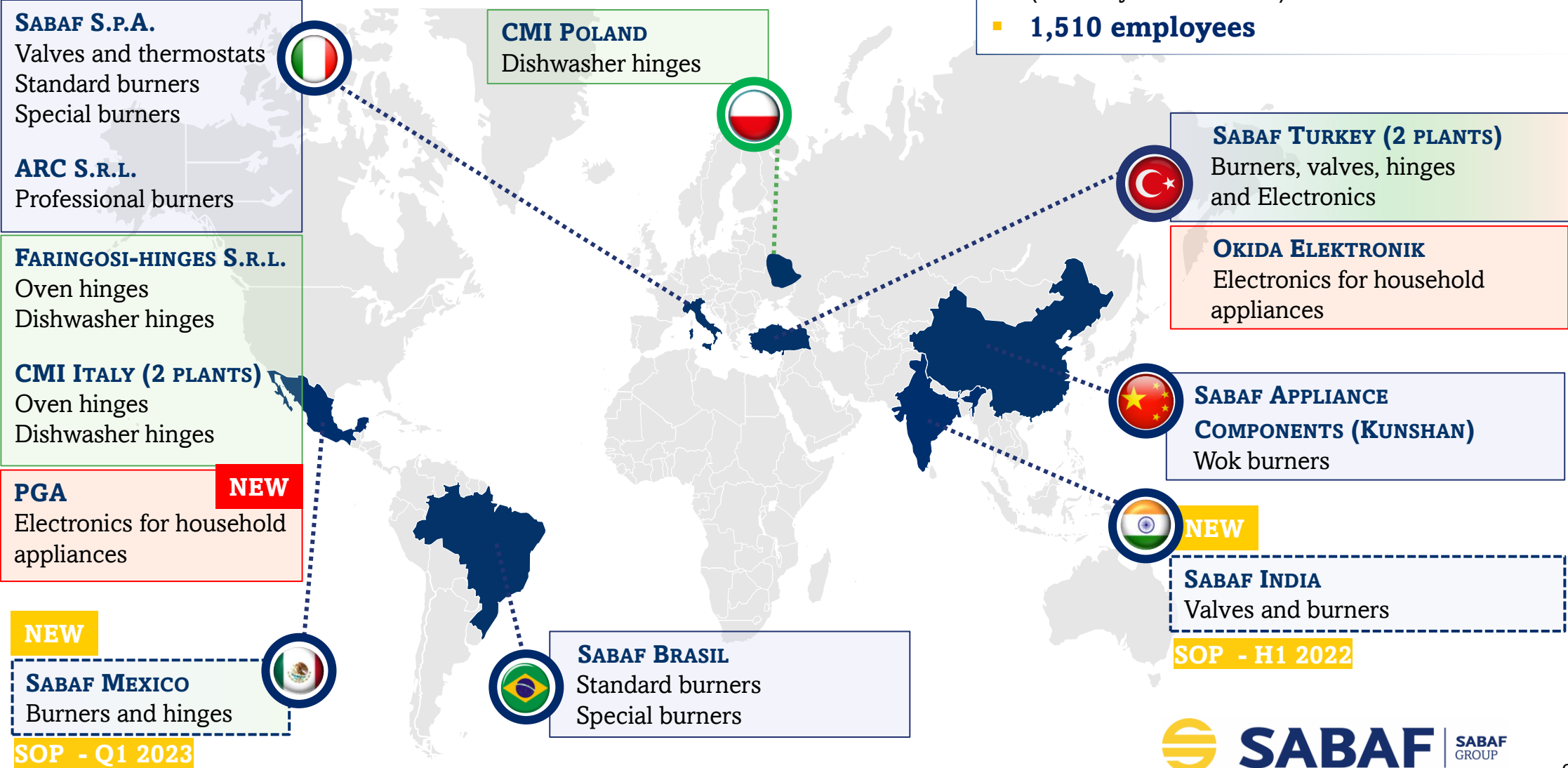
DIVERSIFICATION

Diversification of
profitability



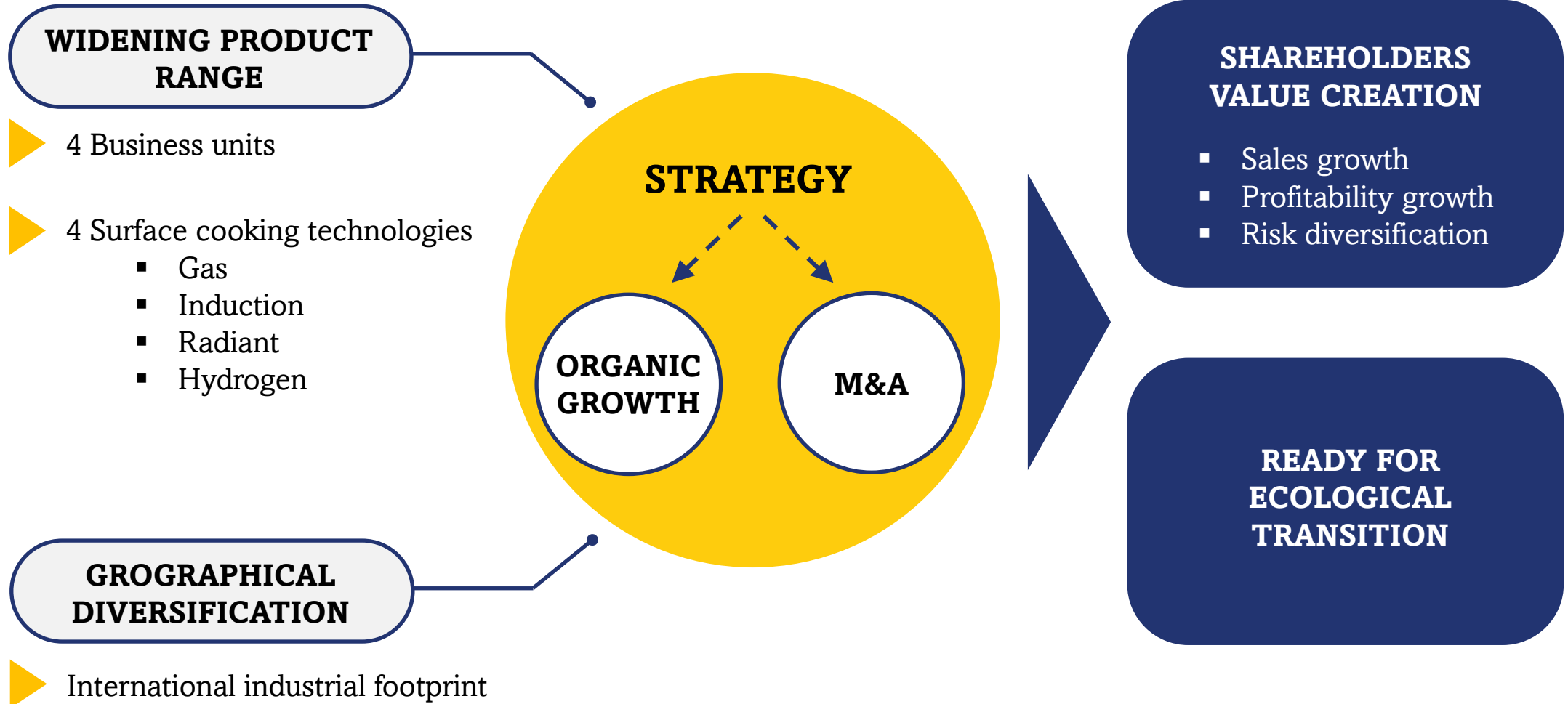
Sabaf Group: industrial footprint

- **2021:** 10 production plants
- **By 2022:** 14 production plants
(6 in Italy and 8 abroad)
- **1,510 employees**



