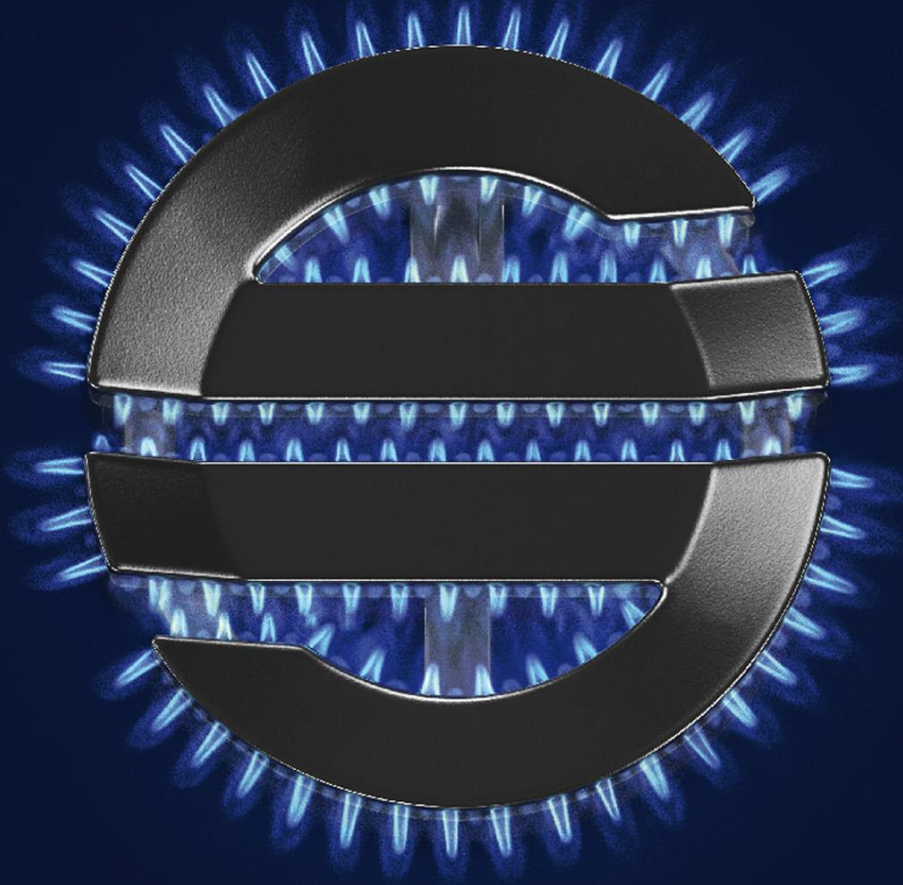


***We burn*** for technology and safety.



# FINANCIAL PRESENTATION

Star Conference  
Milan, 27 - 28 March 2018

# COMPANY PROFILE

# Product range - the heart of gas cooking appliances



# Industrial Footprint

 **Total Group employees at 31.12.2017: 803**

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

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

**ARC S.R.L.**  
Standard burners  
Special burners  
**24 employees**

**SABAF TURKEY**  
Standard burners  
**96 employees**

 **SABAF APPLIANCE COMPONENTS (KUNSHAN) CO. LTD**  
Wok burners  
**8 employees**

 **ARC HANDAN JV**  
Professional Wok burners

 **SABAF DO BRASIL LTDA**  
Standard burners  
Special burners  
**87 employees**

# Market, product & technology



## MARKET

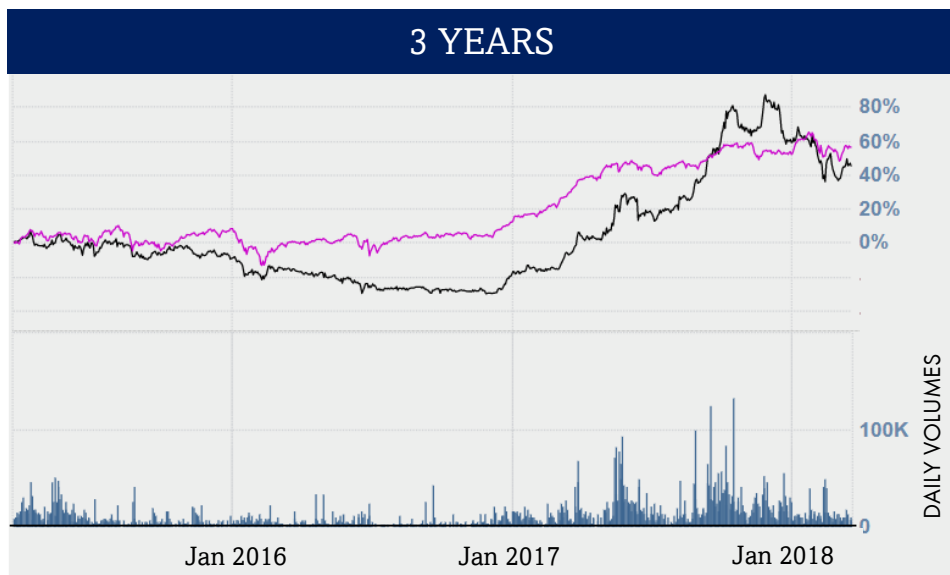
- ✓ **Global leader** in the segment of components for domestic gas cooking appliances, with over 300 customers in 60 different countries. A strong leadership in Europe (market share above 40%), estimated market share worldwide of about 10%
- ✓ Weight of top 10 customers on total Group sales is **less than 50%**
- ✓ Each top 10 customer represents **less than 10%** of total Group sales
- ✓ **Long-term agreements and strong relationships** with customers, based on mutual trust, technical cooperation, co-engineering and tailor-made products



## PRODUCT & TECHNOLOGY

- ✓ **Continuous product innovation:** over 30 active patents
- ✓ **Knowledge:** 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
- ✓ **Cost and quality leadership:** highly automated plants and low incidence of direct labor: € 58 mn investments (8.4% 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

