

FINANCIAL PRESENTATION

STAR CONFERENCE
London, 9-10 October 2017

Product range – *the heart of gas cooking appliances*



brass valves



light alloy valves



thermostats



accessories



hinges



standard burners



special burners



professional burners



Industrial footprint



Competitive position

MARKET

- Global leader in the segment of components for domestic gas cooking appliances, with 300 customers in 54 different countries
- Top 10 customers account for 47% of sales (2016) – stable figure for past 10 years
- A strong leadership in Italy and Europe (market share above 40%), lower presence worldwide (est. 10%)

PRODUCT & TECHNOLOGY

- Forefront process technology - internal development of special machinery, moulds and tools
- Highly automated plants – € 57mn investments (8.6% of sales) in the past 5 years
- Production volumes growth is possible with minimal changes in headcount
- Continuous product innovation – over 30 active patents

Growth drivers

ORGANIC GROWTH

by consolidating our leadership in the European and Turkish markets

by increasing our penetration in dynamic markets (Latam, Middle East)

by entering newer markets (China, India)

EXTERNAL GROWTH

in components for domestic appliances

in components for professional cooking

in components for gas appliances other than cooking

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.

Total investment € 8.5 mn

Whole manufacturing process of standard burners and, from 2016, of special burners

Same products, technology and quality as in Italy

WHERE WE ARE

€ 5.9 mn sales in H1 17 (€ 4.4 mn in H1 16, +32%)

73 people employed

80% market share in gas hobs segment in Brazil

Export sales (other Latam countries) at 43% in H1 17

WHERE WE WILL BE

Ongoing extension of the plant (from 5,100 to 7,200 sqm)

Ongoing negotiations with large multinational groups

Expected increase of share in the cookers segment



Sabaf in Turkey

WHY

Turkey has become the largest manufacturer of white goods in Europe (domestic manufacturers and production sites of multinational groups).

Unrivalled competitiveness of Turkish production (low input costs, high productivity, environment industry-friendly)

HOW

In 2012 Sabaf built from greenfield a new factory in Manisa (Izmir) - € 12 mn investment - 11,600 sqm

Manufacturing of standard burners

Same products, technology and quality as in Italy.

In H1 17 automation of all die-casting machinery

WHERE WE ARE

€ 6.3 mn sales in H1 17 (€ 5.0 mn in H1 16, +26%) *exl. traded goods*

93 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 clusters: >55%, >59% and >63% efficiency rate.

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



HOW

Sabaf has developed a new special burner that reaches an efficiency rate higher than 65%. €2mn capex

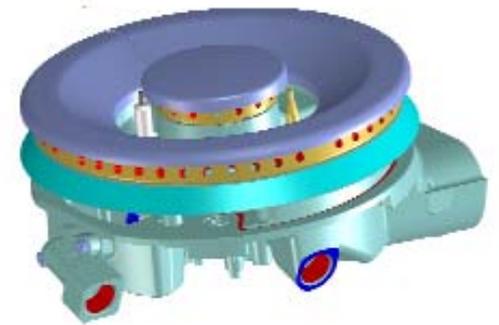
WHERE WE ARE

Production has started in June 2015, € 0.5 mn sales in H1 17 (0.4 mn in H1 16)

Ongoing contacts with major hob manufacturers

WHERE WE WILL BE

We are targeting the 10% premium market



Gas components for professional cooking

A NEW STEP IN OUR GROWTH PATH

In June 2016 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

Specifications traditionally belonging to professional burners are now asked also by manufacturers of premium / high-end domestic cookers (high power, heavy duty, materials, aesthetics,...)