Why invest in Sabaf

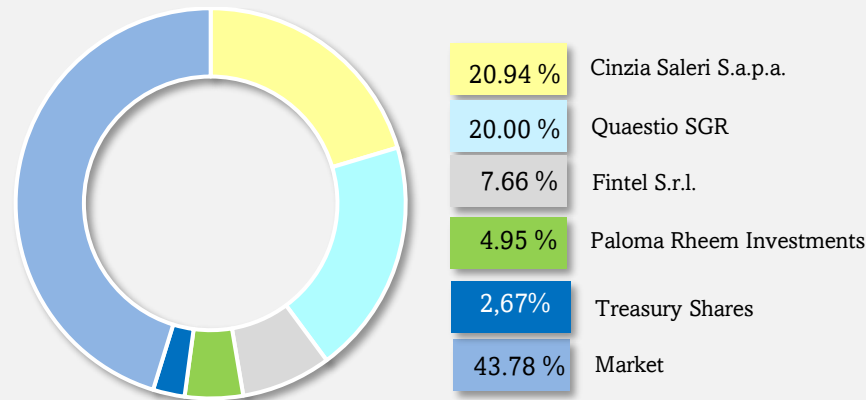
Strategy for value creation



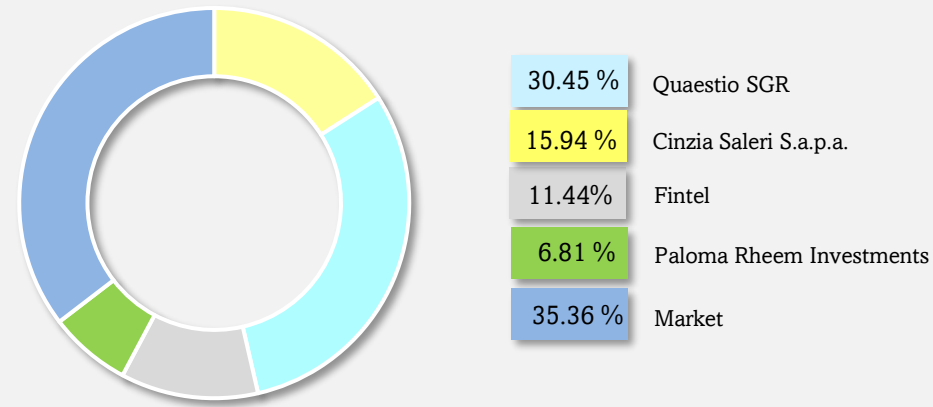
Sabaf Group

Main shareholders

% OF SHARE CAPITAL



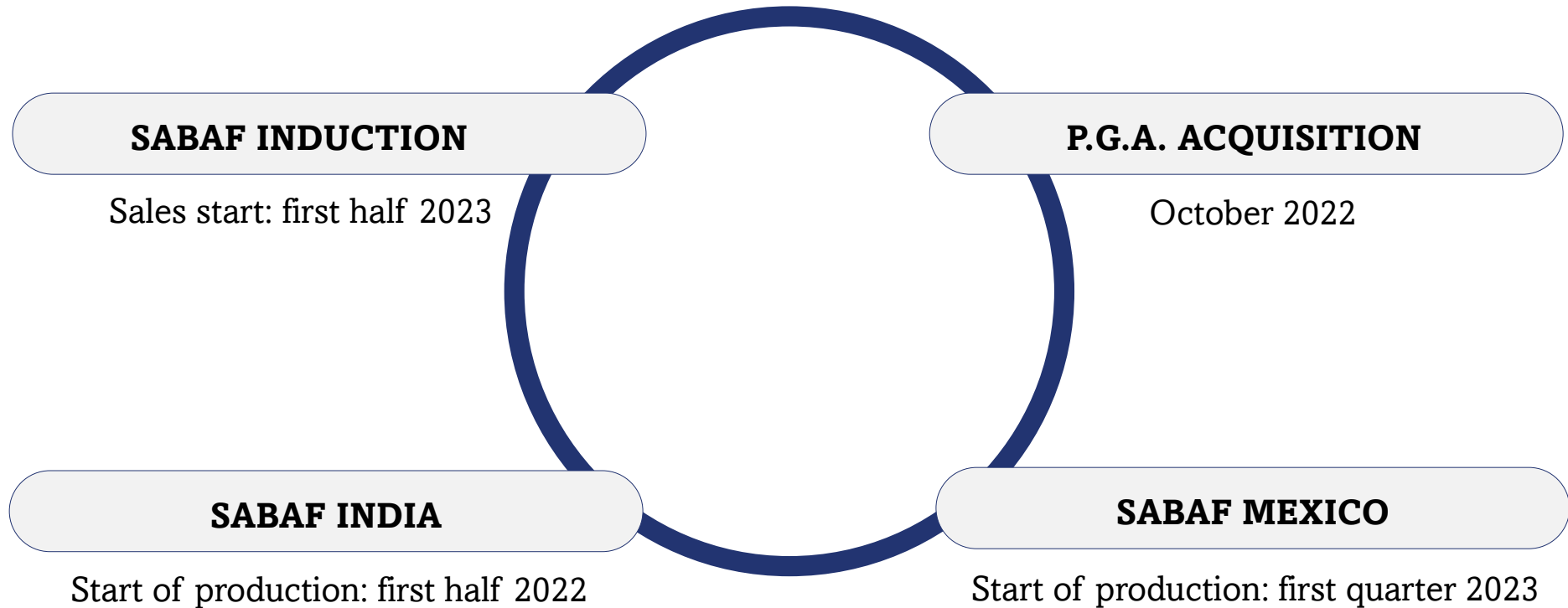
% OF VOTING RIGHTS



Pietro Iotti, CEO of Sabaf,
owns 1.5%

2022 STRATEGIC MOVES

Strategic moves (becoming in facts)



Sabaf Induction: business strategy

1

The Sabaf Group aims to become a **key player** in the large **induction cooking** market

2

Through this strategic investment Sabaf intends to turn out as **leader and innovator** not only in the mechanical sector, but also in electronics and new technologies

3

The inclusion of induction technology will lead the Group to be one of the few players able to **fully cover all the three cooking surface technologies** (gas, radiant and induction)

4

Sabaf aims to carry on along the **sustainable growth** path in the respect of the environment

5

This project will push Sabaf to a further **evolution** and **deep transformation** in the next few years

