

Press release

Ospitaletto (BS), 12 November 2019

SABAF: THIRD-QUARTER 2019 RESULTS APPROVED

- **In the third quarter, revenue was €40.4 million (+5.2% compared to the same quarter of 2018); EBITDA was €7.6 million (-1.1%); EBIT was €3.5 million (-23.6%); net profit was €3.3 million (-36.3%)**
- **In the first nine months of 2019, revenue was €115.3 million (+0.7%); EBITDA was €20.4 million (-10.8%); EBIT was €9.8 million (-28.1%); net profit was €6.8 million (-45.1%). Positive free cash flow of €14.7 million (€10.3 million in the first nine months of 2018)**

The Board of Directors of Sabaf S.p.A. met today in Ospitaletto (BS) to approve the Interim Management Statement at 30 September 2019.

Consolidated results for Q3 2019

In the third quarter of 2019, the Sabaf Group reported revenue of €40.4 million, up by 5.2% compared to €38.4 million in the third quarter of 2018.

The contribution deriving from the recent acquisition of C.M.I., which generated sales of €5.1 million, more than offset a still unfavourable organic trend (taking into consideration the same scope of consolidation, sales in the third quarter were down 12%). During the period, there was a partial recovery in the Turkish and Italian markets, which mitigated the decline in sales in other important areas in which the Group operates (Middle East and South America), which were penalised by extraordinary political and economic factors.

The actions undertaken for the continuous improvement of processes efficiency allowed a significant recovery of the profitability compared to the first half of the year, despite the fact that the level of capacity utilisation is still not optimal. EBITDA for the third quarter of 2019 was 18.7% of sales, compared to 17.2% of sales in the first half of 2019, EBIT was 8.7% of sales, compared to 8.4% in the first half of 2019.

In detail, EBITDA for the third quarter of 2019 was €7.55 million, down by 1.1% compared to €7.63 million (19.9% of sales) of the third quarter of 2018. EBIT was €3.5 million, 23.6% lower than the €4.6 million recorded in the same quarter of 2018 (11.9% of sales). Profit before taxes for the third quarter of 2019 was €4 million (-43.7% compared to €7.1 million in the third quarter of 2018, when foreign exchange gains of €2.7 million were recognised). The net profit for the period was €3.3 million, compared to €5.1 million of the third quarter of 2018.

Consolidated results in January-September 2019

In the first nine months of 2019, revenues totalled €115.3 million, up by 0.7% over the same period of 2018 (-9.2% taking into consideration the same scope of consolidation). EBITDA was €20.4 million (equivalent to 17.7% of sales), down by 10.8%, EBIT totalled €9.8 million (or 8.5% of sales) down by 28.1%, and the net profit attributable to the Group was €6.8 million, down by 45.1% compared to the first nine months of 2018. During the period the free cash flow¹ benefited from a reduction in net working capital of €4.2 million and was positive for €14.7 million (€10.3 million in the same period of 2018).

¹ Free cash flow is defined as the algebraic sum of cash flows from operations and from investment activities, as shown in the Cash Flow Statement.



We burn for technology and safety.

Investments and financial position

During the quarter, the Group completed the acquisition of 68.5% of C.M.I. s.r.l., with a total investment of €13.4 million; the operation was financed for €11.7 million with a bank loan repayable in 72 months and with the sale of Sabaf shares held in portfolio, amounting to €1.7 million and transferred in exchange to the sellers.

Other investments in the quarter amounted to €3 million, bringing total investments of the first nine months of 2019 to €7.1 million (€8.5 million in the same period of 2018).

At 30 September 2019, net financial debt was €71.9 million (€50.3 million at 30 June 2019), against a shareholders' equity of €115.5 million. At 30 September 2019, net financial debt 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.

Outlook

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 forecasts.

Today at 3.00 p.m. CET there will be a conference call to illustrate the results of the third quarter of 2019 to financial analysts and institutional investors (please call the number +02 805 88 11 a few minutes before it begins).

The Interim Management Statement for Q3 2019, which has not been independently audited, is available in the Investor Relations section of the website www.sabaf.it. Pursuant to article 154-bis, 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 press release corresponds to the Company's records, books and accounting entries.

Attachments include the statement of financial position, income statement, statement of cash flows and net financial position.

For further information:

Investor Relations Gianluca Beschi Tel: +39 030 6843236 gianluca.beschi@sabaf.it www.sabaf.it	Media relations Talia Godino - +39 348 3499793 tgodino@twistergroup.it Maria Giardini - +39 340 5104775 mgiardini@twistergroup.it Arnaldo Ragozzino - + 39 335 6978581 aragozzino@twistergroup.it
--	--

Founded in the early fifties, SABAF has grown consistently over the years to become one of the leading producers in the world – of components for household appliances.

