

# FINANCIAL PRESENTATION

London, October 2016

# Product range – *the heart of gas cooking appliances*



# Production sites



SABAF Headquarters OSPITALETTO, BRESCIA - ITALY



All Burners  
Gas valves &  
Thermostats  
Microswitch Harness  
Spark Plugs  
Accessories



SABAF China : KUNSHAN - PRC



Wok Burners



Sabaf Turkey MANISA, IZMIR - TURKEY



Standard Burners



Faringosi Hinges s.r.l. BAREGGIO, MILANO - ITALY



Hinges



Sabaf do Brasil, JUNDIAI, SAO PAULO - BRAZIL



Standard Burners  
Special Burners (2016)



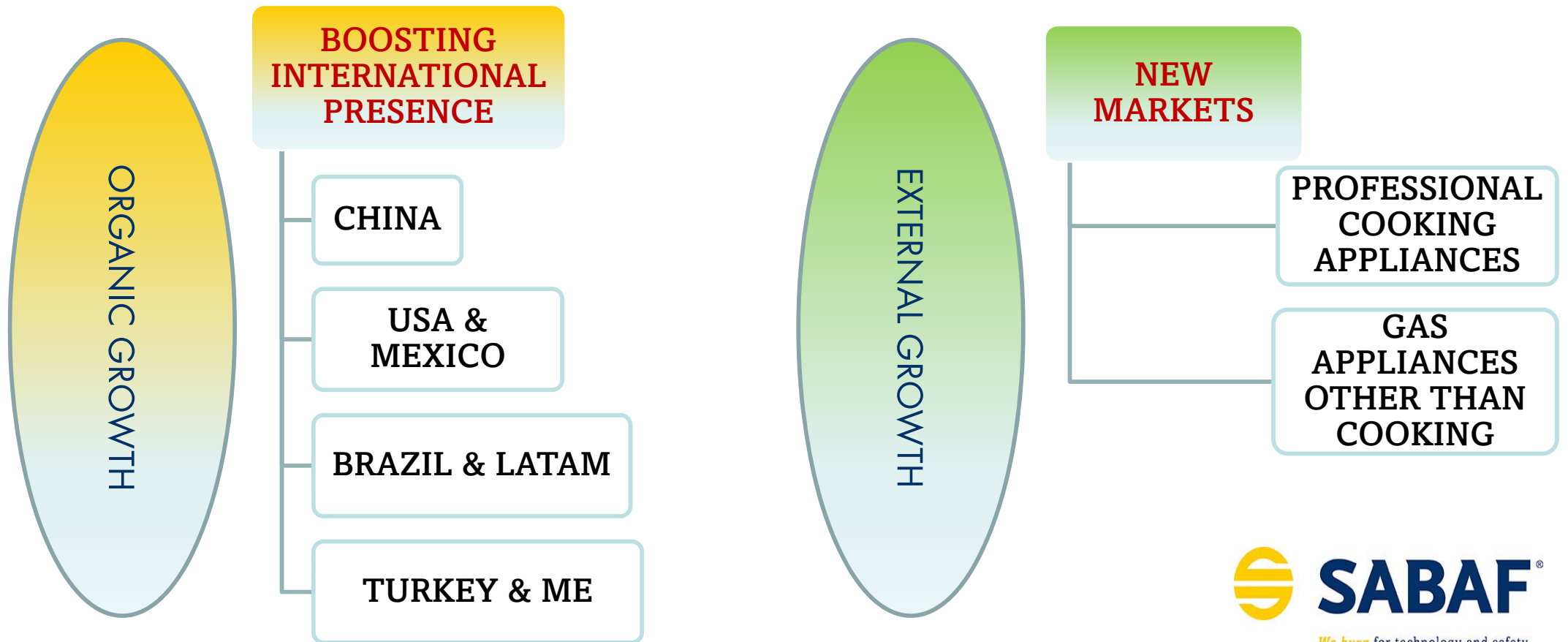
A.R.C. s.r.l. CAMPODARSEGO, PADOVA - ITALY



Professional burners

# Competitive position and growth drivers

- Global leader in the production of components for domestic gas cooking appliances, with over 270 customers in 60 different countries
- Top 10 customers account for 48% of sales (H1 2016) – stable figure for past 10 years
- A strong leadership in Italy and Europe (market share above 40%), lower presence worldwide (est. 10%)