2022

The Sabaf Group
enters the
**INDUCTION
COOKING
SECTOR**

Sabaf Induction: business strategy

MARKET

The European market of induction cooking components, estimated at around €500 million

- **Steady growth** for several years at a rate of over 10%
- Highly **concentrated market** with few players (Technological complexity)

PROJECT

Investment plan

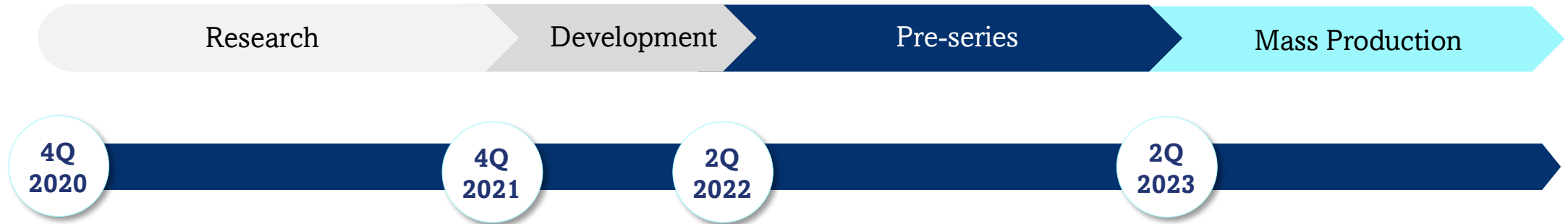
- About **€5 million** in R&D in the period 2021 – 2023
- Setting up of a **dedicated project team** in Italy

R&D

- Sabaf has developed **its own project know-how** internally by filing proprietary patents, software and hardware
- Creation of **innovative products** which better meet manufacturers' needs and new consumer trends
- The Group benefits from the expertise gained from the acquisition of **Okida** – the Turkish company of Sabaf Group already designated to electronics and where part of the induction cooking components will be produced
- Team of **more than 50 electronic engineers**