There are three main lines of production: components for gas cooking (valves and burners), hinges and electronic components. Technological expertise, manufacturing flexibility, and the ability to offer a vast range of components – tailor-made to meet the requirements of individual manufacturers of cookers and built-in hobs and ovens and in line with the specific characteristics of its core markets – are Sabaf's key strengths in a sector featuring major specialisation, constantly evolving demand and an ever-increasing orientation towards products assuring total reliability and safety.

The Sabaf Group has more than 1,000 employees. It operates through its parent company SABAF S.p.A. and the subsidiaries Sabaf do Brasil, Sabaf Turkey and Sabaf China, active in the production of domestic burners, A.R.C., which produces burners for professional cooking, and Faringosi Hinges and C.M.I., leader in the production of oven hinges and dishwashers and Okida, active in the sector of electronic components for household appliances.

Consolidated statement of financial position

	30/09/2019	31/12/2018	30/09/2018
<i>(€/000)</i>			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	75,139	70,765	70,272
Investment property	4,083	4,403	5,361
Intangible assets	48,391	39,054	29,540
Equity investments	375	380	281
Financial assets	60	120	120
Non-current receivables	453	188	324
Deferred tax assets	4,440	4,617	4,947
Total non-current assets	132,941	119,527	110,845
CURRENT ASSETS			
Inventories	37,641	39,179	39,308
Trade receivables	55,349	46,932	48,104
Tax receivables	4,218	4,466	2,146
Other current receivables	2,309	1,534	1,904
Financial assets	60	3,511	3,521
Cash and cash equivalents	11,002	13,426	18,405
Total current assets	110,579	109,048	113,388
ASSETS HELD FOR SALE	0	0	0
TOTAL ASSETS	243,520	228,575	224,233
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	11,533	11,533	11,533
Retained earnings, Other reserves	92,897	90,555	84,374
Net profit for the period	6,792	15,614	12,370
<i>Total equity interest of the Parent Company</i>	<i>111,222</i>	<i>117,702</i>	<i>108,277</i>
<i>Minority interests</i>	<i>4,284</i>	<i>1,644</i>	<i>1,582</i>
Total shareholders' equity	115,506	119,346	109,859
NON-CURRENT LIABILITIES			
Loans	51,651	42,406	47,007
Other financial liabilities	6,379	1,938	1,883
Post-employment benefit and retirement provisions	3,461	2,632	2,680
Provisions for risks and charges	614	725	1,298
Deferred tax liabilities	3,101	3,030	854
Total non-current liabilities	65,206	50,731	53,722
CURRENT LIABILITIES			
Loans	19,790	18,435	16,957
Other financial liabilities	5,097	7,682	9,324
Trade payables	26,152	21,215	23,168
Tax payables	2,115	3,566	3,520
Other payables	9,654	7,600	7,683
Total current liabilities	62,808	58,498	60,652
LIABILITIES HELD FOR SALE	0	0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	243,520	228,575	224,233

Consolidated Income Statement

	Q3 2019		Q3 2018		9M 2019		9M 2018	
<i>(€/000)</i>								
INCOME STATEMENT COMPONENTS								
OPERATING REVENUE AND INCOME								
Revenue	40,426	100.0%	38,428	100.0%	115,252	100.0%	114,441	100.0%
Other income	934	2.3%	800	2.1%	2,228	1.9%	2,468	2.2%
Total operating revenue and income	41,360	102.3%	39,228	102.1%	117,480	101.9%	116,909	102.2%
OPERATING COSTS								
Materials	(14,185)	-35.1%	(14,167)	-36.9%	(42,063)	-36.5%	(48,722)	-42.6%
Change in inventories	(2,969)	-7.3%	(809)	-2.1%	(6,656)	-5.8%	5,663	4.9%
Services	(7,282)	-18.0%	(7,385)	-19.2%	(21,702)	-18.8%	(23,699)	-20.7%
Personnel costs	(8,946)	-22.1%	(8,071)	-21.0%	(26,605)	-23.1%	(26,344)	-23.0%
Other operating costs	(932)	-2.3%	(1,393)	-3.6%	(1,511)	-1.3%	(2,046)	-1.8%
Costs for capitalised in-house work	506	1.3%	233	0.6%	1,503	1.3%	1,151	1.0%
Total operating costs	(33,808)	-83.6%	(31,592)	-82.2%	(97,034)	-84.2%	(93,997)	-82.1%
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)								
	7,552	18.7%	7,636	19.9%	20,446	17.7%	22,912	20.0%
Depreciations and amortisation	(4,048)	-10.0%	(3,057)	-8.0%	(10,737)	-9.3%	(9,360)	-8.2%
Capital gains/(losses) on disposals of non-current assets	(4)	0.0%	1	0.0%	44	0.0%	12	0.0%
Write-downs/write-backs of non-current assets	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OPERATING PROFIT (EBIT)								
	3,500	8.7%	4,580	11.9%	9,753	8.5%	13,564	11.9%
Financial income	46	0.1%	135	0.4%	282	0.2%	225	0.2%
Financial expenses	(457)	-1.1%	(343)	-0.9%	(1,247)	-1.1%	(748)	-0.7%
Exchange rate gains and losses	891	2.2%	2,703	7.0%	(150)	-0.1%	3,775	3.3%
Profits and losses from equity investments	0	0.0%	0	0.0%	0	0.0%	0	0.0%
PROFIT BEFORE TAXES								
	3,980	9.8%	7,075	18.4%	8,638	7.5%	16,816	14.7%
Income taxes	(606)	-1.5%	(1,912)	-5.0%	(1,630)	-1.4%	(4,324)	-3.8%
NET PROFIT FOR THE PERIOD								
	3,374	8.3%	5,163	13.4%	7,008	6.1%	12,492	10.9%
of which:								
Profit attributable to minority interests	95	0.2%	19	0.0%	216	0.2%	122	0.1%
PROFIT ATTRIBUTABLE TO THE GROUP								
	3,279	8.1%	5,144	13.4%	6,792	5.9%	12,370	10.8%