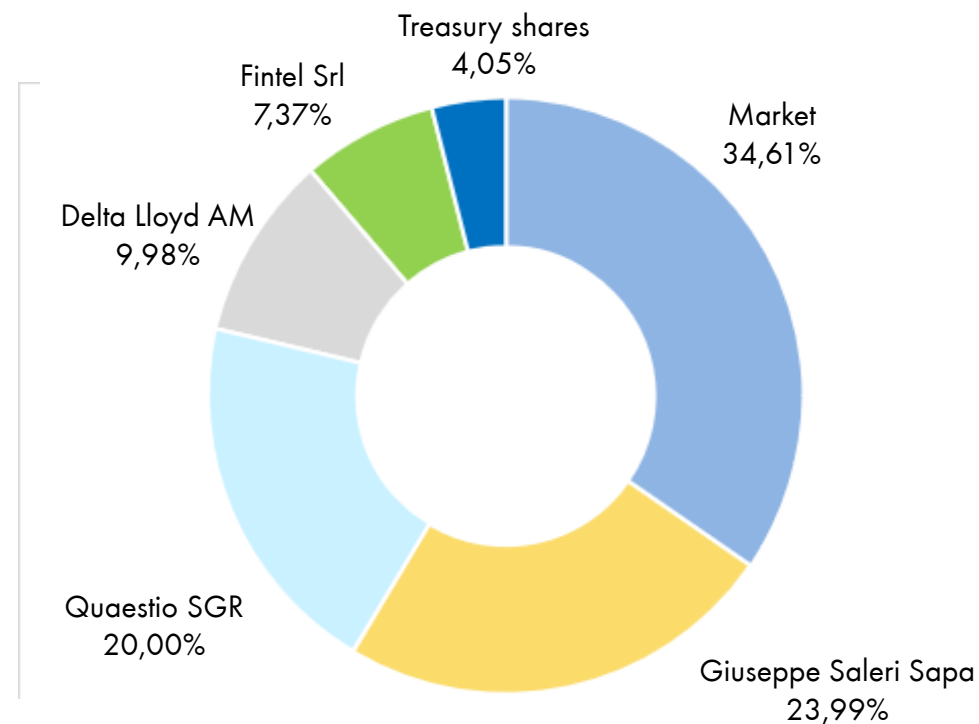
# Stock price and main shareholders



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

**Market cap: € 217 mn at 21-mar-2018**

**2018 proposed dividend: € 0.55 per share**  
(0.48 € per share paid in 2017)



# 2017 PERFORMANCE



# Performance data

## Income statement

€ x 000	FY 17		FY 16		Δ % 17-16	FY 15		Δ % 16-15	FY 14		Δ % 15-14
<b>SALES</b>	<b>150,223</b>	<b>100.0%</b>	<b>130,978</b>	<b>100.0%</b>	<b>+14.7%</b>	<b>138,003</b>	<b>100.0%</b>	<b>-5.1%</b>	<b>136,337</b>	<b>100.0%</b>	<b>+1.2%</b>
Materials	(59,794)	(39.8%)	(47,346)	(36.1%)		(54,366)	(39.4%)		(54,472)	(40.0%)	
Payroll	(35,328)	(23.5%)	(32,112)	(24.5%)		(32,526)	(23.6%)		(32,180)	(23.6%)	
Change in stock	2,380	1.6%	(754)	(0.6%)		1,025	0.7%		2,447	1.8%	
Other operating costs/income	(26,526)	(17.7%)	(25,401)	(19.4%)		(25,964)	(18.8%)		(26,180)	(19.2%)	
<b>EBITDA</b>	<b>30,955</b>	<b>20.6%</b>	<b>25,365</b>	<b>19.4%</b>	<b>+22.0%</b>	<b>26,172</b>	<b>19.0%</b>	<b>-3.1%</b>	<b>25,952</b>	<b>19.0%</b>	<b>+0.8%</b>
Depreciation	(12,826)	(8.5%)	(12,882)	(9.8%)		(12,185)	(8.8%)		(12,292)	(9.0%)	
Gains/losses on fixed assets	(12)	(0.0%)	18	0.0%		104	0.1%		63	0.0%	
<b>EBIT</b>	<b>18,117</b>	<b>12.1%</b>	<b>12,501</b>	<b>9.5%</b>	<b>+44.9%</b>	<b>14,091</b>	<b>10.2%</b>	<b>-11.3%</b>	<b>13,175</b>	<b>9.7%</b>	<b>+7.0%</b>
Net financial expense	(590)	(0.4%)	(519)	(0.4%)		(529)	(0.4%)		(531)	(0.4%)	
Foreign exchange gains/losses	274	0.2%	435	0.3%		(89)	(0.1%)		119	0.1%	
Equity investments profits/losses	3	0.0%	0	0.0%		0	0.0%		(606)	(0.4%)	
<b>EBT</b>	<b>17,804</b>	<b>11.9%</b>	<b>12,417</b>	<b>9.5%</b>	<b>+43.4%</b>	<b>13,473</b>	<b>9.8%</b>	<b>-7.8%</b>	<b>12,157</b>	<b>8.9%</b>	<b>+10.8%</b>
Income taxes	(2,888)	(1.9%)	(3,342)	(2.6%)		(4,475)	(3.2%)		(3,819)	(2.8%)	
Minorities	(81)	(0.1%)	(81)	(0.1%)		0	0.0%		0	0.0%	
<b>NET INCOME</b>	<b>14,835</b>	<b>9.9%</b>	<b>8,994</b>	<b>6.9%</b>	<b>+64.9%</b>	<b>8,998</b>	<b>6.5%</b>	<b>0.0%</b>	<b>8,338</b>	<b>6.1%</b>	<b>+7.9%</b>