The project technological flexibility will enable Sabaf to offer to its clients **customised products**

Sabaf Induction: business strategy



- **5 product platforms** which cover the whole market (high, medium and basic range) with customisation opportunities
- The first **prototypes** will be released from **June 2022**
- **Production** will start by the **first half of 2023**
- Sabaf **network** for **sales** and distribution
- **Very positive customer feedback** (**agreements** with some important players have been already **signed**)
- Objective: at least **5% of the non-captive European market** by 2025, further expansion in the following years

P.G.A. acquisition

The company

- **P.G.A. S.r.l.** is based in **Fabriano** (AN)
- Owned by brothers **Andrea and Paolo Cennimo**, each of whom held 50% of the capital
- Operating for over 25 years in the field of design and assembly of **electronic control boards** for the household appliances sector
- Holds 100% of the share capital of **PGA2.0 s.r.l.**, a business unit dedicated to the design and prototyping of innovative solutions based on interconnection and the Internet of Things

The numbers

- 2021 **SALES: €11.5 million**
- 2021 **EBITDA: €2.2 million**
- **Net financial debt** at 30 June 2022: €1.3 million
- **36 employees**



P.G.A. acquisition

The acquisition

- **100%** of the share capital
- **Preliminary valuation** amounting to **€9.76 million** → **5x EBITDA** (average annual consolidated 2020 – 2022)
- The **purchase price** will be determined on the basis of the final P.G.A. Group **2022 EBITDA** and of the **net financial position** at the date of completion of the transaction
 - 75% paid in a single payment
 - 25% paid through the sale of Sabaf treasury shares
- Possible further price adjustment ("**earn-out**"), linked to the achievement of the Sabaf Group Electronics Division objectives
- Andrea and Paolo Cennimo will remain at the head of P.G.A. as Chief Executive Officers

The strategy

- The acquisition of P.G.A. reflects the aim of **diversification and expansion** of the offer defined in our Business Plan
- P.G.A. **integrates perfectly with Okida**, the Sabaf Group's company which is already active in the electronics sector and which is increasingly contributing to the Group's results
- The **Electronics Division plays a decisive role** in Sabaf's strategic development into a group with a full-fledged presence in advanced technologies in the household appliance industry → Electronics allows to reach **diversified future expansions** and **higher profitability level**
- Through this acquisition the **2023 Electronic division turnover** is expected to be around **€35 - 40 million**

Widening Industrial Footprint

SABAF INDIA

- **Production:** valves and burners for local market and potential export
- **Investments:** € 5.2 mn in 3 years
- **Area:** 24,000 sqm (5,000 sqm covered)
- **Expected capacity:** € 6 mn
- **Start of production:** first half 2022

SABAF MEXICO

- **Production:** burners and hinges for North and Central America markets
- **Investments:** € 5 mn in 3 years
- **Area:** 23,300 sqm (12,950 sqm covered)
- **Expected capacity:** € 11 mn
- **Start of production:** first quarter 2023

FINANCIAL PERFORMANCE

Performance data

Income statement – II quarter 2022 vs. II quarter 2021

€ x 000	II Q 2022		II Q 2021		Δ % 22 - 21	12 MONTHS 2021	
Revenue	74,832	100.0%	72,840	100.0%	+2.7%	263,259	100.0%
Other income	2,078	2.8%	2,597	3.6%		8,661	3.3%
Total operating revenue and income	76,910		75,437			271,920	
Materials	(37,859)	(50.6%)	(39,199)	(53.8%)		(142,355)	(54.1%)
Personnel costs	(13,684)	(18.3%)	(14,250)	(19.6%)		(53,964)	(20.5%)
Change in inventories	1,405	1.9%	8,810	12.1%		29,922	11.4%
Other operating costs	(12,910)	(17.3%)	(13,722)	(18.8%)		(51,383)	(19.5%)
EBITDA	13,862	18.5%	17,076	23.4%	-18.8%	54,140	20.6%
Depreciation	(4,995)	(6.7%)	(4,209)	(5.8%)		(16,869)	(6.4%)
Gains/losses on fixed assets	93	0.1%	73	0.1%		237	0.1%
Write-downs/write-backs of non-current assets	-	0.0%	-	0.0%		-	0.0%
EBIT	8,960	12.0%	12,940	17.8%	-30.8%	37,508	14.2%
Net financial expense	93	0.1%	(266)	(0.4%)		(429)	(0.2%)
Revenues (expenses from hyperinflation)	(4,606)	(6.2%)	-	0.0%			
Exchange rate gains and losses	473	0.6%	(1,004)	(1.4%)		(7,399)	(2.8%)
Profits and losses from equity investments	-	0.0%	(3)	(0.0%)		-	0.0%
EBT	4,920	6.6%	11,667	16.0%	-57.8%	29,680	11.3%
Income taxes	634	0.8%	(3,122)	(4.3%)		(5,003)	(1.9%)
PROFIT FOR THE YEAR	5,554	7.4%	8,545	11.7%	-35.0%	24,677	9.4%
Minority interests	-	0.0%	252	0.3%		780	0.3%
PROFIT ATTRIBUTABLE TO THE GROUP	5,554	7.4%	8,293	11.4%	-33.0%	23,897	9.1%

