

We burn for technology and safety.



FINANCIAL PRESENTATION

MID & SMALL IN MILAN
Milan, 19 November 2019

SABAF
GROUP

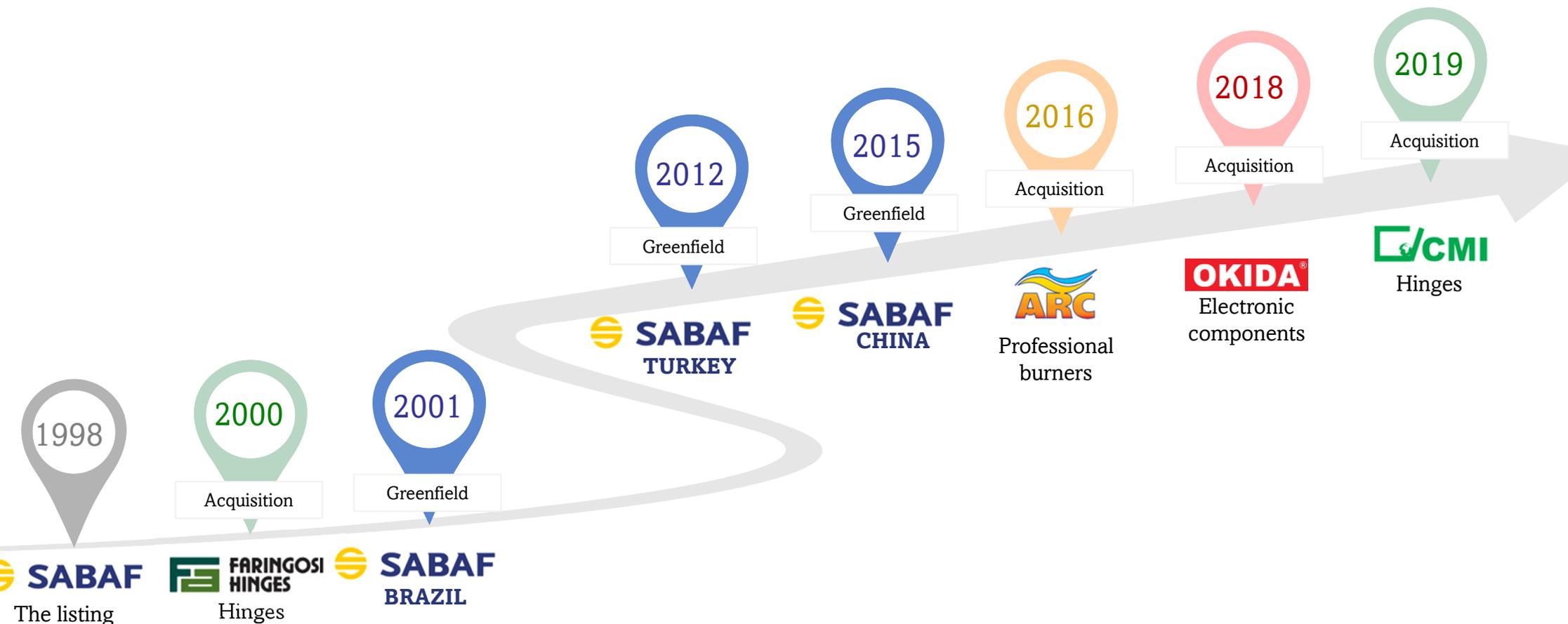


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COMPANY PROFILE

Sabaf Group - Timeline and history



Sabaf Group - Business diversification in three divisions

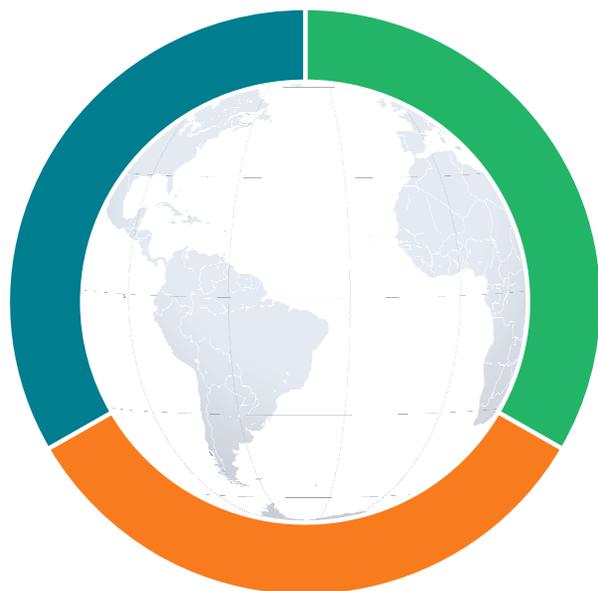
GAS



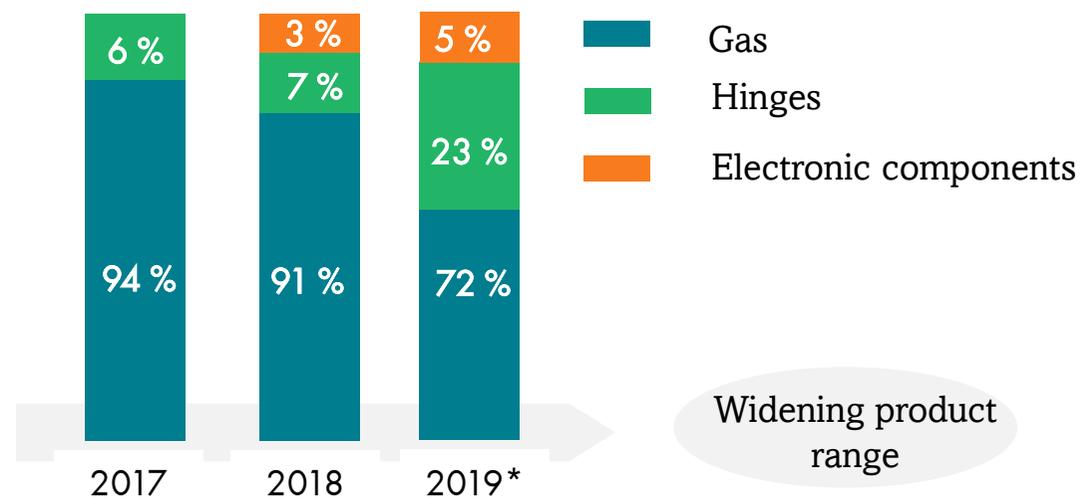
HINGES



ELECTRONIC COMPONENTS



Sales by division



Widening product range

*Estimated proforma



Product range - Gas



Standard Burners



Special Burners



Professional Burners



Oven and Grill Burners



Gas Valves



Gas Oven Thermostats



Micro switches & Accessories



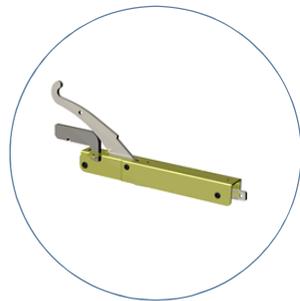
Product range - Hinges



Ovens



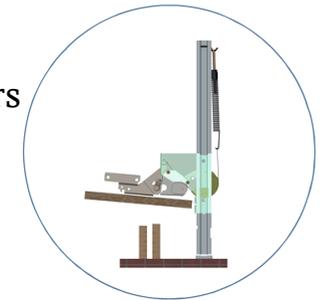
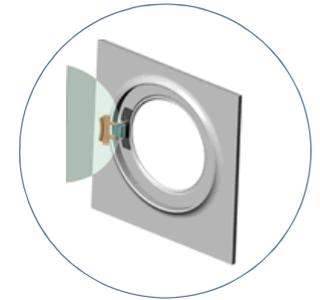
Small
Compartments



Catering Appliance



Special
Applications



Dishwashers

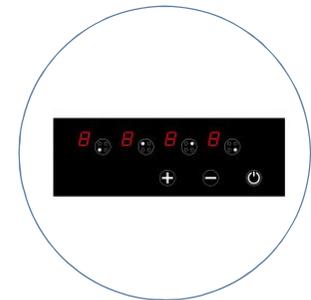
Product range - Electronic components



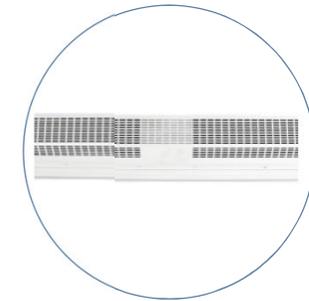
Cooker Hoods



Ovens



Cookers



Air Curtain



Refrigerators / Freezer



Other products

Industrial Footprint



Total Group employees :
1,071

SABAF S.P.A.
Valves and thermostats
Standard burners
Special burners