# Performance data

## Balance sheet

€ x 000	31-dic-17	31-dic-16	31-dic-15	31-dic-14
Fixed assets	93.802	94.141	92.797	96.152
Net working capital	50.753	46.084	48.163	45.844
Short term financial assets	67	-	69	-
<b>Capital Employed</b>	<b>144.622</b>	<b>140.225</b>	<b>141.029</b>	<b>141.996</b>
Equity	115.055	112.377	111.040	110.738
Provisions for risks and severance indemnity	4.034	4.390	4.081	4.325
Net debt	25.533	23.458	25.908	26.933
<b>Sources of finance</b>	<b>144.622</b>	<b>140.225</b>	<b>141.029</b>	<b>141.996</b>
<b>Debt / Equity</b>	<b>0,22</b>	<b>0,21</b>	<b>0,23</b>	<b>0,24</b>
<b>Debt / EBITDA</b>	<b>0,82</b>	<b>0,92</b>	<b>0,99</b>	<b>1,04</b>
<b>ROI</b>	<b>12,9%</b>	<b>9,2%</b>	<b>10,3%</b>	<b>9,6%</b>
<b>NWC / Sales</b>	<b>33,8%</b>	<b>35,2%</b>	<b>34,9%</b>	<b>33,6%</b>
<b>DSO</b>	<b>101</b>	<b>101</b>	<b>105</b>	<b>107</b>
<b>DPO</b>	<b>60</b>	<b>68</b>	<b>63</b>	<b>63</b>
<b>DSI</b>	<b>99</b>	<b>107</b>	<b>100</b>	<b>100</b>