Performance data

Income statement – 6 months 2022 vs. 6 months 2021

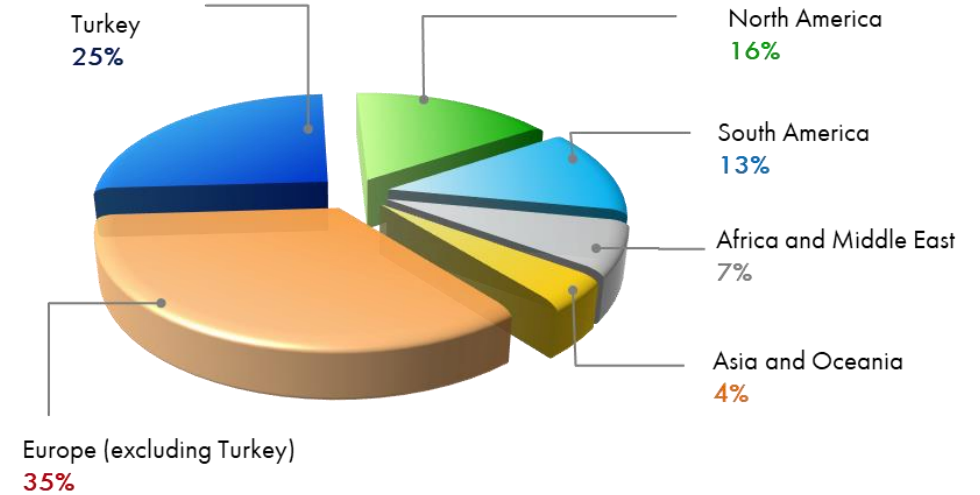
€ x 000

	6 MONTHS 2022		6 MONTHS 2021		Δ % 22 - 21	12 MONTHS 2021	
Revenue	145,684	100.0%	137,665	100.0%	+5.8%	263,259	100.0%
Other income	4,663	3.2%	4,485	3.3%		8,661	3.3%
Total operating revenue and income	150,347		142,150			271,920	
Materials	(77,195)	(53.0%)	(76,146)	(55.3%)		(142,355)	(54.1%)
Personnel costs	(27,146)	(18.6%)	(28,136)	(20.4%)		(53,964)	(20.5%)
Change in inventories	7,348	5.0%	20,345	14.8%		29,922	11.4%
Other operating costs	(26,468)	(18.2%)	(26,029)	(18.9%)		(51,383)	(19.5%)
EBITDA	26,886	18.5%	32,184	23.4%	-16.5%	54,140	20.6%
Depreciation	(9,063)	(6.2%)	(8,341)	(6.1%)		(16,869)	(6.4%)
Gains/losses on fixed assets	222	0.2%	117	0.1%		237	0.1%
Write-downs/write-backs of non-current assets	-	0.0%	-	0.0%		-	0.0%
EBIT	18,045	12.4%	23,960	17.4%	-24.7%	37,508	14.2%
Net financial expense	331	0.2%	23	0.0%		(429)	(0.2%)
Revenues (expenses from hyprinflation)	(4,606)	(3.2%)	-	0.0%			
Exchange rate gains and losses	347	0.2%	(1,853)	(1.3%)		(7,399)	(2.8%)
Profits and losses from equity investments	(48)	(0.0%)	(49)	(0.0%)		-	0.0%
EBT	14,069	9.7%	22,081	16.0%	-36.3%	29,680	11.3%
Income taxes	(1,061)	(0.7%)	(4,768)	(3.5%)		(5,003)	(1.9%)
PROFIT FOR THE YEAR	13,008	8.9%	17,313	12.6%	-24.9%	24,677	9.4%
Minority interests	-	0.0%	564	0.4%		780	0.3%
PROFIT ATTRIBUTABLE TO THE GROUP	13,008	8.9%	16,749	12.2%	-22.3%	23,897	9.1%

Performance data

Sales by market

€ x 000	6 MONTHS 2022	6 MONTHS 2021	
Europe (excluding Turkey)	50,815	48,904	+3.9%
Turkey	36,725	33,630	+9.2%
North America	23,857	15,578	+53.1%
South America	18,053	21,421	-15.7%
Africa and Middle East	10,178	9,974	+2.0%
Asia and Oceania	6,055	8,158	-25.8%
Total	145,684	137,665	+5.8%



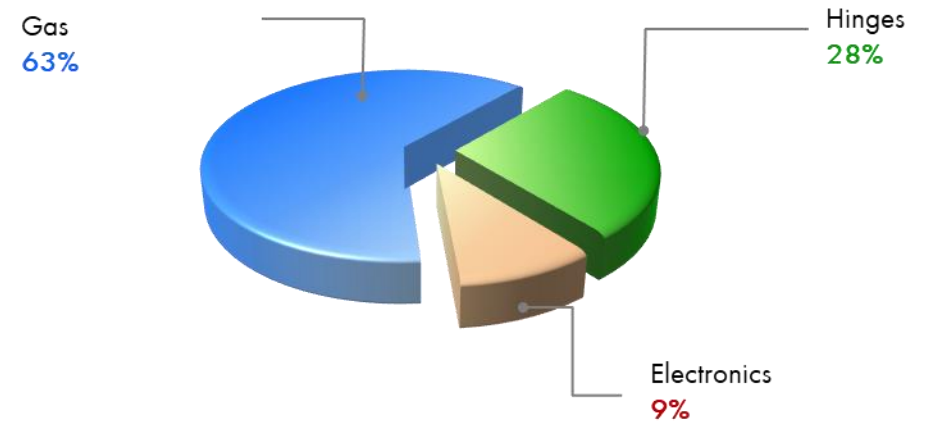
€ x 000	II QUARTER 2022	II QUARTER 2021	
Europe (excluding Turkey)	24,348	24,852	-2.0%
Turkey	18,978	17,354	+9.4%
North America	13,712	8,277	+65.7%
South America	9,310	11,531	-19.3%
Africa and Middle East	5,092	6,066	-16.1%
Asia and Oceania	3,391	4,760	-28.8%
Total	74,832	72,840	+2.7%