# The acquisition of A.R.C.

## A NEW STEP IN OUR GROWTH PATH

On June 29<sup>th</sup> Sabaf acquired a 70% stake in ARC  
ARC is the Italian leader in burners for professional cooking  
Sabaf enters into a new market, with appealing growth rates and complementary to the core sector

## SYNERGIES

Access to foreign markets  
Joint forces in R&D  
Customized products for high end domestic appliances

## VALUATION

Amount paid €4.8 mn  
Sales €4.4 mn  
Equity €3.1 mn  
EV/Sales = 1

EBITDA €0.9 mn  
Positive NFP €2.6 mn  
EV/EBITDA = 4.8

## GOVERNANCE

Mr. Loris Gasparini keeps a 30% stake and a CEO position for the next 5 years



# Sabaf in Turkey

## WHY

Turkey has become the most important manufacturer of white goods in Europe (Turkish manufacturers and production sites of multinational groups)

## HOW

In 2012 Sabaf built from greenfield a new factory in Manisa (Izmir) - € 10 mn investment - 10,000 sqm  
Manufacturing of standard burners  
Same products, technology and quality as in Italy

## WHERE WE ARE

€ 16.3 mn estimated sales in 2016 (€ 14.4 mn in 2015, +13%)  
100 people employed

## WHERE WE WILL BE

Further expansion of production capacity is ongoing  
Constant growth has been planned for next years



# Sabaf in China

## WHY

Market size: 26 mn hobs

19 mn hobs manufactured for the domestic market

7 mn hobs manufactured for export markets

Expected product mix trend: higher value, volume growth

New standards concerning gas hobs apply starting from April 2015. The new standards state 3 different energy classes: 55%, 59% and 63%.

At present only 10%-15% of hobs meet the highest class.



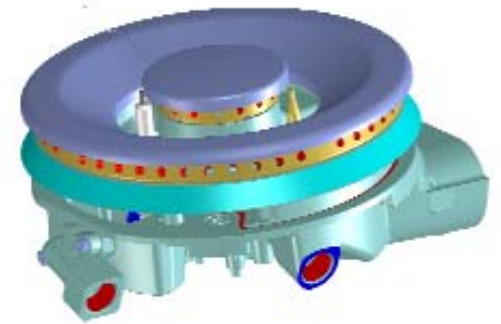
## HOW

Sabaf has developed a new special burner that reaches an efficiency rate higher than 63%. €2mn capex in 2014-2015

## WHERE WE ARE

Production has started in June 2015, € 1 mn sales expected in 2016

Ongoing contacts with major hob manufacturers



## WHERE WE WILL BE

We are targeting the 10% premium market

# Sabaf in Brazil

## WHY

Brazil is a big market, difficult to supply from abroad, due to logistics, duties, forex impact.

## HOW

Start of production in Brazil in 2001. A new factory was set up in Jundiaí (SP) in 2007, starting from greenfield.

€ 10 mn investment - 10,000 sqm

Manufacturing of standard burners

Starting from beginning 2016, production of special burners

Same products, technology and quality as in Italy

## WHERE WE ARE

€ 10 mn estimated sales in 2016 (€ 8.4 mn in 2015, +19%)