517 employees



OKIDA ELEKTRONIK
Electronics for household appliances
100 employees



SABAF TURKEY
Standard burners
111 employees



SABAF APPLIANCE COMPONENTS (KUNSHAN)
Wok burners
8 employees



FARINGOSI-HINGES S.R.L.
Oven hinges
Washing machine hinges
50 employees



ARC S.R.L.
Professional burners
19 employees



CMI ITALY **New**
Oven hinges
Dishwasher hinges
144 employees



CMI POLAND **New**
Dishwasher hinges
46 employees



SABAF DO BRASIL LTDA
Standard burners
Special burners
76 employees



ARC HANDAN JV
Professional Wok
burners



SABAF | SABAF GROUP

Market

Global leader

- in the segment of **components for domestic gas** cooking appliances, with over 400 customers in 56 different countries. A strong leadership in Europe (market share above 40%), estimated market share worldwide of about 10%
- in the segment of **hinges** with estimated market share worldwide of about 35%

Weight of **top 10** customers on total Group sales is **46%** (49% in 2017)



Each top 10 customer represents **less than 8%** of total Group sales

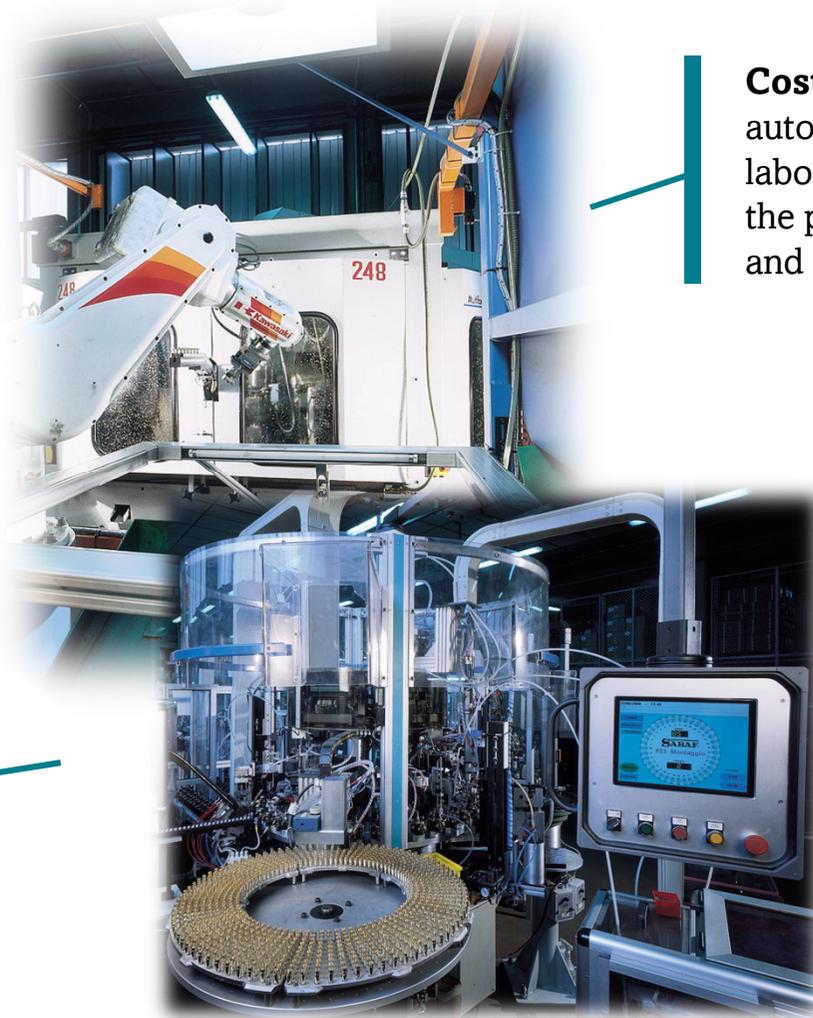
Long-term agreements and strong relationships with all the main players in the household appliances business, based on mutual trust, technical cooperation, co-engineering and tailor-made products

