

SABAF: FOURTH-QUARTER 2019 RESULTS APPROVED

- **In the fourth quarter, revenue was €40.7 million (+12.3%); EBITDA was €6.6 million (16.2% of sales, -6.5%); EBIT was €2.1 million (-24.7%); net profit was €3.5 million (+8%)**
- **For the whole of 2019, revenue was €155.9 million (+3.5%); EBITDA was €27 million (17.3% of sales, -9.8%); EBIT was €11.9 million (-27.5%); net profit was €10.3 million (+34.1%)**
- **In 2019, free cash flow of €28.9 million was generated (€14.3 million in 2018, +102%).**
- **Sales at €185 million are expected for the 2020, as well as a solid increase in EBITDA%**

The Board of Directors of Sabaf S.p.A. met today in Ospitaletto to approve the Interim Management Statement at 31 December 2019.

Consolidated results for Q4 2019

During the fourth quarter of 2019, the Sabaf Group recorded sales of €40.7 million, an increase of 12.3% versus the figure of €36.2 million in the corresponding period of the previous year. The increase in revenue is attributable to the acquisition of the C.M.I. Group, whose sales contributed €7.4 million during the period. The organic component (sales down by 8.2% taking into consideration the same scope of consolidation) confirmed the weakness already highlighted in the other quarters of the year and related to the slowdown in some important markets, including the Middle East.

EBITDA for the fourth quarter of 2019 was €6.6 million, or 16.2% of sales, down by 6.5% compared to the figure of €7 million in the fourth quarter of 2018.

EBIT was €2.1 million, equivalent to 5.3% of sales, and 24.7% lower than the €2.8 million recorded in the same quarter of 2018 (7.9% of sales). The net profit for the period was €3.5 million, up by 8% compared to the figure of €3.2 million in the fourth quarter of 2018. During the quarter, the Group recognised non-recurring tax income of €1.1 million following the favourable outcome of a tax dispute in Turkey and other tax benefits relating to investments made in Italy and Turkey.

Consolidated results for 2019

In the whole of 2019, revenue totalled €155.9 million, up by 3.5% over the same period of 2018 (-8.9% taking into consideration the same scope of consolidation). EBITDA was €27 million (or 17.3% of turnover), down by 9.8%, EBIT totalled €11.9 million (or 7.6% of turnover) down by 27.5%, and the net profit attributable to the Group was €10.3 million, down by 34.1% compared to 2018.

Free cash flow, investments and financial position

In 2019, positive free cash flow¹, which benefited from a reduction in net working capital of €16.3 million, was €28.9 million (€14.3 million in 2018). In addition to the lower levels of activity, the improvement in net working capital was achieved as a result of structural actions on internal logistics, which made it possible to significantly reduce stocks of work in progress.

Quarter investments totalled €4.9 million, bringing total investments for the year to €12 million (€11.5 million in 2018).

At 31 December 2019, net financial debt was €55.1 million, compared with €71.9 million at 30 September 2019 and €53.5 million at 31 December 2018. The strong improvement in the financial position compared to 30 September is mainly due to the reduction in net working capital, amounting to €12 million in the fourth quarter, and the sale of treasury shares of €3.1 million.

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.

Outlook

The trend in sales and orders in the first quarter of 2020 shows a strong recovery in the Group's level of activity. The improved tone of strategic markets is accompanied by a significant increase in our supply shares to some large customers, following the implementation of projects developed by the Group in recent years. The markets where the highest growth rates are expected are North America and South America.

Based on the negotiations concluded with its main customers, the Group estimates that it can achieve sales of €185 million for the entire 2020 financial year and a solid improvement in gross operating profitability (EBITDA %) compared with 2019.

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.

Today at 4.00 p.m. CET there will be a conference call to illustrate the results of the fourth quarter of 2019 to financial analysts and institutional investors (please call the number 02 8058811 a few minutes before it begins). Interim Management Statement for Q4 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, net financial position and cash flow statement.