70 people employed

80% market share in gas hobs segment

## WHERE WE WILL BE

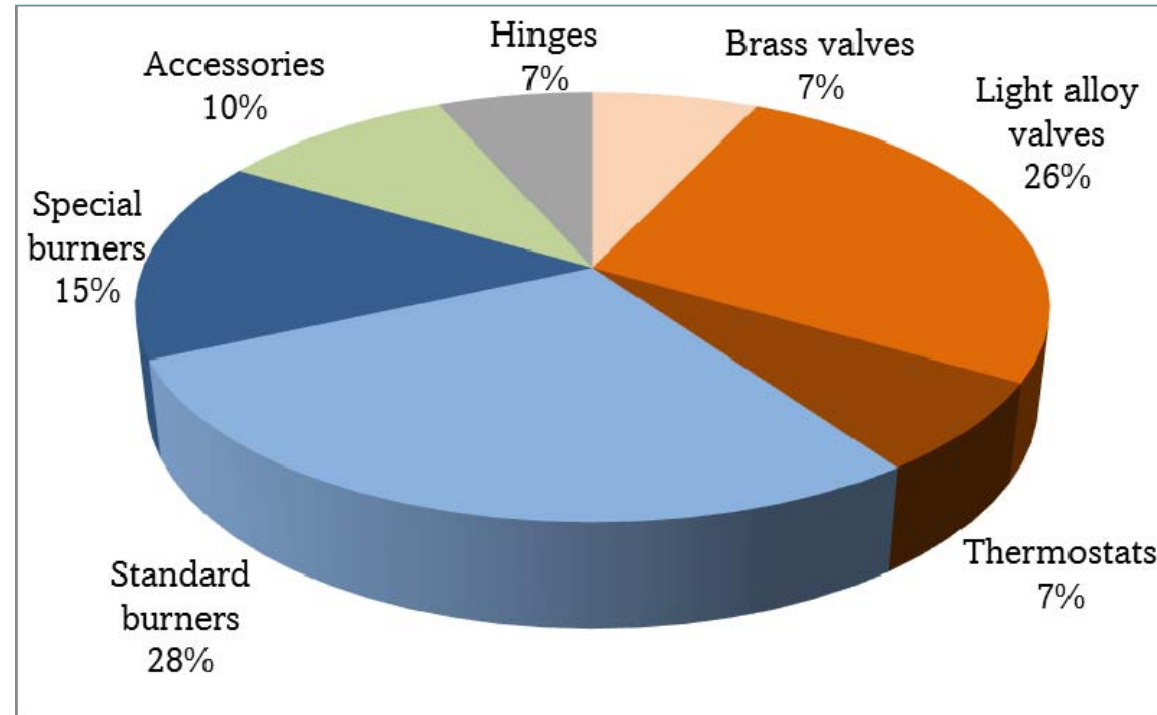
Ongoing negotiations with large multinational groups

