

Press release

Ospitaletto (BS), 12 February 2019

SABAF: FOURTH-QUARTER 2018 RESULTS APPROVED

- **In the fourth quarter, revenue was €36.2 million (-3.3%); EBITDA was €7 million (19.5% on sales, +2.8%); EBIT was €2.8 million (-23%); net profit was €3.2 million (-29.6%)**
- **For the whole of 2018, revenue was €150.6 million (+0.3%); EBITDA was €30 million (19.9% on sales, -3.2%); EBIT was €16.4 million (-9.4%); net profit was €15.6 million (+5.3%)**

The Board of Directors of Sabaf S.p.A. met today in Ospitaletto to approve the Interim Management Statement as at 31 December 2018.

Consolidated results for Q4 2018

During the fourth quarter of 2018, the worsening of the European and Middle Eastern macroeconomic scenario, only partially offset by the positive tone of the North American market, led to a slowdown in the Group's sales: during the period, sales revenue totalled €36.2 million, 3.3% lower than the €37.4 million of the fourth quarter of 2017 (-11.7% taking into consideration the same scope of consolidation).

The markets most affected by the deterioration of the economic situation were Italy, Turkey and the Middle East. On the contrary, sales in North America maintained a growth rate of around 20%.

EBITDA for the fourth quarter of 2018 was €7 million, or 19.5% of sales, up by 2.8% compared to the figure of €6.9 million (18.3% of sales) in the fourth quarter of 2017.

EBIT was €2.8 million, equivalent to 7.9% of sales, and 23% lower than the €3.7 million recorded in the same quarter of 2017 (9.9% of sales).

During the quarter, the Group recorded in the income statement positive exchange differences of €1.6 million, due to fluctuations in exchange rates with the Turkish lira and the U.S. dollar. Profit before taxes was €4.1 million, up by 16.5% compared to the €3.6 million recorded in Q4 2017. Net profit for the period was €3.2 million, down 29.6% from €4.6 million in the fourth quarter of 2017, when the Group recorded tax benefits of €1.3 million.

It is noted that the provision for legal risks of €0.85 million, recorded under the item "Other operating costs" in the interim management statement at 30 September 2018 against the contingent liability resulting from a revocatory action relating to deeds dating back to 2013 and initiated by the bankruptcy of a former customer, was reclassified in this interim management statement under the item "Write-down of non-current assets". The reclassification of this income statement item had a positive impact on EBITDA in the fourth quarter of 2018, while the effect on the operating result for the period (EBIT) and on net income for the period was zero.

Consolidated results for 2018

In the whole of 2018, revenue totalled €150.6 million, up by 0.3% over the same period of 2017 (-2.4% taking into consideration the same scope of consolidation). EBITDA was €30 million (or 19.9% of sales), down by 3.2%, EBIT totalled €16.4 million (or 10.9% of sales) down by 9.4%, and the net profit owned by the Group was €15.6 million, up by 5.3% compared to 2017. The tax rate in 2018 was 24.6%, compared to 16.2% in 2017.

Investments and financial position

Quarter investments totalled €2.9 million, bringing total investments for the year to €11.5 million (€13.9 million in 2018).

At 31 December 2018, net financial debt was €53.5 million, compared with €53.2 million at 30 September 2018 and €25.5 million at 31 December 2017. The increase in financial debt in 2018 is mainly due to the acquisition of Okida, which involved an outlay of €24.1 million. During 2018, Sabaf S.p.A. also distributed dividends for €6.1 million and purchased treasury shares for €2.5 million.

Outlook

Based on the trend in negotiations with major customers and the current limited visibility in a still complex market context, for 2019 the Group estimates that it will be able to achieve sales ranging from €160 to €165 million and a gross operating profitability (EBITDA %) of more than 20%.

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.

“Confirming the Group’s more than solid competitive position, Sabaf achieved significant financial results in line with the company’s historical trends in a year characterised by a widespread macroeconomic deterioration, that became more evident in the last quarter”, Pietro Iotti, Chief Executive Officer of Sabaf, declared. “During 2018, the acquisition of Okida Elektronik was the first step in the strategy of developing and diversifying the product range and enhanced the Group’s interesting growth prospects. We continue to work with determination following the lines of the business plan, both with good potential for organic growth and by assessing further opportunities of growth through acquisitions.”