Access to foreign markets

Joint forces in R&D

GOVERNANCE

Mr. Loris Gasparini (previously sole owner of ARC) keeps a 30% stake and a CEO position for the next 5 years

2016 FIGURES

Sales €5.2 mn

EBITDA €1.1 mn (21%)

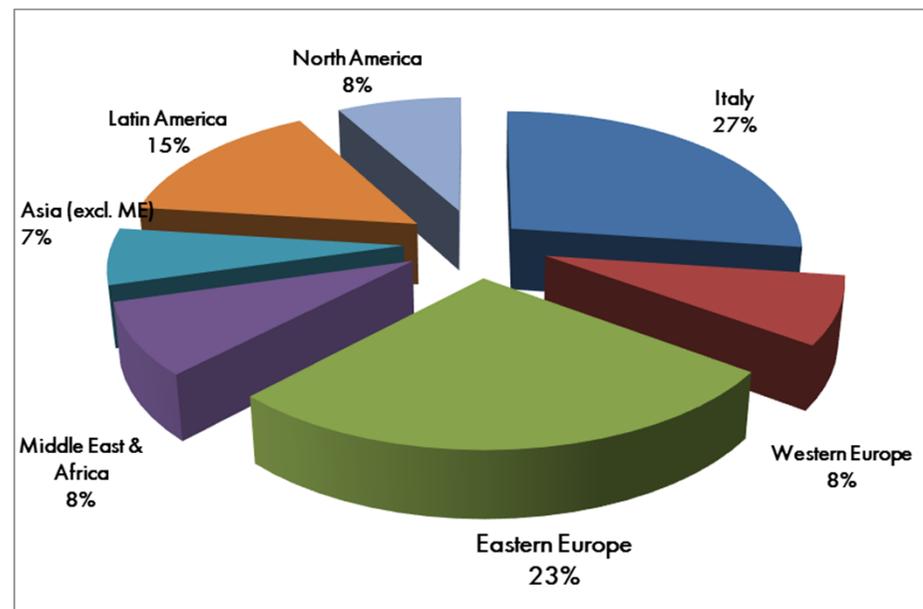
EBIT €0.9 mn (18%)

Net income 0.7 mn



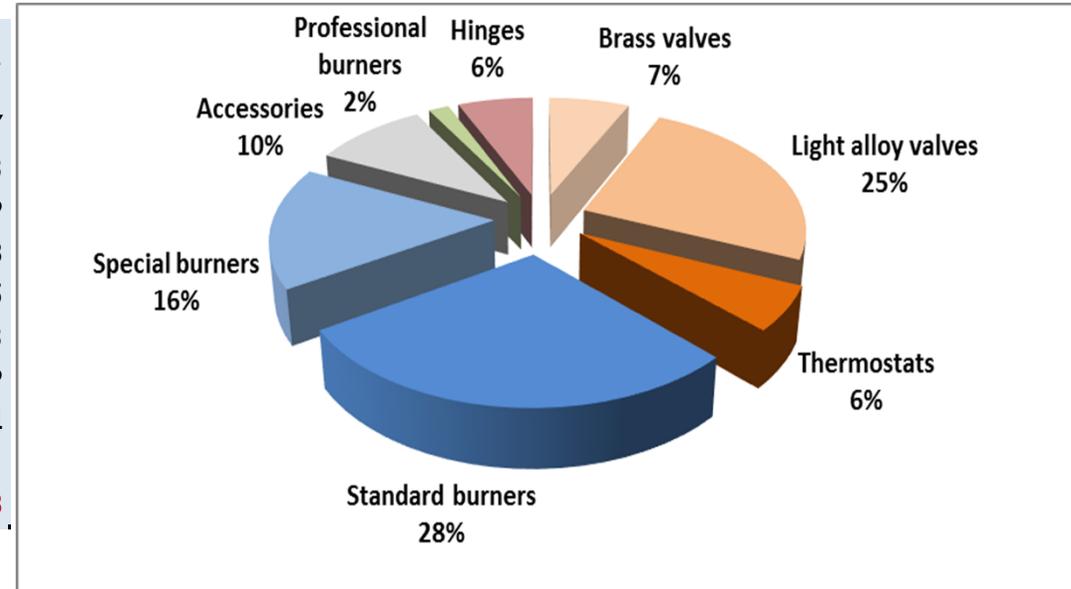
Sales by market

	H1 17	H1 16		FY 16
Italy	20,978	20,966	+0.1%	36,365
Western Europe	6,012	3,551	+69.3%	8,553
Eastern Europe (incl. Turkey)	21,071	17,088	+23.3%	34,123
Middle East & Africa	6,410	4,910	+30.5%	11,698
Asia (excl. ME)	5,013	3,101	+61.7%	8,088
Latin America	11,540	9,761	+18.2%	20,847
North America	6,212	5,476	+13.4%	11,304
Total	77,236	64,853	+19.1%	130,978