Expected increase of share in the cookers segment



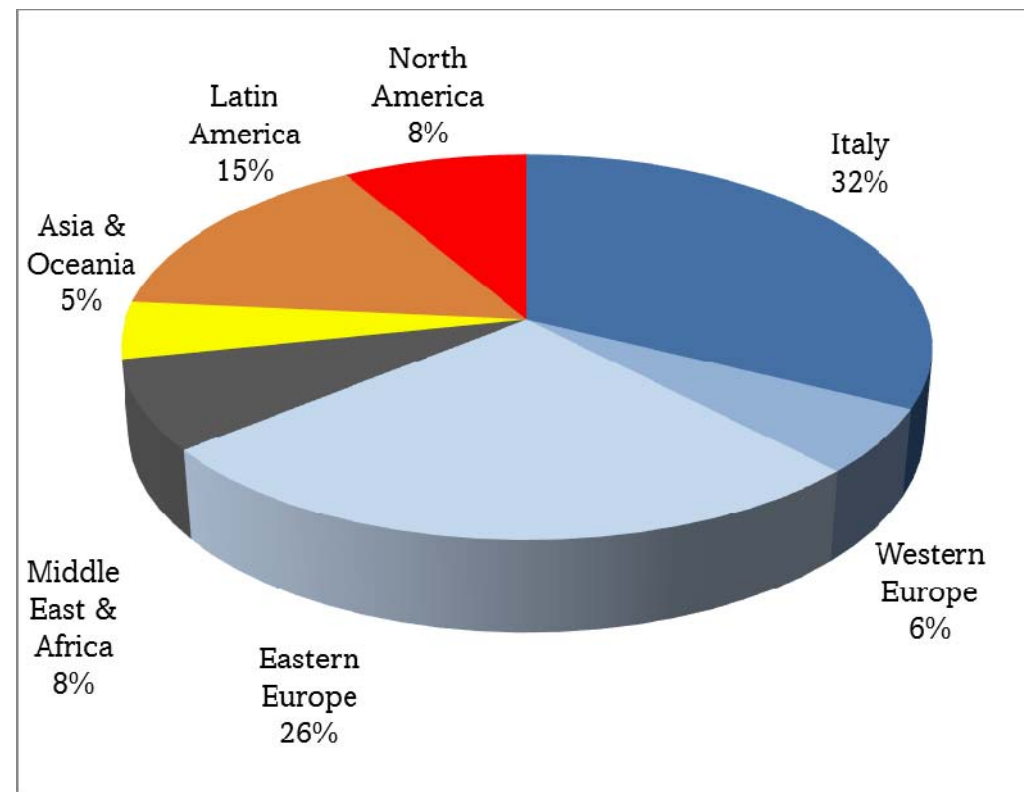


# Sales by product



	<b>H1 2016</b>	<b>H1 2015</b>	
Brass valves	4,540	7,038	<b>-35.5%</b>
Light alloy valves	17,133	18,115	<b>-5.4%</b>
Thermostats	4,426	5,871	<b>-24.6%</b>
Standard burners	18,160	19,229	<b>-5.6%</b>
Special burners	9,903	11,125	<b>-11.0%</b>
Accessories	6,432	7,174	<b>-10.3%</b>
Hinges	4,259	3,957	<b>+7.6%</b>
<b>Total</b>	<b>64,853</b>	<b>72,509</b>	<b>-10.6%</b>