Product & technology

Continuous product innovation: about 90 active patents

Knowledge:

- **Mechanic:** forefront process technology - internal development of special machinery, high performance molds for robotic die-casting, high speed and high precision tools not available on the market
- **Electronic:** strong skills in new product development



Cost and quality leadership: highly automated plants and low incidence of direct labor, € 60 mn investments (8.6% of sales) in the past 5 years, to reinforce competitiveness and to ensure the highest quality standards

Strong operational leverage: great flexibility in production volumes growth, ready to satisfy customers requests

Intellectual capital: highly specialized and qualified staff (40+ R&D engineers)

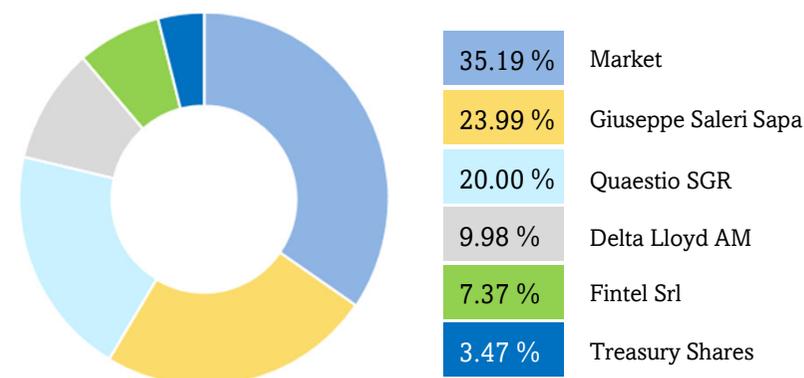
Stock price and main shareholders



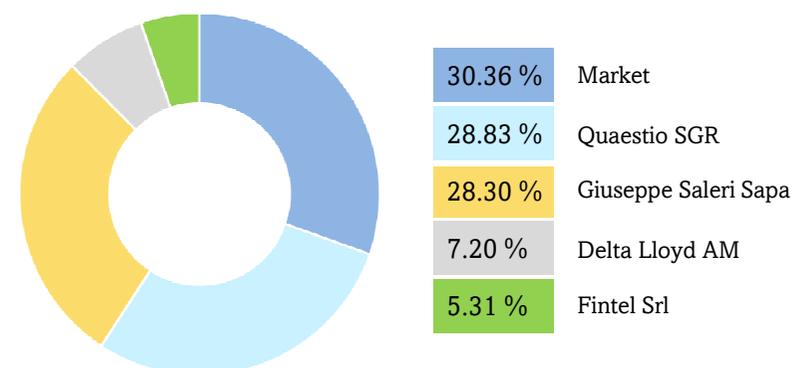
Market cap: € 144 mn at 12 November 2019

2019 dividend: € 0.55 per share (payment date 29 May)

% OF SHARE CAPITAL



% OF VOTING RIGHTS



THE ACQUISITION OF CMI

CMI - Rational for the acquisition

The Sabaf Group is already active in the sector of hinges for household appliances through Faringosi Hinges. The acquisition of C.M.I. allows the Group to achieve a **leadership position on a global scale**, proposing also in this area as a reference partner for all manufacturers of household appliances.

Sabaf combines its consolidated leadership in **gas burners and valves** with the new leadership in the **hinges sector**.

The combination of **mechanical and electronic know-how**, the result of the recent acquisition of Okida Elektronik, allows Sabaf to offer itself as a **creator and developer of innovative solutions in the flourishing world of smart appliances**.



CMI - Company overview

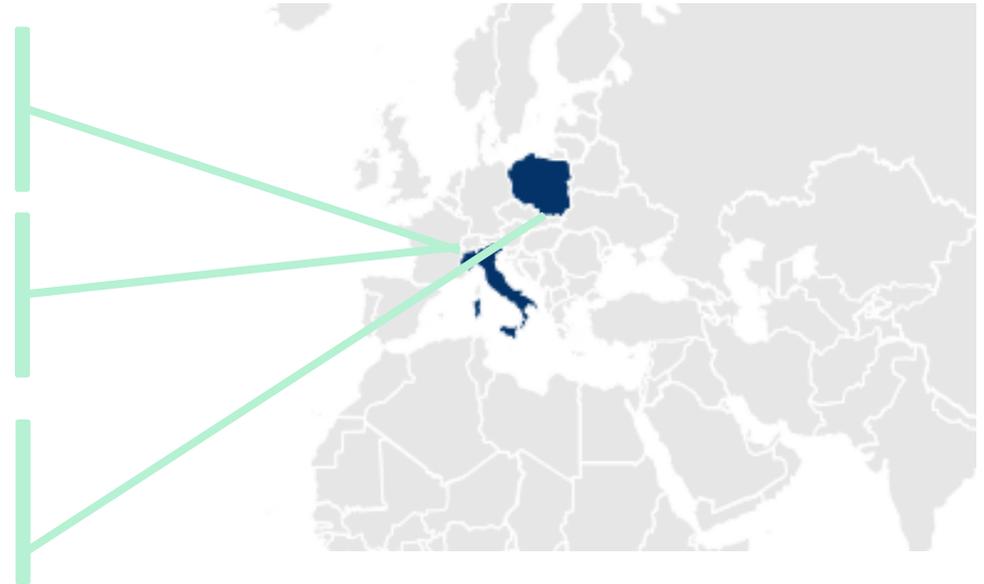
The **C.M.I.** Group is one of the main players in the design, production and sale of hinges for household appliances and is active with production units in Italy (Crespellano, BO) and Poland. C.M.I. also controls C.G.D. s.r.l.