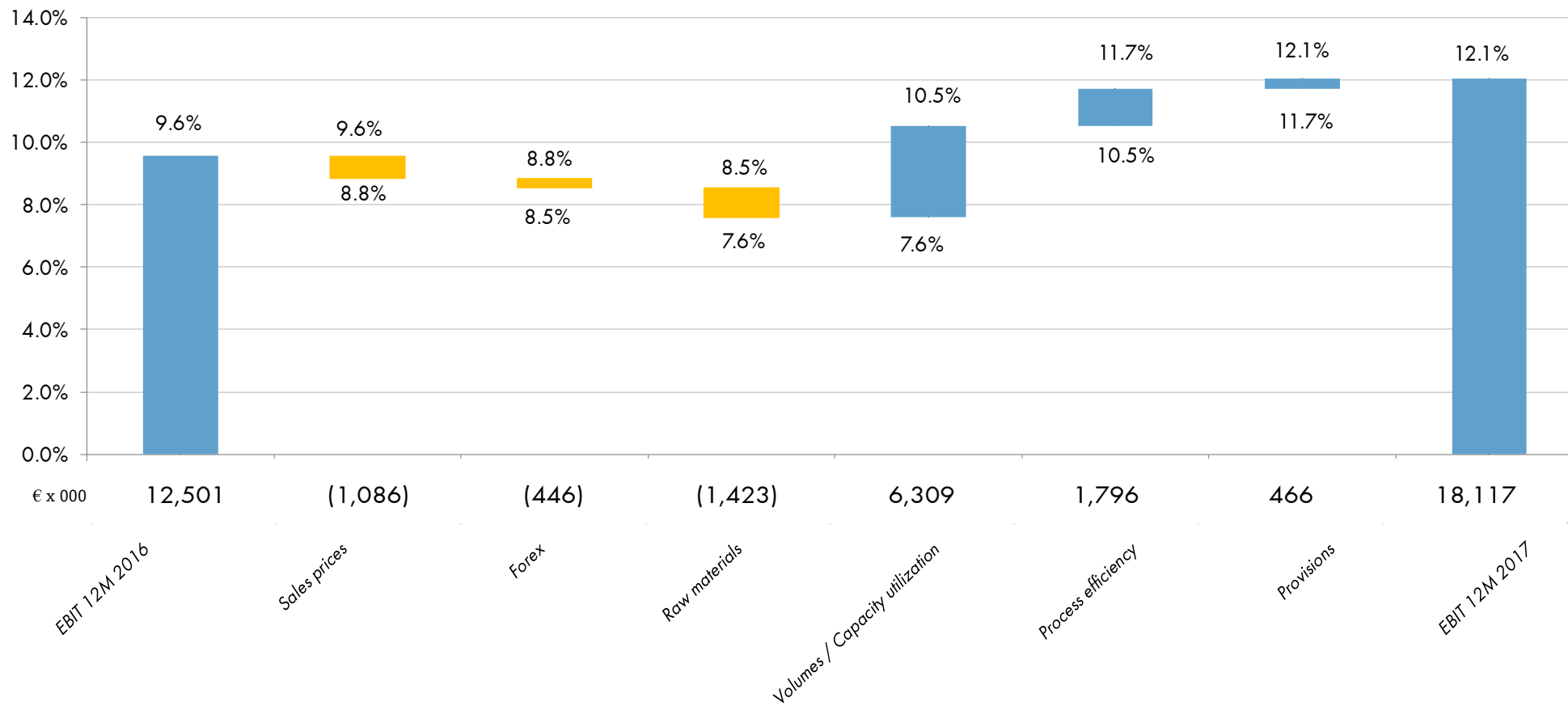
# Performance data

## Cash flow statement

€ x 000	31-dic-17	31-dic-16	31-dic-15	31-dic-14
Cash at the beginning of the period	12,143	3,991	3,675	5,111
Net profit	14,916	9,075	8,998	8,338
Depreciation	12,826	12,853	12,185	12,292
Change in net working capital				
change in inventories	(1,445)	416	(170)	(4,079)
change in receivables	(5,421)	5,107	107	(2,548)
change in payables	998	(1,286)	(58)	365
	(5,868)	4,237	(121)	(6,262)
Other changes in operating items	905	(234)	(1,931)	2,609
<b>Operating cash flow</b>	<b>22,779</b>	<b>25,931</b>	<b>19,131</b>	<b>16,977</b>
Investments, net of disposals	(13,944)	(11,762)	(12,079)	(11,491)
<b>Free cash flow</b>	<b>8,835</b>	<b>14,169</b>	<b>7,052</b>	<b>5,486</b>
Cash flow from financial activity	978	4,249	(61)	8,054
Own shares buyback	(2,110)	(1,676)	(718)	-
Dividends	(5,384)	(5,467)	(4,613)	(16,146)
ARC acquisition	-	(2,614)	-	
Forex	(2,929)	(509)	(1,344)	453
<b>Net financial flow</b>	<b>(610)</b>	<b>8,152</b>	<b>316</b>	<b>(2,153)</b>
Cash at the end of the period	11,533	12,143	3,991	2,958

# Performance data

## EBIT bridge 12M 2016 – 12M 2017



# Performance data

## Tax benefits and incentives 2017

EFFECTS ON 2017 AMOUNTS	Income taxes	% Tax rate
<b>2017 amounts</b>	<b>2,888</b>	<b>16.2%</b>
- "Patent box" tax benefit	1,324	
- Tax incentives for investments made in Turkey	950	
- "Super amortisation" tax benefit	179	
<b>2017 amounts net of tax benefit/incentives</b>	<b>5,341</b>	<b>30.0%</b>

### 2017 TAX BENEFITS AND INCENTIVES

#### PATENT BOX

- € 1,324:
- € 350 relating to 2015
  - € 422 relating to 2016
  - € 552 relating to 2017

