

SABAF: FIRST-QUARTER 2020 RESULTS APPROVED

- **Revenue was €43.9 million (+16.5% compared to the first quarter of 2019)**
- **EBITDA was €7.7 million (+16.2%); EBIT was €3.4 million (+0.3%); net profit was €1.5 million (-26.9%)**

The Board of Directors of Sabaf S.p.A. met today in Ospitaletto to approve the Interim Management Statement of the first quarter of 2020.

The world is facing an unprecedented health emergency due to the rapid and global spread of the coronavirus pandemic and the violent impacts on the lives of people and businesses. In this context, the priority of the Sabaf Group is to ensure the continuity of its activities by protecting the health and safety of people, aware that it is a leading global player in a sector - household appliances - of great importance in any economy. The Group believes that its business model - oriented towards long-term sustainability and characterised by a high level of verticalisation of production and production facilities close to the main markets - is adequate to face future challenges and new scenarios.

Consolidated results for Q1 2020

After an extremely positive start to the year with sales up by about 30% in the first two months, the rapid spread of the pandemic impacted the business from the second half of March, making it necessary to suspend production at Italian plants. The Group immediately activated the safety protocols and limited the production shutdown period to only 3 weeks (from 16 March to 3 April).

Sales revenue amounted to €43.9 million in the first quarter of 2020, up by 16.5% from €37.6 million in the same quarter of 2019 (-3.2% taking into consideration the same scope of consolidation). China and European markets were the areas that suffered most in terms of sales.

The EBITDA of the period was €7.7 million, equal to 17.5% of sales, up by 16.2% compared to the €6.6 million (17.6% of sales) of the first quarter of 2019. After depreciation and amortisation of €4.4 million (€3.1 million in the first quarter of 2019), EBIT was €3.4 million, corresponding to 7.7% of turnover, up 0.3% on the same period of 2019 (8.9% of turnover). During the quarter, the Group recorded negative forex differences of €0.8 million (€0.4 million in the first quarter of 2019), following the depreciation of the Turkish lira against the Euro. Net profit for the period was €1.5 million, down by 26.9% compared to €2.1 million in the first quarter of 2019.

At 31 March 2020, the impact of the net working capital on revenue was 32% compared to 38% at 31 March 2019 and 29% at 31 December 2019. The increase in working capital in the first quarter of 2020 (€55.7 million, compared with €49.7 million at the end of 2019) reflects the increase in trade receivables, following higher sales in the period compared with the end of 2019. The management of working capital is closely monitored: average days for collection have not increased significantly and inventories remain at physiological levels, after the recent interventions that made it possible to optimise logistics management. With respect to suppliers, the Sabaf Group committed to strict compliance with previously agreed payment terms.

During the quarter, €3.3 million was invested (€1.6 million in Q1 2019 and €12 million for the whole of 2019) and is mainly allocated to new global projects in start-up with some large customers. At present, the Group believes that the strategy aimed at strengthening its international presence remains valid and has therefore not deemed it appropriate to revise the plan of organic investments for the current year, although some investments will be delayed due to current restrictions on mobility.

At 31 March 2020, net financial debt was €60.5 million (€55.1 million at 31 December 2019), of which €10.4 million relating put options granted to minorities. The financial situation remains absolutely solid and the Group has unused short-term lines of credit. The shareholders' meeting held on 4 May last approved the Board of Directors' proposal to allocate the 2019 profit entirely to reserve as a matter of prudence.

Outlook

In many of the main markets, demand and production levels have been strongly impacted by restrictions imposed by local authorities leading to postponement or cancellation of orders by customers. In April, sales fell by 18% (30% taking into consideration the same scope of consolidation), while a partial recovery is expected as early as May. Based on the information currently available, the Group expects to close the first half of the year with sales of between €78 and €82 million (up 4% - 9% compared with the first half of 2019).

For the rest of the year, visibility is still extremely limited. In the absence of events that would have a further lasting impact on consumption in its main target markets, the Group expects a gradual recovery with sales in the second half of the year higher or, in the worst-case scenario, in line with those of the first half.