For further information:

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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

	31/12/2019	30/09/2019	31/12/2018
(€/000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	76,251	75,139	70,765
Investment property	3,610	4,083	4,403
Intangible assets	51,668	48,391	39,054
Equity investments	115	375	380
Financial assets	60	60	120
Non-current receivables	297	453	188
Deferred tax assets	6,094	4,440	6,040
Total non-current assets	138,095	132,941	120,950
CURRENT ASSETS			
Inventories	35,343	37,641	39,179
Trade receivables	46,929	55,349	46,932
Tax receivables	5,249	4,218	3,043
Other current receivables	1,459	2,309	1,534
Financial assets	1,266	60	3,511
Cash and cash equivalents	18,687	11,002	13,426
Total current assets	108,933	110,579	107,625
ASSETS HELD FOR SALE	0	0	0
TOTAL ASSETS	247,028	243,520	228,575
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	11,533	11,533	11,533
Retained earnings, Other reserves	92,579	92,897	90,555
Net profit for the period	10,296	6,792	15,614
<i>Total equity interest of the Parent Company</i>	<i>114,408</i>	<i>111,222</i>	<i>117,702</i>
<i>Minority interests</i>	<i>7,077</i>	<i>4,284</i>	<i>1,644</i>
Total shareholders' equity	121,485	115,506	119,346
NON-CURRENT LIABILITIES			
Loans	44,046	51,651	42,406
Other financial liabilities	7,383	6,379	1,938
Post-employment benefit and retirement provisions	3,698	3,461	2,632
Provisions for risks and charges	995	614	725
Deferred tax liabilities	7,273	3,101	3,030
Total non-current liabilities	63,395	65,206	50,731
CURRENT LIABILITIES			
Loans	19,015	19,790	18,435
Other financial liabilities	4,637	5,097	7,682
Trade payables	27,560	26,152	21,215
Tax payables	1,802	2,115	3,566
Other payables	9,134	9,654	7,600
Total current liabilities	62,148	62,808	58,498
LIABILITIES HELD FOR SALE	0	0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	247,028	243,520	228,575

Consolidated Income Statement

	Q4 2019		Q4 2018		12M 2019		12M 2018	
<i>(€/000)</i>								
INCOME STATEMENT COMPONENTS								
OPERATING REVENUE AND INCOME								
Revenue	40,671	100.0%	36,201	100.0%	155,923	100.0%	150,642	100.0%
Other income	1,393	3.4%	901	2.5%	3,621	2.3%	3,369	2.2%
Total operating revenue and income	42,064	103.4%	37,102	102.5%	159,544	102.3%	154,011	102.2%
OPERATING COSTS								
Materials	(15,401)	-37.9%	(13,725)	-37.9%	(57,464)	-36.9%	(62,447)	-41.5%
Change in inventories	(1,961)	-4.8%	(1,060)	-2.9%	(8,617)	-5.5%	4,603	3.1%
Services	(7,786)	-19.1%	(7,598)	-21.0%	(29,488)	-18.9%	(31,297)	-20.8%
Personnel costs	(10,498)	-25.8%	(8,496)	-23.5%	(37,103)	-23.8%	(34,840)	-23.1%
Other operating costs	(187)	-0.5%	376	1.0%	(1,698)	-1.1%	(1,670)	-1.1%
Costs for capitalised in-house work	356	0.9%	448	1.2%	1,859	1.2%	1,599	1.1%
Total operating costs	(35,477)	-87.2%	(30,055)	-83.0%	(132,511)	-85.0%	(124,052)	-82.3%
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)								
	6,587	16.2%	7,047	19.5%	27,033	17.3%	29,959	19.9%
Depreciations and amortisation								
	(4,446)	-10.9%	(3,368)	-9.3%	(15,183)	-9.7%	(12,728)	-8.4%
Capital gains/(losses) on disposals of non-current assets								
	2	0.0%	16	0.0%	46	0.0%	28	0.0%
Write-downs/write-backs of non-current assets								
	0	0.0%	(850)	-2.3%	0	0.0%	(850)	-0.6%
OPERATING PROFIT (EBIT)								
	2,143	5.3%	2,845	7.9%	11,896	7.6%	16,409	10.9%
Financial income								
	356	0.9%	148	0.4%	638	0.4%	373	0.2%
Financial expenses								
	(92)	-0.2%	(458)	-1.3%	(1,339)	-0.9%	(1,206)	-0.8%
Exchange rate gains and losses								
	(1,230)	-3.0%	1,609	4.4%	(1,380)	-0.9%	5,384	3.6%
Profits and losses from equity investments								
	(39)	-0.1%	0	0.0%	(39)	0.0%	0	0.0%
PROFIT BEFORE TAXES								
	1,138	2.8%	4,144	11.4%	9,776	6.3%	20,960	13.9%
Income taxes								
	2,418	5.9%	(838)	-2.3%	788	0.5%	(5,162)	-3.4%
NET PROFIT FOR THE PERIOD								
	3,556	8.7%	3,306	9.1%	10,564	6.8%	15,798	10.5%
of which:								
Profit attributable to minority interests								
	52	0.1%	62	0.2%	268	0.2%	184	0.1%
PROFIT ATTRIBUTABLE TO THE GROUP								
	3,504	8.6%	3,244	9.0%	10,296	6.6%	15,614	10.4%