#### TURKEY INCENTIVES

- € 950:
- € 592 relating to previous years
  - € 358 relating 2017

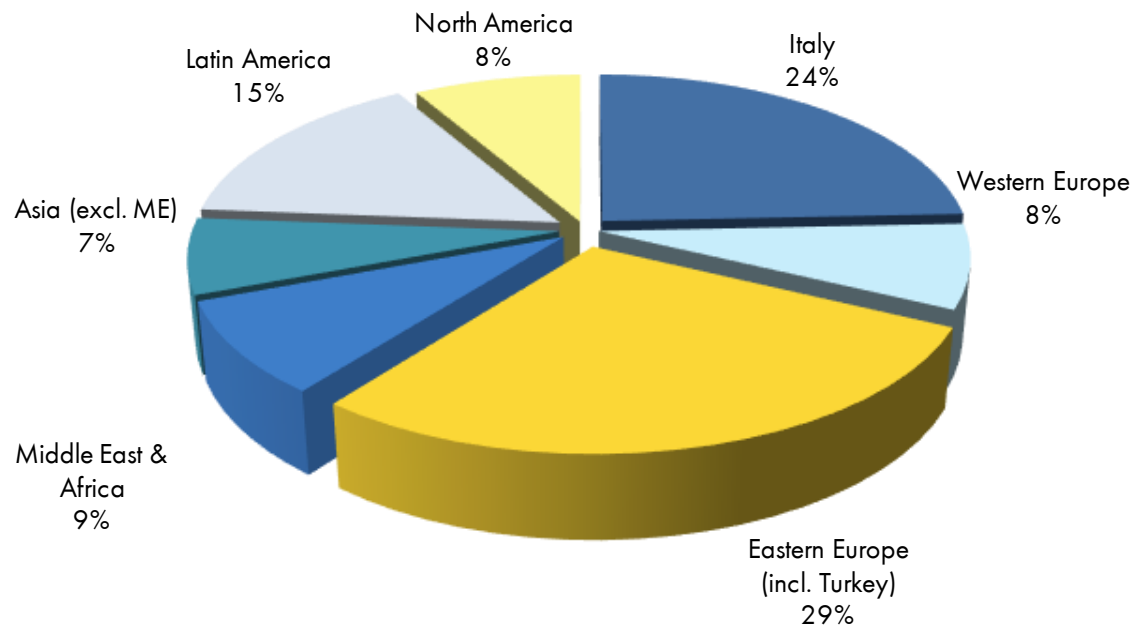
#### SUPER AMORTISATION

€ 179 relating to 2017

# Performance data

## Sales by market

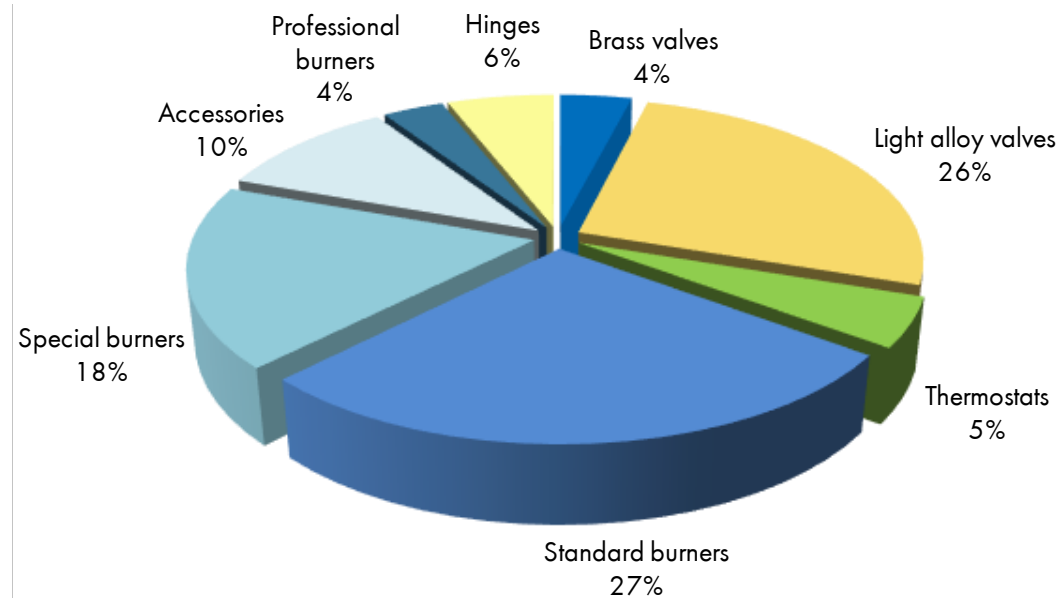
€ x 000	12M 2017	12M 2016	
Italy	36,523	36,365	+0.4%
Western Europe	11,678	8,553	+36.5%
Eastern Europe (incl. Turkey)	42,824	34,123	+25.5%
Middle East & Africa	13,009	11,698	+11.2%
Asia (excl. ME)	10,516	8,088	+30.0%
Latin America	22,938	20,847	+10.0%
North America	12,735	11,304	+12.7%
<b>Total</b>	<b>150,223</b>	<b>130,978</b>	<b>+14.7%</b>