Sales by product

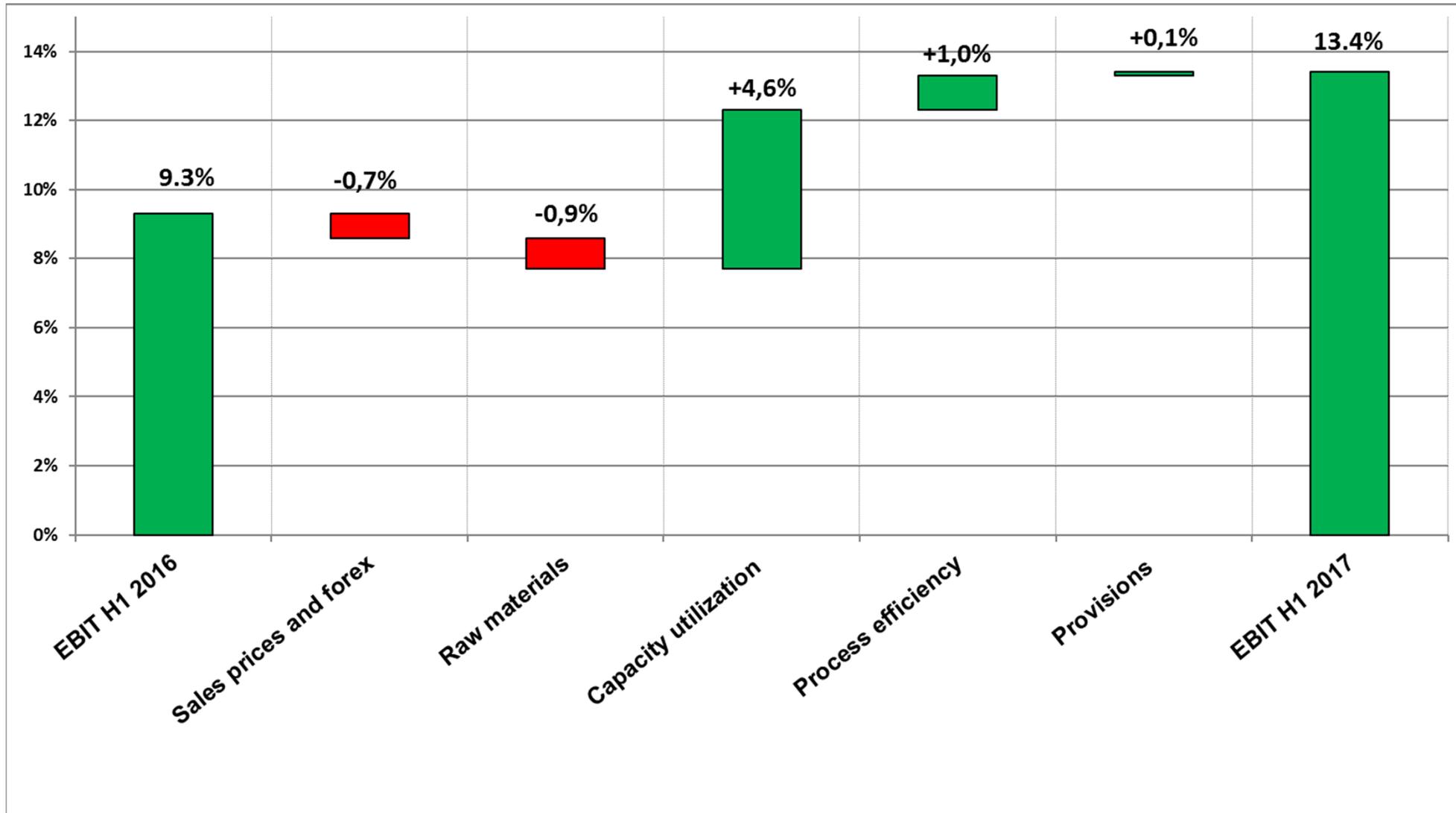
	H1 17	H1 16		FY 16
Brass valves	3,586	4,540	-21.0%	9,007
Light alloy valves	20,390	17,133	+19.0%	32,393
Thermostats	4,056	4,426	-8.4%	7,699
Standard burners	21,011	18,160	+15.7%	37,338
Special burners	13,920	9,903	+40.6%	21,215
Accessories	7,558	6,432	+17.5%	12,613
Professional burners	2,401	0		2,289
Hinges	4,314	4,259	+1.3%	8,424
Total	77,236	64,853	19.1%	130,978