Performance data

Sales by product

€ x 000	6 MONTHS 2022	6 MONTHS 2021	
Gas	91,363	97,041	-5.9%
Hinges	40,698	29,114	+39.8%
Electronics	13,623	11,510	+18.4%
Total	145,684	137,665	+5.8%

€ x 000	II QUARTER 2022	II QUARTER 2021	
Gas	46,331	52,452	-11.7%
Hinges	21,202	14,795	+43.3%
Electronics	7,299	5,593	+30.5%
Total	74,832	72,840	+2.7%



Performance data

Balance Sheet

€ x 000	30/06/2022	31/03/2022	31/12/2021	30/06/2021	31/03/2021
Fixed assets	154,593	132,414	130,093	136,192	132,244
<i>Inventories</i>	72,962	70,395	64,153	58,735	50,081
<i>Trade receivables</i>	90,189	78,780	68,040	81,666	73,020
<i>Tax receivables</i>	4,452	6,926	6,165	3,531	2,980
<i>Other current receivables</i>	5,556	4,396	3,136	3,086	2,865
<i>Trade payables</i>	(55,867)	(58,765)	(54,837)	(56,494)	(51,883)
<i>Tax payables</i>	(1,678)	(6,559)	(4,951)	(6,629)	(4,487)
<i>Other payables</i>	(12,972)	(12,493)	(13,075)	(13,463)	(12,030)
Net working capital	102,642	82,680	68,631	70,432	60,546
Provisions for risks and severance indemnity	(8,982)	(8,177)	(8,681)	(8,883)	(9,271)
Capital Employed	248,253	206,917	190,043	197,741	183,519
Equity	153,460	131,463	122,436	126,615	123,886
Net debt	94,793	75,454	67,607	71,126	59,633
Sources of finance	248,253	206,917	190,043	197,741	183,519

Performance data

Cash flow statement

€ x 000	6 MONTHS 2022	6 MONTHS 2021	12 MONTHS 2021
Cash at the beginning of the period	43,649	13,318	13,318
Net profit	13,008	17,313	24,683
Depreciation	9,063	8,341	16,869
Other income statement adjustments	3,668	4,310	5,810
Change in net working capital			
- Change in inventories	(6,037)	(19,511)	(24,929)
- Change in receivables	(22,151)	(18,230)	(4,604)
- Change in payables	1,047	14,721	13,064
	(27,141)	(23,020)	(16,469)
Other changes in operating items	(6,807)	(115)	(7,677)
Operating cash flow	(8,209)	6,829	23,216
Investments, net of disposals	(11,018)	(15,162)	(23,752)
Free Cash Flow	(19,227)	(8,333)	(536)
Cash flow from financial activity	(4,314)	13,545	47,405
Own shares buyback	(1,189)	-	-
Dividends	(6,690)	(6,172)	(6,172)
CMI and ARC acquisitions	-	-	(6,393)
Deconsolidation / consolidation ARC Handan	(97)	-	97
Forex	211	562	(4,070)
Net financial flow	(31,306)	(398)	30,331
Cash at the end of the period	12,343	12,920	43,649

Performance data

Financial indicators

	6 MONTHS 2022	6 MONTHS 2021	12 MONTHS 2021
Change in turnover (vs. previous year)	+5.8% <i>vs. 6m 2021</i>	+76.1% <i>vs. 6m 2020</i>	+42.4% <i>vs. 12m 20</i>
ROCE (return on capital employed)	14.5%	24.2%	19.7%
Net debt/EBITDA	1.76	1.10	1.25
Net working capital/Turnover	35.2%	25.6%	26.1%
Net debt/equity	61.8%	56.2%	55.2%
Days of Sales Outstanding	111	107	101
Days of Payables Outstanding	96	99	96
Days of Inventory Outstanding	106	96	99