# Performance data

## Sales by product

€ x 000	12M 2017	12M 2016	
Brass valves	5,991	9,007	-33.5%
Light alloy valves	39,351	32,393	+21.5%
Thermostats	7,376	7,699	-4.2%
Standard burners	41,070	37,338	+10.0%
Special burners	27,184	21,215	+28.1%
Accessories	15,267	12,613	+21.0%
Professional burners	5,079	2,289	+121.9%*
Hinges	8,905	8,424	+5.7%
<b>Total</b>	<b>150,223</b>	<b>130,978</b>	<b>+14.7%</b>



\* Professional burners sales consolidated from the 1st of July 2016

# Performance data

## Outlook



### OUTLOOK

- ✓ The start of 2018 shows a slight increase in sales compared to the same period of 2017. After a year characterized by a growth rate that is clearly higher than the average trend of recent years and despite the still challenging competitive scenario, the Group estimates that **revenues** for the entire financial year 2018 **will increase ranging from 3% to 5%** compared to 2017
- ✓ The Group also believes that the **adjustment of sales prices** and further improvements in **operating efficiency** will enable it to balance the negative impacts associated with the **weakening of the dollar** and the **rise in commodity prices**, and therefore estimates operating profitability (EBITDA%) to be in line with 2017
- ✓ 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



# BUSINESS PLAN 2018 - 2022

# Business plan 2018 - 2022

## Key points 1/2

**GROWTH**

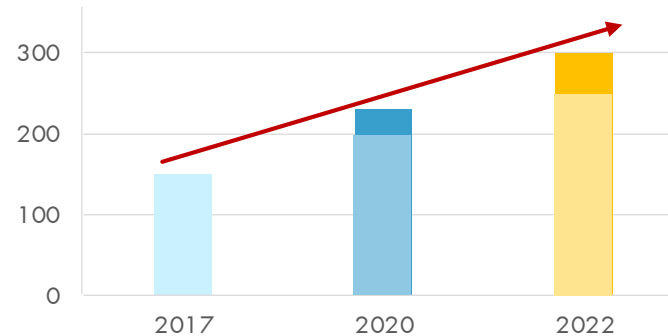
**SALES**

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



- **> 20%** of sales

# Business plan 2018 - 2022

## Key points 2/2

### Investments

- 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

### Estimated Dividends

- € **30 - 40 mn** in 5 years (between € 6 and 8 mn per year)
- Lower payout than in previous years, to support future growth

### Financed with

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

### Financial leverage

- 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

# 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 growth:
  - 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
- ✓ 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

### 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

# 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
- ✓ 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



### INDUSTRIAL FOOTPRINT

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

# Growth by acquisitions

## Investment sectors

COMPONENTS FOR  
HOUSEHOLD APPLIANCES

HEATING

ELECTRONICS

PROFESSIONAL COOKING

# Growth by acquisitions

## Target profile

### Target parameters

#### TURNOVER

Up to € **70 mn sales**

#### EBITDA

**Higher than 10%**. Steady results over the past years  
No businesses to be restructured

#### 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**

## **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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