Income statement

€ x 000	<u>H1 17</u>		<u>H1 16</u>			<u>FY 16</u>		<u>FY 15</u>		<u>FY 14</u>	
SALES	77,236	100.0%	64,853	100.0%	+19.1%	130,978	100.0%	138,003	100.0%	136,337	100.0%
Materials	(33,039)	-42.8%	(25,370)	-39.1%		(47,346)	-36.1%	(54,366)	-39.4%	(54,472)	-40.0%
Payroll	(18,417)	-23.8%	(16,577)	-25.6%		(32,112)	-24.5%	(32,526)	-23.6%	(32,180)	-23.6%
Change in stock	5,195	6.7%	2,496	3.8%		(754)	-0.6%	1,025	0.7%	2,447	1.8%
Other operating costs/income	(14,193)	-18.4%	(13,036)	-20.1%		(25,401)	-19.4%	(25,964)	-18.8%	(26,180)	-19.2%
EBITDA	16,782	21.7%	12,366	19.1%	+35.7%	25,365	19.4%	26,172	19.0%	25,952	19.0%
Depreciation	(6,469)	-8.4%	(6,331)	-9.8%		(12,853)	-9.8%	(12,185)	-8.8%	(12,292)	-9.0%
Gains/losses on fixed assets	7	0.0%	8	0.0%		18	0.0%	104	0.1%	63	0.0%
EBIT	10,320	13.4%	6,043	9.3%	+70.8%	12,530	9.6%	14,091	10.2%	13,175	9.7%
Net financial expense	(154)	-0.2%	(253)	-0.4%		(519)	-0.4%	(529)	-0.4%	(531)	-0.4%
Foreign exchange gains/losses	101	0.1%	126	0.2%		435	0.3%	(89)	-0.1%	119	0.1%
Equity investments profits/losses	0	0.0%	0	0.0%		0	0.0%	0	0.0%	(606)	-0.4%
EBT	10,267	13.3%	5,916	9.1%	+73.5%	12,446	9.5%	13,473	9.8%	12,157	8.9%
Income taxes	(2,787)	-3.6%	(1,981)	-3.1%		(3,350)	-2.6%	(4,475)	-3.2%	(3,819)	-2.8%
Minorities	(28)		0			(87)		0		0	
NET INCOME	7,452	9.6%	3,935	6.1%	+89.4%	9,009	6.9%	8,998	6.5%	8,338	6.1%
EPS	0.663		0.345			0.792		0.781		0.723	

EBIT bridge H1 2016 – H1 2017



Balance sheet

€ x 1000	30-Jun-17	30-Jun-16	31-Dec-16	31-Dec-15	31-Dec-14
Fixed assets	93,962	96,674	93,967	92,797	96,152
Net working capital	53,371	51,193	46,084	48,163	45,844
Short term financial assets	193	75	-	69	-
Capital Employed	147,526	147,942	140,051	141,029	141,996
Equity	111,322	109,442	112,309	111,040	110,738
Provisions for risks and severance indemnity	4,318	4,221	4,284	4,081	4,325
Net debt	31,886	34,279	23,458	25,908	26,933
Sources of finance	147,526	147,942	140,051	141,029	141,996
Debt / Equity	0.29	0.31	0.21	0.23	0.24
Working capital / Sales	34.6%	39.5%	35.2%	34.9%	33.6%