# Sales by market

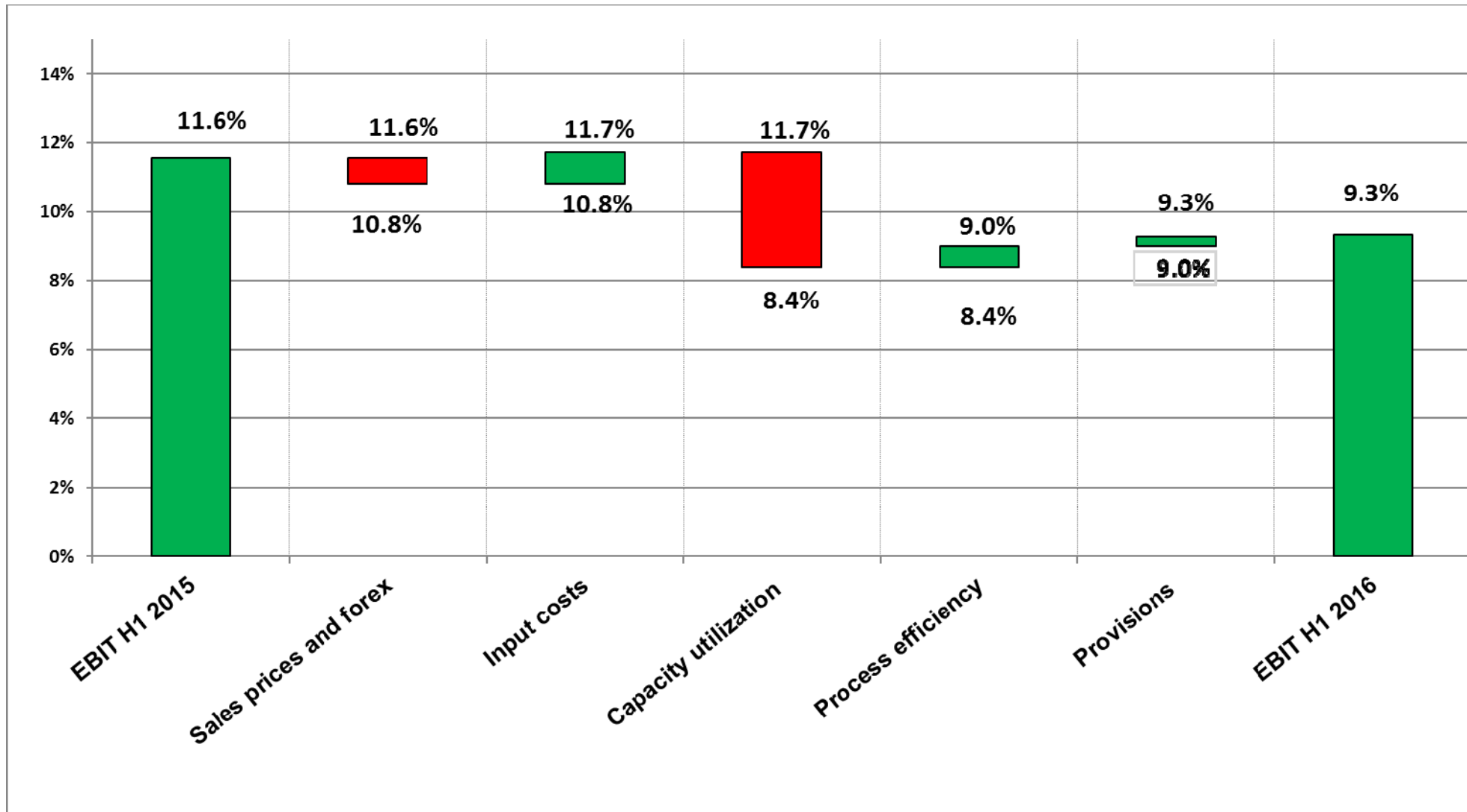


	H1 2015	H1 2015	
Italy	20,966	22,662	-7.5%
Western Europe	3,551	3,968	-10.5%
Eastern Europe	17,088	18,947	-9.8%
Middle East & Africa	4,910	9,002	-45.5%
Asia & Oceania	3,101	3,151	-1.6%
Latin America	9,761	10,421	-6.3%
North America	5,476	4,358	+25.7%
<b>Total</b>	<b>64,853</b>	<b>72,509</b>	<b>-10.6%</b>

# Income statement

€ x 000	<u>H1 2016</u>		<u>H1 2015</u>			<u>FY 15</u>		<u>FY 14</u>		<u>FY 13</u>	
<b>SALES</b>	<b>64,853</b>	<b>100.0%</b>	<b>72,509</b>	<b>100.0%</b>	<b>-10.6%</b>	<b>138,003</b>	<b>100.0%</b>	<b>136,337</b>	<b>100.0%</b>	<b>130,967</b>	<b>100.0%</b>
Materials	(25,370)	-39.1%	(28,853)	-39.8%		(54,366)	-39.4%	(54,472)	-40.0%	(52,415)	-40.0%
Payroll	(16,577)	-25.6%	(17,060)	-23.5%		(32,526)	-23.6%	(32,180)	-23.6%	(31,339)	-23.9%
Change in stock	2,496	3.8%	1,877	2.6%		1,025	0.7%	2,447	1.8%	4,784	3.7%
Other operating costs/income	(13,036)	-20.1%	(14,109)	-19.5%		(25,964)	-18.8%	(26,180)	-19.2%	(27,425)	-20.9%
<b>EBITDA</b>	<b>12,366</b>	<b>19.1%</b>	<b>14,364</b>	<b>19.8%</b>	<b>-13.9%</b>	<b>26,172</b>	<b>19.0%</b>	<b>25,952</b>	<b>19.0%</b>	<b>24,572</b>	<b>18.8%</b>
Depreciation	(6,331)	-9.8%	(6,019)	-8.3%		(12,185)	-8.8%	(12,292)	-9.0%	(12,856)	-9.8%
Gains/losses on fixed assets	8	0.0%	45	0.1%		104	0.1%	63	0.0%	71	0.1%
Impairment of fixed assets	0	0.0%	0	0.0%		0	0.0%	(548)	-0.4%	(655)	-0.5%
<b>EBIT</b>	<b>6,043</b>	<b>9.3%</b>	<b>8,390</b>	<b>11.6%</b>	<b>-28.0%</b>	<b>14,091</b>	<b>10.2%</b>	<b>13,175</b>	<b>9.7%</b>	<b>11,132</b>	<b>8.5%</b>
Net financial expense	(253)	-0.4%	(287)	-0.4%		(529)	-0.4%	(531)	-0.4%	(637)	-0.5%
Foreign exchange gains/losses	126	0.2%	120	0.2%		(89)	-0.1%	119	0.1%	(186)	-0.1%
Equity investments profits/losses	0	0.0%	0	0.0%		0	0.0%	(606)	-0.4%	(498)	-0.4%
<b>EBT</b>	<b>5,916</b>	<b>9.1%</b>	<b>8,223</b>	<b>11.3%</b>	<b>-28.1%</b>	<b>13,473</b>	<b>9.8%</b>	<b>12,157</b>	<b>8.9%</b>	<b>9,811</b>	<b>7.5%</b>
Income taxes	(1,981)	-3.1%	(2,768)	-3.8%		(4,475)	-3.2%	(3,819)	-2.8%	(1,707)	-1.3%
Minorities	0		0			0		0		0	
<b>NET INCOME</b>	<b>3,935</b>	<b>6.1%</b>	<b>5,455</b>	<b>7.5%</b>	<b>-27.9%</b>	<b>8,998</b>	<b>6.5%</b>	<b>8,338</b>	<b>6.1%</b>	<b>8,104</b>	<b>6.2%</b>
<b>EPS</b>	<b>0.345</b>		<b>0.473</b>			<b>0.781</b>		<b>0.723</b>		<b>0.715</b>	