CMI Italy: develops and produces oven and dishwasher hinges

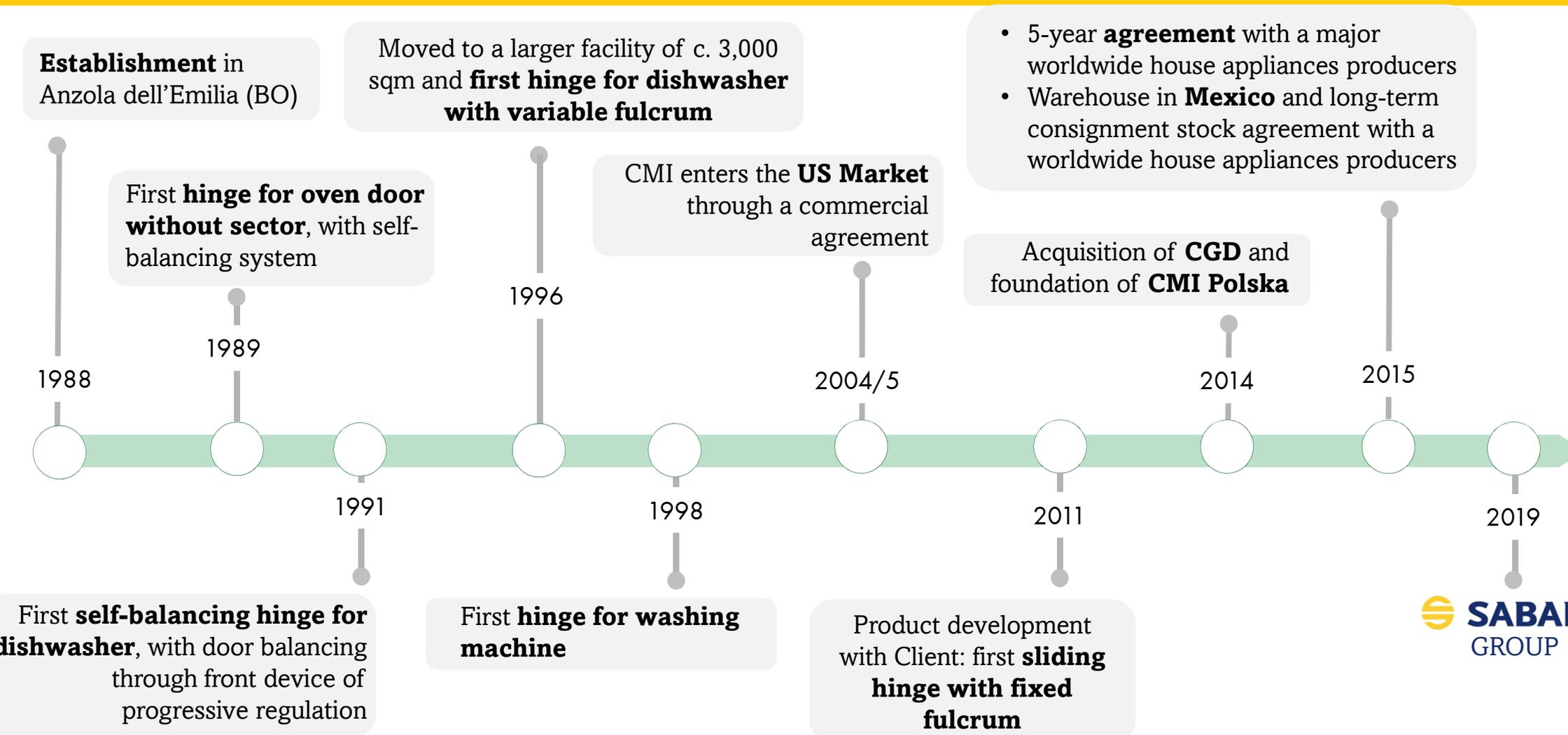
CGD: is specialised in the production of moulds for steel and sheet metal pressed components

CMI Polska: assembles dishwasher hinges



C.M.I. was previously controlled by the Chinese group Guandong Xingye Investment, which held 91.5% of the share capital; the remaining 8.5% was held by Eros Gherardi - the company's founder - and by other private shareholders.

CMI - Timeline and history



CMI - Product portfolio

The hinges for ovens and dishwashers represent the largest part of the CMI business

CMI supplies some of the main **international manufacturers** of household appliances

Innovative solutions are developed jointly with customers and are based on proprietary **patents**



A total of 41 patents for ovens, dishwashers and refrigerators are registered in different countries

DISHWASHER HINGES

- They represent around 60% of CMI's business
- The sector in which CMI has reached the highest level of innovation: the only manufacturer of self-balancing hinges (patented technology)
- Variable fulcrum hinges
- Fixed fulcrum hinges with 2 springs
- Hinges with variable lateral fulcrum



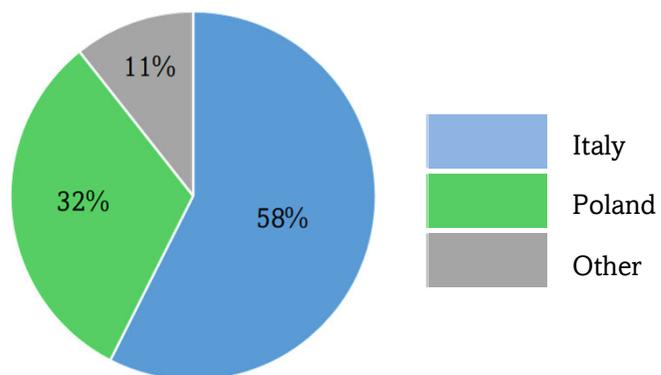
OVEN HINGES

- They represent around 25% of CMI's business
- Fixed fulcrum hinges
- Variable fulcrum hinges
- Sliding hinges