Consolidated statement of cash flows

<i>(€/000)</i>	Q3 2019	Q3 2018	9M 2019	9M 2018
<i>Cash and cash equivalents at beginning of period</i>	10,961	7,204	13,426	11,533
Net profit/(loss) for the period	3,374	5,163	7,008	12,492
Adjustments for:				
- Depreciation and amortisation for the period	4,048	3,057	10,737	9,360
- Realised gains/losses	4	(1)	(44)	(12)
- Financial income and expenses	411	208	965	523
- IFRS 2 measurement stock grant plan	176	128	434	193
- Income tax	606	1,912	1,630	4,324
Payment of post-employment benefit	(89)	(25)	63	(186)
Change in risk provisions	22	900	(111)	913
<i>Change in trade receivables</i>	<i>1,508</i>	<i>2,646</i>	<i>1,728</i>	<i>(4,175)</i>
<i>Change in inventories</i>	<i>2,754</i>	<i>861</i>	<i>6,792</i>	<i>(4,503)</i>
<i>Change in trade payables</i>	<i>(4,544)</i>	<i>(2,599)</i>	<i>(4,309)</i>	<i>2,509</i>
Change in net working capital	(282)	908	4,211	(6,169)
Change in other receivables and payables, deferred taxes	(30)	(115)	(765)	(686)
Payment of taxes	(511)	(868)	(1,382)	(1,454)
Payment of financial expenses	(457)	(322)	(1,233)	(727)
Collection of financial income	46	135	282	225
Cash flows from operations	7,318	11,080	21,795	18,796
Net investments	(3,023)	(1,904)	(7,141)	(8,536)
Repayment of loans	(6,832)	2,264	(22,265)	(8,114)
New loans	13,366	30,876	18,603	46,218
Change in financial assets	0	(3,453)	3,451	(3,394)
Purchase/sale of treasury shares	0	0	0	(2,086)
Payment of dividends	0	0	(6,060)	(6,071)
Cash flows from financing activities	6,534	29,687	(6,271)	26,553
Okida acquisition	0	(22,882)	(317)	(22,882)
C.M.I. acquisition	(10,475)	0	(10,475)	0
Foreign exchange differences	(253)	(4,780)	45	(7,059)
Net cash flows for the period	101	11,201	(2,364)	6,872
<i>Cash and cash equivalents at end of period</i>	<i>11,062</i>	<i>18,405</i>	<i>11,062</i>	<i>18,405</i>
Current financial debt	24,887	22,760	24,887	22,760
Non-current financial debt	58,030	48,890	58,030	48,890
Net financial debt	71,855	53,245	71,855	53,245

Consolidated net financial position

<i>(€/000)</i>	30/09/2019	31/12/2018	30/09/2018
A. Cash	18	19	15
B. Positive balances of unrestricted bank accounts	10,778	7,067	18,081
C. Other cash equivalents	206	6,340	309
D. Liquidity (A+B+C)	11,002	13,426	18,405
E. Current financial receivables	60	3,511	3,521
F. Current bank payables	6,432	7,233	8,150
G. Current portion of non-current debt	12,194	10,741	8,595
H. Other current financial payables	6,261	8,143	9,536
I. Current financial debt (F+G+H)	24,887	26,117	26,281
J. Net current financial debt (I-E-D)	13,825	9,180	4,355
K. Non-current bank payables	48,163	41,097	45,660
L. Other non-current financial payables	9,867	3,247	3,230
M. Non-current financial debt (K+L)	58,030	44,344	48,890
N. Net financial debt (J+M)	71,855	53,524	53,245