# EBIT bridge H1 2015 – H1 2016



# Balance sheet

€ x 1000	30-Jun-16	31-Dec-15	30-Jun-15
Fixed assets	96,674	92,797	96,726
Net working capital	51,193	48,163	45,099
Short term financial assets	75	69	-
<b>Capital Employed</b>	<b>147,942</b>	<b>141,029</b>	<b>141,825</b>
Equity	109,442	111,040	110,249
Reserves for risks and severance indemnity, deferred	4,221	4,081	4,270
Net debt	34,279	25,908	27,306
<b>Sources of finance</b>	<b>147,942</b>	<b>141,029</b>	<b>141,825</b>
<b>Debt / Equity</b>	<b>0.31</b>	<b>0.23</b>	<b>0.25</b>

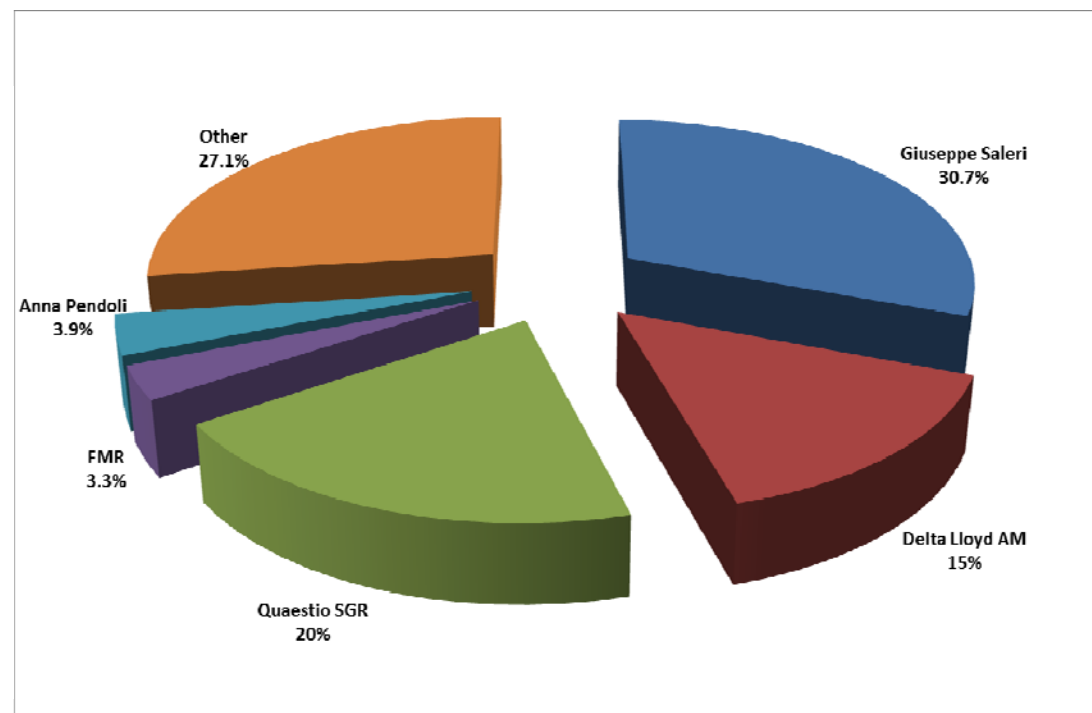
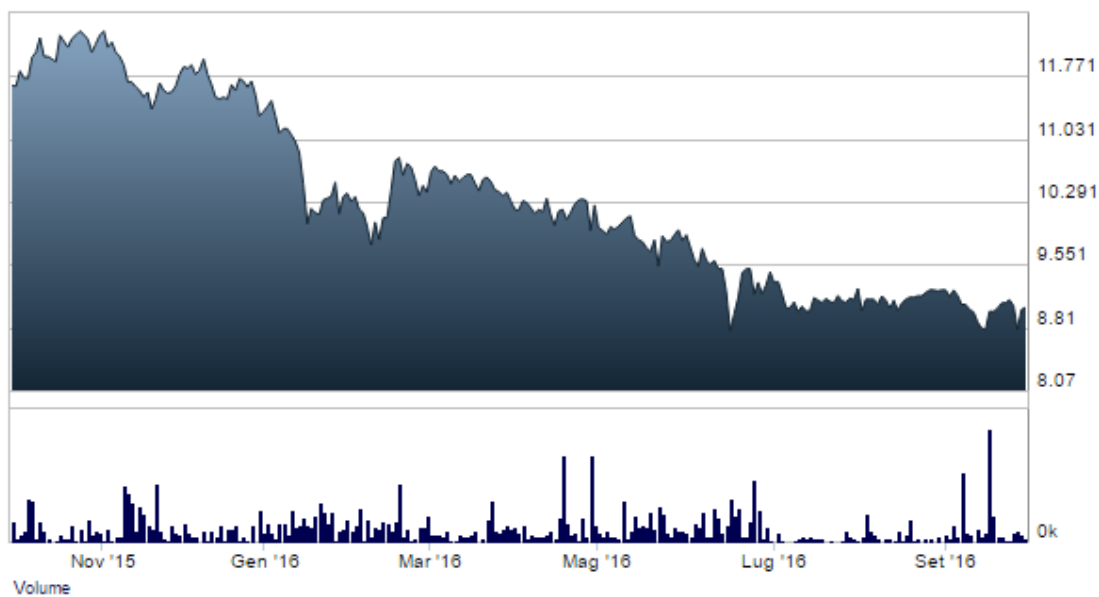
# Cash flow statement