Consolidated statement of cash flows

(€/000)	Q4 2019	Q4 2018	12M 2019	12M 2018
Cash and cash equivalents at beginning of period	11,062	18,405	13,426	11,533
Net profit/(loss) for the period	3,556	3,306	10,564	15,798
Adjustments for:				
- Depreciation and amortisation for the period	4,446	3,368	15,183	12,728
- Write-downs of non-current assets	0	850	0	850
- Realised gains/losses	(2)	(16)	(46)	(28)
- Profits and losses from equity investments	39		39	0
- Financial income and expenses	(264)	310	701	833
- IFRS 2 measurement stock grant plan	247	128	681	321
- Income tax	(2,418)	838	(788)	5,162
Payment of post-employment benefit provision	237	(55)	300	(241)
Change in risk provisions	381	(573)	270	340
<i>Change in trade receivables</i>	<i>8,420</i>	<i>1,172</i>	<i>10,148</i>	<i>(3,003)</i>
<i>Change in inventories</i>	<i>2,298</i>	<i>129</i>	<i>9,090</i>	<i>(4,374)</i>
<i>Change in trade payables</i>	<i>1,408</i>	<i>(1,953)</i>	<i>(2,901)</i>	<i>556</i>
Change in net working capital	12,126	(652)	16,337	(6,821)
Change in other receivables and payables, deferred tax liabilities	2,109	3,223	1,344	2,537
Payment of taxes	(1,570)	(3,406)	(2,952)	(4,860)
Payment of financial expenses	(106)	(451)	(1,339)	(1,178)
Collection of financial income	356	148	638	373
Cash flows from operations	19,137	7,018	40,932	25,814
Net investments	(4,874)	(2,931)	(12,014)	(11,467)
Free cash flow	14,263	4,087	28,918	14,347
Repayment of loans	(7,417)	(11,465)	(29,682)	(19,579)
New loans	(332)	6,754	18,271	52,972
Change in financial assets	(1,206)	10	2,245	(3,384)
Purchase/sale of treasury shares	3,146	(273)	3,146	(2,359)
Payment of dividends	0	0	(6,060)	(6,071)
Cash flows from financing activities	(5,808)	(4,974)	(12,080)	21,579
Okida acquisition	0	(1,195)	(317)	(24,077)
C.M.I. acquisition	0	0	(10,475)	0
Foreign exchange differences	437	(2,897)	482	(9,956)
Net cash flows for the period	8,892	(4,979)	6,528	1,893
Cash and cash equivalents at end of period	19,954	13,426	19,954	13,426
Current financial debt	23,652	22,606	23,652	22,606
Non-current financial debt	51,430	44,344	51,430	44,344
Net financial debt	55,128	53,524	55,128	53,524

Consolidated net financial position

<i>(€/000)</i>	31/12/2019	30/09/2019	31/12/2018
A. Cash	19	18	19
B. Positive balances of unrestricted bank accounts	18,590	10,778	7,067
C. Other cash equivalents	79	206	6,340
D. Liquidity (A+B+C)	18,688	11,002	13,426
E. Current financial receivables	1,266	60	3,511
F. Current bank payables	3,313	6,432	7,233
G. Current portion of non-current debt	14,653	12,194	10,741
H. Other current financial payables	5,686	6,261	8,143
I. Current financial debt (F+G+H)	23,652	24,887	26,117
J. Net current financial debt (I-E-D)	3,698	13,825	9,180
K. Non-current bank payables	40,569	48,163	41,097
L. Other non-current financial payables	10,861	9,867	3,247
M. Non-current financial debt (K+L)	51,430	58,030	44,344
N. Net financial debt (J+M)	55,128	71,855	53,524