Integration of the Board Committees and appointment of the Lead Independent Director

Following the resignation of the Director Renato Camodeca, announced on 23 January, the Board of Directors integrated the composition of the Control and Risk Committee, in which Carlo Scarpa enters, and of the Remuneration and Nomination Committee, in which Daniela Toscani enters.

Therefore, the Control and Risk Committee is currently composed of the directors Nicla Picchi (Chairman), Daniela Toscani and Carlo Scarpa; the Remuneration and Nomination Committee is composed of the directors Daniela Toscani (Chairman), Alessandro Potestà and Stefania Triva.

Nicla Picchi was appointed lead independent director.

Today at **3.00** p.m. CET there will be a conference call to illustrate the results of the fourth quarter of 2018 to financial analysts and institutional investors (please call the number +02 8058811 a few minutes before it begins). Interim Management Statement for Q4 2018, 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 the key manufacturer in Italy – and one of the leading producers in the world – of components for kitchens and domestic gas cooking appliances.

There are four main lines of production: valves, thermostats and burners for gas cooking appliances and hinges for ovens, washing machines and dishwashers.

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 800 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, leader in the production of oven hinges and Okida, active in the sector of electronic components for household appliances.

Consolidated statement of financial position

	31/12/2018	30/09/2018	31/12/2017
(€/000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant, and equipment	70,765	70,272	73,069
Investment property	4,403	5,361	5,697
Intangible assets	39,054	29,540	9,283
Equity investments	380	281	281
Financial assets	120	120	180
Non-current receivables	188	324	196
Deferred tax assets	6,040	4,947	5,096
Total non-current assets	120,950	110,845	93,802
CURRENT ASSETS			
Inventories	39,179	39,308	32,929
Trade receivables	46,932	48,104	42,263
Tax receivables	3,043	2,146	3,065
Other current receivables	1,534	1,904	1,057
Financial assets	3,511	3,521	67
Cash and cash equivalents	13,426	18,405	11,533
Total current assets	107,625	113,388	90,914
ASSETS HELD FOR SALE	0	0	0
TOTAL ASSETS	228,575	224,233	184,716
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	11,533	11,533	11,533
Retained earnings, other reserves	90,555	84,374	87,227
Net profit for the period	15,614	12,370	14,835
<i>Total equity interest of the Parent Company</i>	<i>117,702</i>	<i>108,277</i>	<i>113,595</i>
<i>Minority interests</i>	<i>1,644</i>	<i>1,582</i>	<i>1,460</i>
Total shareholders' equity	119,346	109,859	115,055
NON-CURRENT LIABILITIES			
Loans	42,406	47,007	17,760
Other financial liabilities	1,938	1,883	1,943
Post-employment benefit and retirement reserves	2,632	2,680	2,845
Provisions for risks and charges	725	1,298	385
Deferred tax liabilities	3,030	854	804
Total non-current liabilities	50,731	53,722	23,737
CURRENT LIABILITIES			
Loans	18,435	16,957	17,288
Other financial liabilities	7,682	9,324	75
Trade payables	21,215	23,168	19,975
Tax payables	3,566	3,520	1,095
Other payables	7,600	7,683	7,491
Total current liabilities	58,498	60,652	45,924
LIABILITIES HELD FOR SALE	0	0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	228,575	224,233	184,716