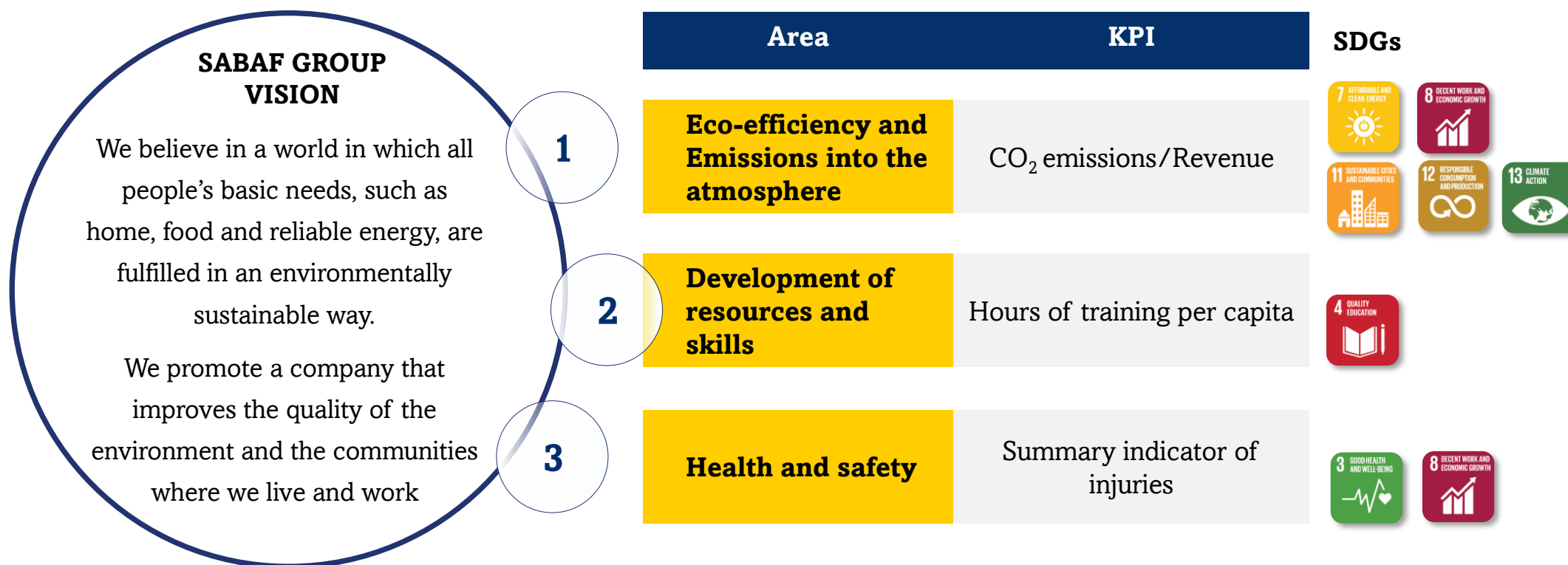
SUSTAINABILITY

Sabaf: a sustainable business

Sustainability in the Business plan 2021 - 2023

“ Sabaf's strategy and governance model are aimed towards ensuring long-term sustainable growth.

For Sabaf, sustainability is primarily based on sharing values with its stakeholders; compliance with common values increases mutual trust and encourages knowledge development ”



Sabaf: a sustainable business

KPI measurement

	KPI	Unit of measurement	2023 Target vs. 2020	2020 ACTUAL	2021 TARGET	2021 ACTUAL	2022 TARGET	2023 TARGET
1	CO ₂ emissions/Revenue	tCO _{2eq} / million of Euro	-14%	132	128	111	120	114
2	Hours of training per capita	h	+40%	13.9	11.0	20.4	13	15
3	Summary indicator of injuries	-	-44%	177	140	327	120	100

NOTES

- KPI 1 **CO₂ emissions/Revenue** = CO₂ emissions scope 1 + scope 2 market-based / Revenue
- KPI 3 **Summary indicator of injuries** = injury rate x injury lost day rate x 100
 - injury rate = number of injuries x 1,000,000/total hour worked
 - injury lost day rate = days of absence x 1,000/hours worked

ESG Performance - Corporate Governance

Remuneration policy

LONG - TERM INCENTIVE PLAN

2021 - 2023

Linked to the economic-financial and sustainability objectives set out in the **2021-2023 Business plan**

Definition of **SUSTAINABILITY OBJECTIVES**:

- With reference to the issues highlighted in the **materiality analysis**
- Fully in line with **best practices** and **Corporate Governance Code**

MATERIAL TOPIC	KPI	IMPACT ON THE LTI PLAN
Emissions into the atmosphere	CO ₂ emissions scope 1 + scope 2 market based/Revenue	15%
Development of resources and skills	Hours of training per capita (by collaborator)	5%
Health and safety of personnel	Summary indicator of injuries (injury rate x injury lost da rate x 100)	5%
Impact of sustainability objectives on total LTI		25%

ESG Performance - Environment

CO₂ Emissions for the production of electric power (2019 energy mix)

	EMISSIONS		ENERGY SOURCE	
	g CO _{2eq} /kWh	Renewable	Fossil	Nuclear
Italy	315	33%	67%	-
France	56	19%	11%	70%
Europe	298	29%	50%	21%
US	374	16%	64%	20%
China	609	26%	70%	4%
India	684	18%	79%	3%
World	521	24%	65%	11%