€ x 1000	H1 2016	H1 2015	FY 15	FY 2014
<i>Cash at the beginning of the period</i>	3,991	3,675	3,675	5,111
Net profit	3,935	5,455	8,998	8,338
Depreciation	6,331	6,019	12,185	12,292
Change in net working capital				
change in inventories	(2,743)	(3,678)	(170)	(4,079)
change in receivables	(1,680)	(1,458)	107	(2,548)
change in payables	1,712	4,183	(58)	365
	(2,711)	(953)	(121)	(6,262)
Other changes in operating items	1,135	1,546	(1,931)	2,609
<b>Operating cash flow</b>	<b>8,690</b>	<b>12,067</b>	<b>19,131</b>	<b>16,977</b>
Net investments	(6,960)	(7,933)	(12,079)	(11,491)
<b>Free cash flow</b>	<b>1,730</b>	<b>4,134</b>	<b>7,052</b>	<b>5,486</b>
Cash flow from financial activity	7,963	2,703	(61)	8,054
Shares buyback	(1,132)	0	(718)	0
Dividends	(5,467)	(4,613)	(4,613)	(16,146)
ARC acquisition	(2,614)	0	0	0
Forex	634	(611)	(1,344)	453
<b>Cash flow</b>	<b>1,114</b>	<b>1,613</b>	<b>316</b>	<b>(2,153)</b>
<i>Cash at the end of the period</i>	5,105	5,288	3,991	2,958

# Net financial position

€ x 1000	30-Jun-16	31-Dec-15	30-Jun-15
A. Cash	11	11	11
B. Positive balances of unrestricted bank account	4,734	3,822	5,081
C. Other liquidities	360	158	196
<b>D. Cash and cash equivalents (A+B+C)</b>	<b>5,105</b>	<b>3,991</b>	<b>5,288</b>
E. Current bank overdrafts	24,248	19,697	20,540
F. Current portion of non-current debt	4,330	3,783	3,752
G. Other current financial payables	28	31	13
<b>H. Current financial debt (E+F+G)</b>	<b>28,606</b>	<b>23,511</b>	<b>24,305</b>
<b>I. Current net financial debt (H-D)</b>	<b>23,501</b>	<b>19,520</b>	<b>19,017</b>
J. Non-current bank payables	7,272	4,632	6,461
K. Other non-current financial payables	3,506	1,756	1,828
<b>L. Non-current financial debt (J+K)</b>	<b>10,778</b>	<b>6,388</b>	<b>8,289</b>
<b>M. Net financial debt (L+I)</b>	<b>34,279</b>	<b>25,908</b>	<b>27,306</b>

# Stock price and main shareholders





# 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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