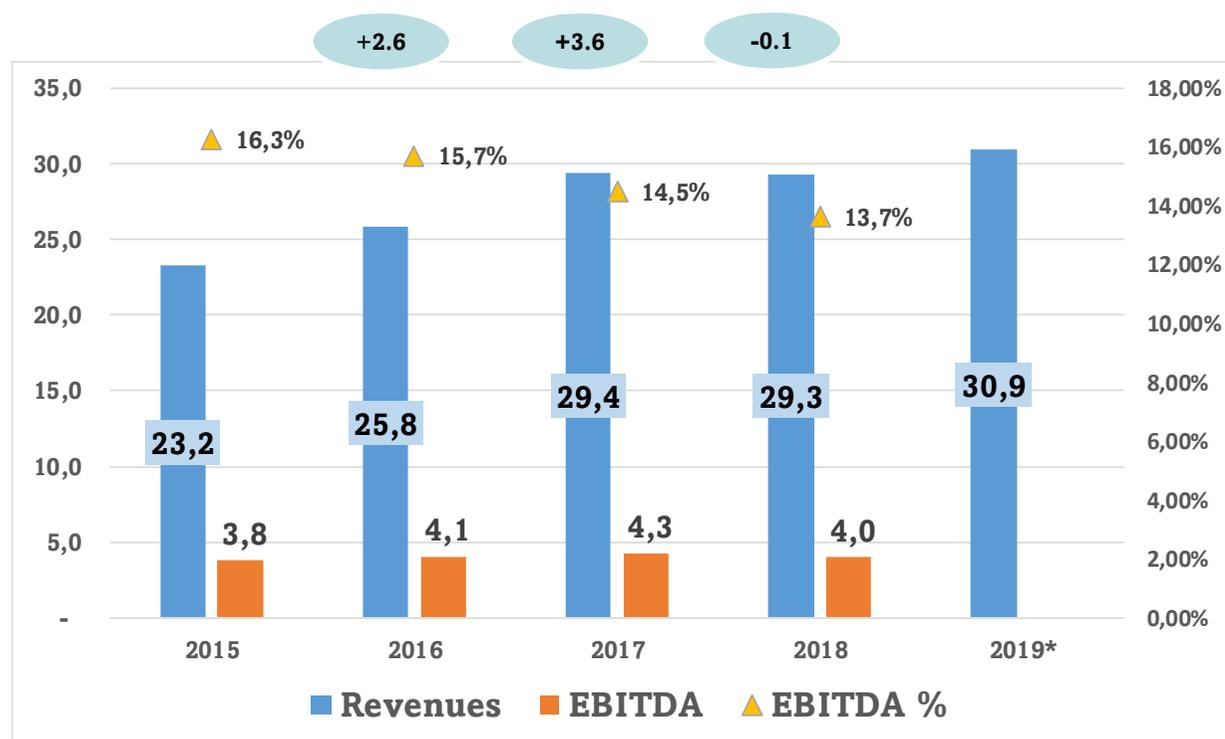
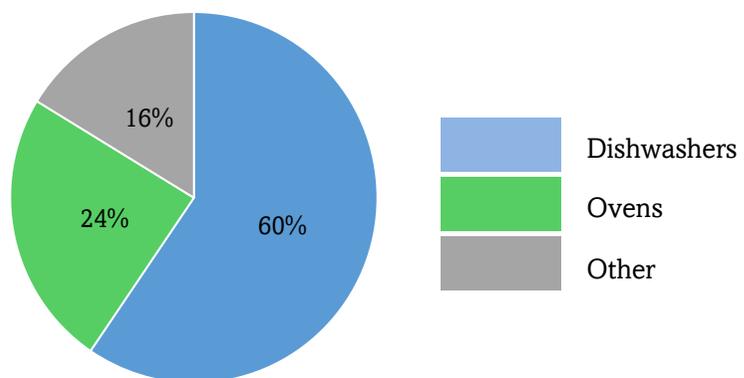


CMI - Sales and profitability

Sales by market



Sales by product



*Estimated proforma

CMI - Acquisition valuation

Acquisition of 68.5% **share in CMI**:

- 60% from Guandong Xingye Investment (Chinese industrial group working in the same sector)
- 8.5% from Mr. Eros Gherardi (the founder) and other private investors

Closing: 31st July 2019

100% Equity Value: Eur 19.55 mn

Net financial debt at 31 Dec 2018: Eur 5.5 mn

Valuation: approx 6.3 x EBITDA 2018

Call & Put options on the residual share of 31.5% owned by Guandong Xingye Investment

The acquisition has been wholly financed through a **bank loan expiring in 2026**