Cash flow statement

€ x 1000	H1 17	H1 16	FY 16	FY 15	FY 14
<i>Cash at the beginning of the period</i>	12,143	3,991	3,991	3,675	5,111
Net profit	7,452	3,935	9,009	8,998	8,338
Depreciation	6,469	6,331	12,853	12,185	12,292
Change in net working capital					
change in inventories	(4,562)	(2,743)	416	(170)	(4,079)
change in receivables	(12,271)	(1,680)	5,107	107	(2,548)
change in payables	6,845	1,712	(1,286)	(58)	365
	(9,988)	(2,711)	4,237	(121)	(6,262)
Other changes in operating items	2,602	1,135	(168)	(1,931)	2,609
Operating cash flow	6,535	8,690	25,931	19,131	16,977
Investments, net of disposals	(7,036)	(6,960)	(11,762)	(12,079)	(11,491)
Free cash flow	(501)	1,730	14,169	7,052	5,486
Cash flow from financial activity	1,500	7,963	4,249	(61)	8,054
Treasury shares buyback	(937)	(1,132)	(1,676)	(718)	0
Dividends	(5,384)	(5,467)	(5,467)	(4,613)	(16,146)
ARC acquisition	0	(2,614)	(2,614)	0	
Forex	(1,233)	634	(509)	(1,344)	453
Net financial flow	(6,555)	1,114	8,152	316	(2,153)
<i>Cash at the end of the period</i>	<i>5,588</i>	<i>5,105</i>	<i>12,143</i>	<i>3,991</i>	<i>2,958</i>

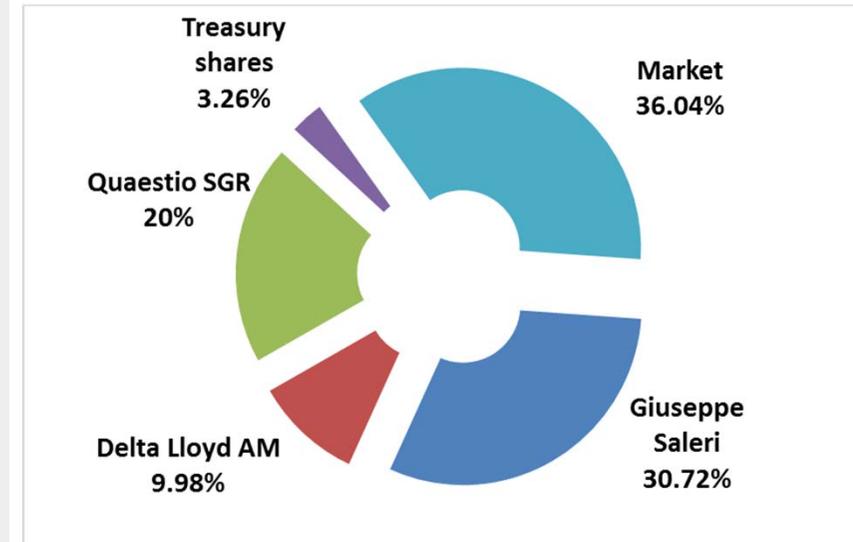
Outlook

- For the whole of 2017, the Group expects to be able to reach sales of around €150 million and increasing operating margins compared with 2016
- These forecasts assume a macroeconomic scenario not affected by unpredictable events. If the economic situation were to change significantly, actual figures might diverge from the forecasts.

Governance

- In July 2017 the Shareholders' meeting of Sabaf appointed Mr. Pietro Iotti as new board member
- On 12 September 2017 Mr Iotti has been appointed Chief Executive Officer
- Mr. Iotti held important managerial positions in Smeg and Technogym. Before joining Sabaf, he was Chairman and CEO of Interpump Hydraulics S.p.A., the reference company of the hydraulic division of the Interpump group.
- The appointment of Mr. Iotti confirms a long tradition of clear separation between shareholders and management in Sabaf

Stock price and main shareholders



Sabaf vs. **FTSE Italia STAR** – past 3 years

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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