Amendments to the Regulations on increased voting

The Board of Directors also approved the new text of the Regulations on increased voting, which incorporates the amendments to the Articles of Association approved by the Shareholders' Meeting on 4 May 2020. These Regulations are published on the Company's website

Today at 4.00 p.m. CET, there will be a conference call to illustrate the results of the first 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 Q1 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

(€/000)	31/03/2020	31/12/2019	31/03/2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	73,803	75,885	70,479
Investment property	3,869	3,976	4,198
Intangible assets	49,324	51,668	37,849
Equity investments	185	115	375
Non-current financial assets	60	60	120
Non-current receivables	284	297	233
Deferred tax assets	6,583	6,505	4,946
Total non-current assets	134,108	138,506	118,200
CURRENT ASSETS			
Inventories	34,080	35,343	37,676
Trade receivables	53,136	46,929	44,769
Tax receivables	3,067	4,458	3,439
Other current receivables	2,694	1,459	1,776
Current financial assets	1,233	1,266	60
Cash and cash equivalents	12,956	18,687	12,478
Total current assets	107,166	108,142	100,198
ASSETS HELD FOR SALE	0	0	0
TOTAL ASSETS	241,274	246,648	218,398
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	11,533	11,533	11,533
Retained earnings, Other reserves	97,284	92,580	105,061
Net profit for the period	1,547	9,915	2,115
<i>Total equity interest pertaining to the Parent Company</i>	<i>110,364</i>	<i>114,028</i>	<i>118,709</i>
<i>Minority interests</i>	<i>7,181</i>	<i>7,077</i>	<i>1,686</i>
Total shareholders' equity	117,545	121,105	120,395
NON-CURRENT LIABILITIES			
Loans	42,979	44,046	41,515
Other financial liabilities	7,383	7,383	1,938
Post-employment benefit and retirement provisions	3,718	3,698	2,783
Provisions for risks and charges	988	995	704
Deferred tax liabilities	6,977	7,273	2,915
Non-current payables	68	0	0
Total non-current liabilities	62,113	63,395	49,855
CURRENT LIABILITIES			
Loans	19,562	19,015	17,208
Other financial liabilities	4,803	4,637	370
Trade payables	26,558	27,560	20,746
Tax payables	1,617	1,802	2,769
Other payables	9,076	9,134	7,055
Total current liabilities	61,616	62,148	48,148
LIABILITIES HELD FOR SALE	0	0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	241,274	246,648	218,398

Consolidated Income Statement

	Q1 2020		Q1 2019		12M 2019	
<i>(€/000)</i>						
INCOME STATEMENT COMPONENTS						
OPERATING REVENUE AND INCOME						
Revenue	43,852	100.0%	37,635	100.0%	155,923	100.0%
Other income	1,049	2.4%	672	1.8%	3,621	2.3%
Total operating revenue and income	44,901	102.4%	38,307	101.8%	159,544	102.3%
OPERATING COSTS						
Materials	(19,138)	-43.6%	(14,279)	-37.9%	(57,464)	-36.9%
Change in inventories	(304)	-0.7%	(1,265)	-3.4%	(8,617)	-5.5%
Services	(7,570)	-17.3%	(7,334)	-19.5%	(29,488)	-18.9%
Personnel costs	(10,253)	-23.4%	(8,860)	-23.5%	(37,103)	-23.8%
Other operating costs	(379)	-0.9%	(363)	-1.0%	(1,698)	-1.1%
Costs for capitalised in-house work	432	1.0%	411	1.1%	1,859	1.2%
Total operating costs	(37,212)	-84.9%	(31,690)	-84.2%	(132,511)	-85.0%
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)						
	7,689	17.5%	6,617	17.6%	27,033	17.3%
Depreciations and amortisation	(4,337)	-9.9%	(3,312)	-8.8%	(15,183)	-9.7%
Capital gains/(losses) on disposals of non-current assets	8	0.0%	45	0.1%	46	0.0%
OPERATING PROFIT (EBIT)						
	3,360	7.7%	3,350	8.9%	11,896	7.6%
Financial income	72	0.2%	108	0.3%	638	0.4%
Financial expenses	(424)	-1.0%	(340)	-0.9%	(1,339)	-0.9%
Exchange rate gains and losses	(816)	-1.9%	(397)	-1.1%	(1,380)	-0.9%
PROFIT BEFORE TAXES						
	2,192	5.0%	2,721	7.2%	9,776	6.3%
Income taxes	(512)	-1.2%	(565)	-1.5%	407	0.3%
NET PROFIT FOR THE PERIOD						
	1,680	3.8%	2,156	5.7%	10,183	6.5%
of which						
Minority interests	133	0.3%	41	0.1%	268	0.2%
PROFIT ATTRIBUTABLE TO THE GROUP						
	1,547	3.5%	2,115	5.6%	9,915	6.4%