Mr. Paolo Santini remains at the head of CMI as **CEO and General Manager**

9M 2019 PERFORMANCE
SABAF GROUP

Performance data

Income statement

€ x 000	9 MONTHS 2019 *			9 MONTHS 2018 ** Δ % 19 - 18			Q3 2019 *			Q3 2018 ** Δ % 19 - 18		
SALES	115,252	100.0%	114,441	100.0%	0.7%	40,426	100.0%	38,428	100.0%	5.2%		
Materials	(42,063)	(36.5%)	(48,722)	(42.6%)		(14,185)	(35.1%)	(14,167)	(36.9%)			
Payroll	(26,605)	(23.1%)	(26,344)	(23.0%)		(8,946)	(22.1%)	(8,071)	(21.0%)			
Change in stock	(6,656)	(5.8%)	5,663	4.9%		(2,969)	(7.3%)	(809)	(2.1%)			
Other operating costs/income	(19,482)	(16.9%)	(22,126)	(19.3%)		(6,774)	(16.8%)	(7,745)	(20.2%)			
EBITDA	20,446	17.7%	22,912	20.0%	-10.8%	7,552	18.7%	7,636	19.9%	-1.1%		
Depreciation	(10,737)	(9.3%)	(9,360)	(8.2%)		(4,048)	(10.0%)	(3,057)	(8.0%)			
Gains/losses on fixed assets	44	0.0%	12	0.0%		(4)	(0.0%)	1	0.0%			
Impairment of fixed assets		0.0%	-	0.0%			0.0%		0.0%			
EBIT	9,753	8.5%	13,564	11.9%	-28.1%	3,500	8.7%	4,580	11.9%	-23.6%		
Net financial expense	(965)	(0.8%)	(523)	(0.5%)		(411)	(1.0%)	(208)	(0.5%)			
Foreign exchange gains/losses	(150)	(0.1%)	3,775	3.3%		891	2.2%	2,703	7.0%			
EBT	8,638	7.5%	16,816	14.7%	-48.6%	3,980	9.8%	7,075	18.4%	-43.7%		
Income taxes	(1,630)	(1.4%)	(4,324)	(3.8%)		(606)	(1.5%)	(1,912)	(5.0%)			
Minorities	(216)	(0.2%)	(122)	(0.1%)		(95)	(0.2%)	(19)	(0.0%)			
NET INCOME	6,792	5.9%	12,370	10.8%	-45.1%	3,279	8.1%	5,144	13.4%	-36.3%		

* C.M.I. hinges have been consolidated from August 2019

** Electronic components have been consolidated from September 2018

Performance data

Balance Sheet

€ x 000	9 MONTHS 2019	9 MONTHS 2018	FY 2018
Fixed assets	132,941	110,845	120,950
<i>Inventories</i>	37,641	39,308	39,179
<i>Trade receivables</i>	55,349	48,104	46,932
<i>Tax receivables</i>	4,218	2,146	3,043
<i>Other current receivables</i>	2,309	1,904	1,534
<i>Trade payables</i>	(26,152)	(23,168)	(21,215)
<i>Tax payables</i>	(2,115)	(3,520)	(3,566)
<i>Other payables</i>	(9,654)	(7,683)	(7,600)
Net working capital	61,596	57,091	58,307
Capital Employed	194,537	167,936	179,257
Equity	115,506	109,859	119,346
Provisions for risks and severance indemnity	7,176	4,832	6,387
Net debt*	71,855	53,245	53,524
Sources of finance	194,537	167,936	179,257

* Euro 3.296 million from the application of IFRS 16

Performance data

Cash flow statement

€ x 000	9 MONTHS 2019	9 MONTHS 2018	FY 2018
Cash at the beginning of the period	13.426	11.533	11.533
Net profit	7.008	12.492	15.798
Depreciation	10.737	9.360	12.728
Other income statement adjustments	2.937	5.755	7.237
Change in net working capital			
- Change in inventories	6.792	(4.503)	(4.374)
- Change in receivables	1.728	(4.175)	(3.003)
- Change in payables	(4.309)	2.509	556
	4.211	(6.169)	(6.821)
Other changes in operating items	(3.098)	(2.642)	(3.128)
Operating cash flow	21.795	18.796	25.814
Investments, net of disposals	(7.141)	(8.536)	(11.467)
Free Cash Flow	14.654	10.260	14.347
Cash flow from financial activity	(211)	34.710	30.009
Own shares buyback	-	(2.086)	(2.359)
Dividends	(6.060)	(6.071)	(6.071)
CMI Acquisition	(10.475)	-	-
OKIDA acquisition	(317)	(22.882)	(24.077)
Forex	45	(7.059)	(9.956)
Net financial flow	(2.364)	6.872	1.893
Cash at the end of the period	11.062	18.405	13.426
Current financial debt	24.887	22.760	22.606
Non-current financial debt	58.030	48.890	44.344
Net financial debt	71.855	53.245	53.524

Net financial debt

At 30 September 2019, net financial debt was €71.9 million (€50.3 million at 30 June 2019) and included:

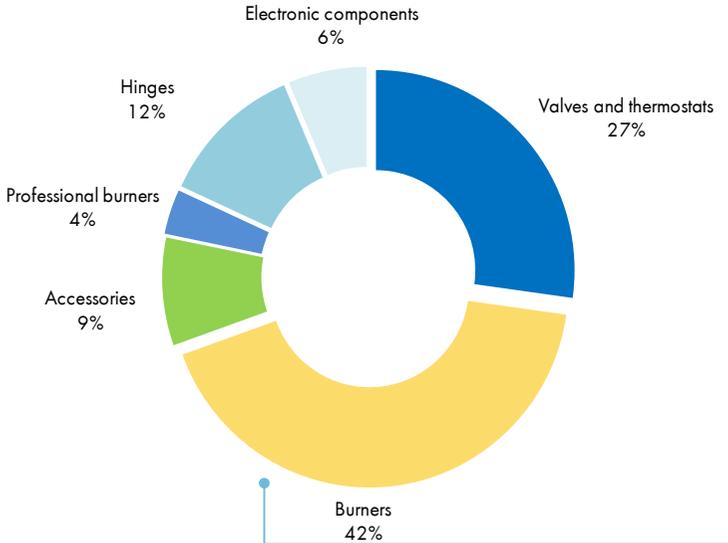
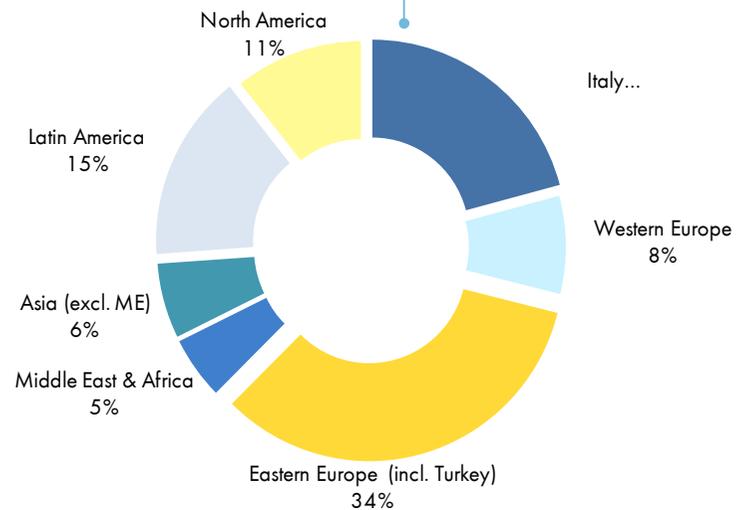
- financial liabilities relating to put options granted on minority interests in subsidiaries for €10.5 million (of which €8.7 million relating to C.M.I.);
- the present value of the lease and rental payments recognised in accordance with IFRS 16 for €3.3 million.