Source: Terna International comparison

ESG Performance - Environment

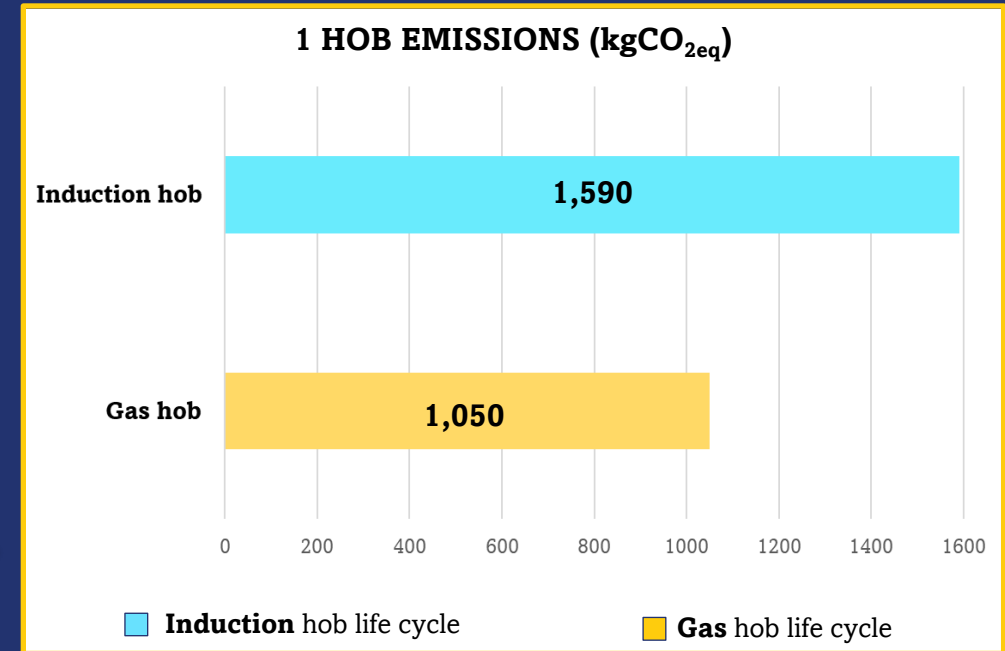
CO₂ Emissions of gas hobs vs. induction hobs in Italy (from Journal of Cleaner production)

Scenario:

- preparation of a complete homemade meal (lunch)
- five (5) times per week
- for 20 years
- consumed by a four-member family **in Italy**

At the present time, **gas hobs are still more efficient** in term of environmental impacts

The energy generation grid mix largely affects the results: **only when energy sources will include a higher rate of renewables** (photo- voltaic, wind power, cogeneration, etc.) **the induction cooking technology will be environmentally friendly**



Source: <https://www.sciencedirect.com/science/article/abs/pii/S0959652618308011>

Journal of Cleaner production

Article «Comparative life cycle assessment of cooking appliances in Italian kitchens»

Claudio Favi ^a, Michele Germani ^b, Daniele Landi ^b, Marco Mengarelli ^c, Marta Rossi ^b

^a Università degli Studi di Parma ^b Università Politecnica delle Marche ^c Energy Research Institute, Nanyang Technological University

ESG Performance - Environment

CO₂ Emissions of gas hobs vs. electric induction hobs

- Gas hob emission 1,050 / induction hob emission 1,590 = 1.51
- CO₂ emissions Break-Even Point Gas vs. Induction is:
 $315 / 1.51 = 208 \text{ g CO}_{2\text{eq}}/\text{kWh} \rightarrow$ equivalent to ~70% of electric power generated by renewable energy sources

A necessary condition for an induction hob to generate lower CO₂ emissions than a gas hob is that the electricity is produced with a % of **renewable sources** (or nuclear energy) **greater than 70%**.

Countries that have less than 70% renewable energy pollute more if they use electric induction hobs than gas.

ESG Performance - Environment

Hydrogen: project Hy4Heat



**Sabaf strategic partner
in the Hy4Heat Project
with zero Co2 emissions
in cooking appliances**

The Hy4Heat project aims to establish whether it is technically possible, safe and convenient to **replace natural gas (methane) with 100% hydrogen** in residential and commercial buildings and gas appliances. The Hy4Heat project is financed by BEIS, (the UK governments Department for Business, Energy, and Industrial Strategy) and involves ten separate work packages

The SABAF Group, **through its subsidiary ARC**, is involved in Work Package 4, which covers cooking and heating appliances. ARC has developed and produced the burners that have now been specified on the **world's first UKCA Certified ranges of 100% hydrogen hobs and cookers**.

These have been installed on the cooking appliances Glen Dimpex at HyHome, two purpose built houses demonstrating hydrogen appliances in a 'real life' scenario at Low Thornley, near Gateshead in the North of England

Immediately following the Hy4Heat project, cooking appliances incorporating ARC burners will be specified for the Community Trial involving **300 homes commencing in 2022**. Beyond the Community Trial, the UK Government intends to commission a '**Village Trial**' with around **2,500 homes** in 2025 and a '**Town Trial**' (**10,000 homes**) in the latter part of the decade prior to potentially converting the whole UK gas grid to hydrogen over future years

ARC is involved also in Work Package 5B (Commercial hydrogen gas appliance development) which , includes commercial catering equipment where ARC has developed commercial hob burners for Falcon Foodservice Equipment Ltd

DISCLAIMER

Certain information included in this document is forward looking and is subject to important risks and uncertainties that could cause actual results to differ materially.

The Company's business is in the domestic appliance industry, with special reference to the gas cooking sector, and its outlook is predominantly based on its interpretation of what it considers to be the key economic factors affecting this business. Forward-looking statements with regard to the Group's business involve a number of important factors that are subject to change, including: the many interrelated factors that affect consumer confidence and worldwide demand for durable goods; general economic conditions in the Group's markets; actions of competitors; commodity prices; interest rates and currency exchange rates; political and civil unrest; and other risks and uncertainties.

Pursuant to Article 154/2, paragraph 2 of the Italian Consolidated Finance Act (Testo Unico della Finanza), the company's Financial Reporting Officer Gianluca Beschi declares that the financial disclosure contained in this financial presentation corresponds to the company's records, books and accounting entries.

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