Consolidated statement of cash flows

<i>(€/000)</i>	Q1 2020	Q1 2019	12M 2019
<i>Cash and cash equivalents at beginning of period</i>	18,687	13,426	13,426
Net profit/(loss) for the period	1,680	2,156	10,183
Adjustments for:			
- Depreciation and amortisation for the period	4,337	3,312	15,183
- Write-downs of non-current assets	(8)	0	0
- Realised gains/losses	0	(45)	(46)
- IFRS 2 measurement stock grant plan	0	129	681
- Profits and losses from equity investments	247	0	39
- Financial income and expenses	352	232	701
- Income tax	512	565	(407)
Change in post-employment benefit	20	144	300
Change in risk provisions	(7)	(21)	270
<i>Change in trade receivables</i>	<i>(6,207)</i>	<i>2,163</i>	<i>10,148</i>
<i>Change in inventories</i>	<i>1,263</i>	<i>1,503</i>	<i>9,090</i>
<i>Change in trade payables</i>	<i>(902)</i>	<i>(469)</i>	<i>(2,901)</i>
Change in net working capital	(5,846)	3,197	16,337
Change in other receivables and payables, deferred tax liabilities	371	(887)	1,344
Payment of taxes	(1,293)	(642)	(2,952)
Payment of financial expenses	(191)	(333)	(1,339)
Collection of financial income	72	108	638
Cash flows from operations	246	7,915	40,932
Net investments	(3,339)	(1,616)	(12,014)
Free cash flow	(3,093)	6,299	28,918
Repayment of loans	(2,376)	(12,885)	(29,682)
New loans	1,385	2,368	18,271
Change in financial assets	0	3,451	2,245
Purchase of treasury shares	(722)	0	3,146
Payment of dividends	0	0	(6,060)
Cash flows from financing activities	(1,713)	(7,066)	(12,080)
Okida acquisition	0	(317)	(317)
C.M.I. acquisition	0	0	(10,475)
Foreign exchange differences	(925)	136	482
Net cash flows for the period	(5,731)	(948)	6,528
<i>Cash and cash equivalents at end of period</i>	12,956	12,478	19,954
Net current financial debt	23,132	17,518	23,652
Non-current financial debt	50,362	43,453	51,430
Net financial debt	60,538	48,493	55,128

Consolidated net financial position

<i>(€/000)</i>	31/03/2020	31/12/2019	31/03/2019
A. Cash	26	19	18
B. Positive balances of unrestricted bank accounts	12,628	18,590	11,435
C. Other cash equivalents	302	79	1,025
D. Liquidity (A+B+C)	12,956	18,688	12,478
E. Current financial receivables	1,233	1,266	60
F. Current bank payables	3,596	3,313	6,177
G. Current portion of non-current debt	14,779	14,653	10,542
H. Other current financial payables	5,990	5,686	859
I. Current financial debt (F+G+H)	24,365	23,652	17,578
J. Net current financial debt (I-E-D)	10,176	3,698	5,040
K. Non-current bank payables	39,575	40,569	39,468
L. Other non-current financial payables	10,787	10,861	3,985
M. Non-current financial debt (K+L)	50,362	51,430	43,453
N. Net financial debt (J+M)	60,538	55,128	48,493