Performance data

Sales by market and product

Sales by market

	9 MONTHS 2019*	9 MONTHS 2018**	
Italy	24,016	24,489	-1.9%
Western Europe	9,292	9,013	+3.1%
Eastern Europe (incl. Turkey)	38,750	34,483	+12.4%
Middle East & Africa	5,953	10,134	-41.3%
Asia (excl. ME)	7,136	5,510	+29.5%
Latin America	17,822	19,524	-8.7%
North America	12,283	11,288	+8.8%
Total	115,252	114,441	+0.7%



Sales by product

	9 MONTHS 2019 *	9 MONTHS 2018**	
Valves and thermostats	31,351	37,920	-17.3%
Burners	48,774	51,666	-5.6%
Accessories	10,020	12,104	-17.2%
Professional burners	4,175	4,186	-0.3%
Hinges	13,569	7,659	+77.2%
Electronic components	7,363	906	+712.7%
Total	115,252	114,441	+0.7%



* C.M.I. hinges have been consolidated from August 2019
 ** Electronic components have been consolidated from September 2018

€ x 0

Outlook 2019

The economic trend confirms the signs of recovery in the Turkish market, the weakness of the Middle East and an uneven trend in the other main markets in which the Group operates.

In the fourth quarter of the year, the Group expects sales revenue ranging from €42 to €44 million (of which approximately €8 million from the consolidation of C.M.I.), compared to €36 million in the fourth quarter of 2018. For the whole of 2019, the Group expects to achieve **sales ranging from €158 to €160 million**, compared to €150.6 million in 2018, and an **EBITDA of approximately €28 million** (the previous forecast indicated revenues of approximately €162 million and an EBITDA ranging from €28 to €29 million).

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.

Efforts in place to reduce operating costs

- Actions on indirect costs
- Actions on logistics costs
- Overtime reduction
- Lean methods to improve flexibility
- Improved production efficiency and reduction of set-up costs

BUSINESS PLAN 2018 - 2022

Business plan 2018 - 2022

Key points 1/2

GROWTH

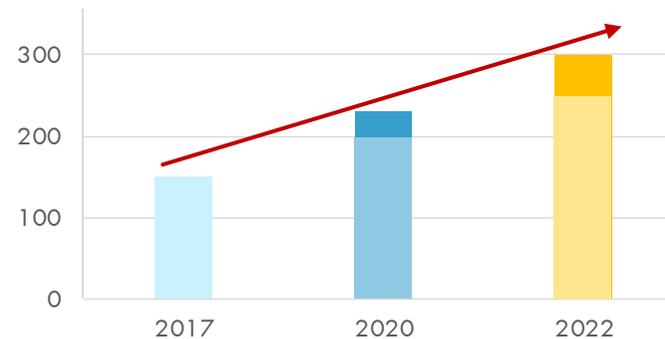
SALES

Estimated sales growth
between 65% and 100%
(2022 compared to 2017)

EBITDA margin

- **ORGANIC:** CAGR between 4% and 6% (€ 180 – 200 mn sales by 2022)
- **BY ACQUISITIONS** (€ 70 – 100 mn sales by 2022)

- € 200 - 230 mn by 2020
- € 250 - 300 mn by 2022



- around **20%** of sales

Business plan 2018 - 2022

Key points 2/2

Investments

Estimated Dividends

Financed with

Financial leverage

- Organic growth: € **80 - 90 mn** capex in 5 years (about 8% of sales per year)
- Growth by acquisition: up to € **140 mn** investment in 5 years (of which € 50 mn already invested in 2018 and 2019)
- € **30 – 40 mn** in 5 years (between € 6 and 8 mn per year)
- Lower payout than in previous years, to support future growth

- Operating cash flow: € **130 - 150 mn** in 5 years
- Financial debt: up to € **120 mn** by 2022

- Net debt / EBITDA: **lower than 2.0**

Organic growth

Market development - Europe & Turkey

EUROPE (Turkey excluded)



2018-2022 GROWTH FACTORS

- ✓ Reinforce the leadership in this market, in order to strengthen the presence and commercial relationship
 - Multi-year agreements recently undersigned with some of the major European market players. These agreements grant significant growth and allow high mid-term visibility
 - Expected market share increase

TURKEY



2018-2022 GROWTH FACTORS

- ✓ Increase of local production, enhancing previous years success. Wider range of products manufactured locally
- ✓ Expected volume increase from current customers
- ✓ New contracts with new customers for valves and hinges
- ✓ Okida estimated growth (CAGR) around 20%

Organic growth

Market development - Brazil

BRAZIL



2018-2022 GROWTH FACTORS

- ✓ Enter in the mid range and free-standing cookers markets:
 - High volumes / low cost burners project
 - Special burners project
- ✓ Enhancement of commercial relationships with major international Groups, also through co-engineering and development of customized products
- ✓ Market growth within present top customers

Organic growth

Market development - North America

NORTH AMERICA



2018-2022 GROWTH FACTORS

- ✓ Expected annual double-digit:
 - Long-term agreements and special projects with present customers, which are the major market players
 - Sub-assemblies supply and customized components
 - Top range professional products for high-end new customers
 - New projects will allow to gain market share vs competitors
- ✓ Planning to operate through a production plant in North America



RISK FACTORS

- ✓ Exchange rate
- ✓ Import duties and other US protectionist policies

Organic growth

Market development - India 1/2

INDIA



2018-2022 GROWTH FACTORS

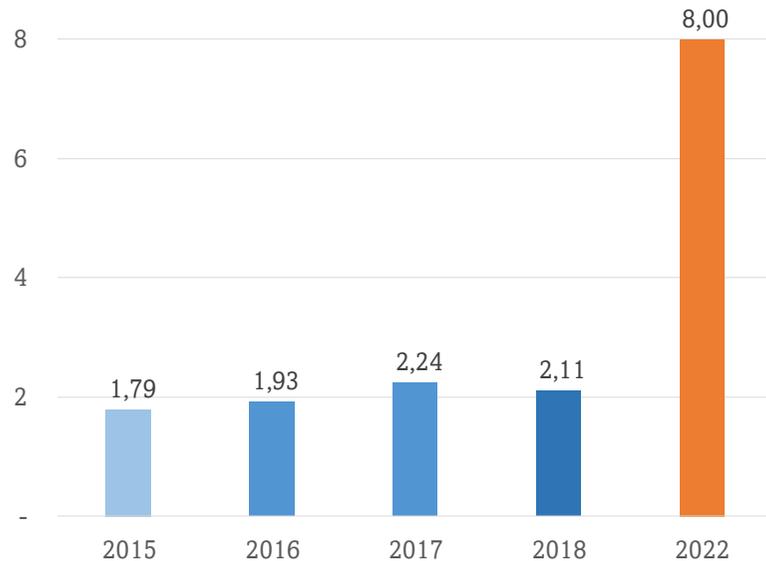
- ✓ India is considered a high potential market, in which Sabaf Group is just at the beginning of its development. At present, only 30% of Indian people use gas as a cooking source, the remaining part still using biomass sources
- ✓ Expected annual double-digit growth
- ✓ The Group aims to increase the customer base, through:
 - Agreements with domestic market leaders
 - Development of specific burners and valves for Indian market, in order to fit local cooking needs (e.g. Series 4 burners)
 - Increase demand for safety and quality
- ✓ Sabaf will operate through a **PRODUCTION PLANT**

Organic growth

Market development - India 2/2

SABAF IN INDIA

Turnover €/mn



 Potential turnover 2022

Present volumes: 1.3 mn units (gas components)

THE PROJECT

OBJECTIVE Production of Gas Components

TIMING Start of production 2021

INVESTMENTS

LAND	12,000 Sqm	€ 4.8 mn
BUILDING	6,000 Sqm	
MACHINERY		

Production capacity: 5 mn units

Organic growth

Market development - China

CHINA



2018-2022 GROWTH FACTORS

- ✓ Supply agreements with global market leaders
- ✓ Development of new commercial relationships with big Chinese manufacturers
- ✓ Beginning of new projects with high-potential «newcomers»
- ✓ Evaluation of local partnerships for JV
- ✓ Arc Handan JV deployment for wok burners

Organic growth Products



PRODUCTS GROWTH FACTORS

- ✓ Annual **investments in R&D**: 3% of sales (in line with historical trend)
- ✓ Greater care to specific **markets needs** and **customization** in order to increase client loyalty
- ✓ Focus on:
 - **Special burners**: high performances and combustion efficiency
 - **“Easy to clean”** burners
 - **“Precise flame setting”** valves
 - **“Advanced assisted cooking”** solutions
 - **Professional burners**: also for use in high-range domestic cookers
- ✓ New concepts and new products, in an advanced development stage, are still confidential and not disclosed

Organic growth

Process and industrial footprint



PROCESS IMPROVEMENTS

- ✓ **Forefront** process technology, based on automation and robotization of all production phases
- ✓ Increase of machining and assembling **productivity** through high-speed machinery
- ✓ Higher **efficiency** through scraps reduction
- ✓ Further **interconnection** of production with SAP management system (Industry 4.0)
- ✓ **Lean** manufacturing and **strong reduction of working capital**
- ✓ **Increase of factories flexibility** (lower dependence on production volumes)



INDUSTRIAL FOOTPRINT

- ✓ Increase of **Turkey** local **production**
- ✓ Planning to operate through a production **plant in North America**
- ✓ Set up a production **plant in India**

Organic Growth

by New Projects In-Progress (additional sales)

	Total Projects	Main Projects	Estimated additional annual sales	Period	Markets
Burners and valves	31	6	15 - 18 mn €	2019 - 2021	North America Europe South America Far East
Electronic components	48	30	4 - 6 mn €	2019 - 2021	Europe and Middle East South America (new market) North America (new market)
Hinges	19	9	3 - 4 mn €	2019 - 2021	Europe
Total	98	45	22 - 28 mn €		

Growth by acquisitions

Transactions completed

OKIDA®

Electronic components
September 2018

Transactions successfully
completed in the past 12
months

CMI

Hinges
July 2019

One year after the acquisition, we confirm the **significant growth potential** of Okida

Tangible **products** and **commercial synergies** with Sabaf's customers, already in progress and better than expected

More than **30 main projects** in pipeline:

- Oven and Cooktop control
- Paper dispenser and hand driers
- Cooker hoods control
- Hinges electronic motor control
- Refrigerator and freezer control



Continuous growth by acquisitions

TARGET PROFILE

TURNOVER

Up to € **70 mn sales**

EBITDA

Higher than 10%. Steady results over the past years
No turnarounds

SHAREHOLDING

Preference for **entrepreneurial** ownership

EBITDA MULTIPLES

Non-dilutive

M&A TEAM

Dedicated to development of business **contacts**, creation of an **internal Data Base**, analysis and evaluation of **opportunities**, management of **negotiations**

INVESTMENT SECTORS

Aimed to a greater **product diversification and higher worldwide presence**, in order to allow the Group to entry in different **markets**, in addition to the traditional sector of gas cooking

COMPONENTS FOR HOUSEHOLD
APPLIANCES

HEATING

ELECTRONICS

PROFESSIONAL COOKING

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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