Consolidated Income Statement

	Q4 2018		Q4 2017		12M 2018		12M 2017	
<i>(€/000)</i>								
INCOME STATEMENT COMPONENTS								
OPERATING REVENUE AND INCOME								
Revenue	36,201	100.0%	37,446	100.0%	150,642	100.0%	150,223	100.0%
Other income	901	2.5%	843	2.3%	3,369	2.2%	3,361	2.2%
Total operating revenue and income	37,102	102.5%	38,289	102.3%	154,011	102.2%	153,584	102.2%
OPERATING COSTS								
Materials	(13,725)	-37.9%	(12,264)	-32.8%	(62,447)	-41.5%	(59,794)	-39.8%
Change in inventories	(1,060)	-2.9%	(3,580)	-9.6%	4,603	3.1%	2,380	1.6%
Services	(7,598)	-21.0%	(7,046)	-18.8%	(31,297)	-20.8%	(30,227)	-20.1%
Payroll costs	(8,496)	-23.5%	(8,653)	-23.1%	(34,840)	-23.1%	(35,328)	-23.5%
Other operating costs	376	1.0%	(313)	-0.8%	(1,670)	-1.1%	(1,134)	-0.8%
Costs for capitalised in-house work	448	1.2%	422	1.1%	1,599	1.1%	1,474	1.0%
Total operating costs	(30,055)	-83.0%	(31,434)	-83.9%	(124,052)	-82.3%	(122,629)	-81.6%
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)								
	7,047	19.5%	6,855	18.3%	29,959	19.9%	30,955	20.6%
Depreciations and amortisation								
	(3,368)	-9.3%	(3,162)	-8.4%	(12,728)	-8.4%	(12,826)	-8.5%
Capital gains/(losses) on disposals of non-current assets								
	16	0.0%	1	0.0%	28	0.0%	(12)	0.0%
Write-downs/write-backs of non-current assets								
	(850)	-2.3%	0	0.0%	(850)	-0.6%	0	0.0%
OPERATING PROFIT (EBIT)								
	2,845	7.9%	3,694	9.9%	16,409	10.9%	18,117	12.1%
Financial income								
	148	0.4%	62	0.2%	373	0.2%	214	0.1%
Financial expenses								
	(458)	-1.3%	(380)	-1.0%	(1,206)	-0.8%	(804)	-0.5%
Exchange rate gains and losses								
	1,609	4.4%	182	0.5%	5,384	3.6%	274	0.2%
Profits and losses from equity investments								
	0	0.0%	0	0.0%	0	0.0%	3	0.0%
PROFIT BEFORE TAXES								
	4,144	11.4%	3,558	9.5%	20,960	13.9%	17,804	11.9%
Income tax								
	(838)	-2.3%	1,064	2.8%	(5,162)	-3.4%	(2,888)	-1.9%
NET PROFIT FOR THE PERIOD								
	3,306	9.1%	4,622	12.3%	15,798	10.5%	14,916	9.9%
of which:								
Profit attributable to minority interests								
	62	0.2%	16	0.0%	184	0.1%	81	0.1%
PROFIT ATTRIBUTABLE TO THE GROUP								
	3,244	9.0%	4,606	12.3%	15,614	10.4%	14,835	9.9%

Consolidated statement of cash flows

<i>(€/000)</i>	Q4 2018	Q4 2017	12M 2018	12M 2017
<i>Cash and cash equivalents at beginning of period</i>	18,405	6,348	11,533	12,143
Net profit/(loss) for the period	3,306	4,622	15,798	14,916
Adjustments for:				
- Depreciation and amortisation for the period	3,368	3,162	12,728	12,826
- Write-downs of non-current assets	850	0	850	0
- Realised gains/losses	(16)	(1)	(28)	12
- Financial income and expenses	310	318	833	590
-IFRS 2 measurement stock grant plan	128	0	321	0
- Income tax	838	(1,064)	5,162	2,888
Payment of post-employment benefit reserve	(55)	(96)	(241)	(189)
Change in risk provisions	(573)	(3)	340	(49)
<i>Change in trade receivables</i>	<i>1,172</i>	<i>1,780</i>	<i>(3,003)</i>	<i>(5,421)</i>
<i>Change in inventories</i>	<i>129</i>	<i>3,790</i>	<i>(4,374)</i>	<i>(1,445)</i>
<i>Change in trade payables</i>	<i>(1,953)</i>	<i>(3,610)</i>	<i>556</i>	<i>998</i>
Change in net working capital	(652)	1,960	(6,821)	(5,868)
Change in other receivables and payables, deferred tax liabilities	3,223	(153)	2,537	1,029
Payment of taxes	(3,406)	(1,714)	(4,860)	(3,058)
Payment of financial expenses	(451)	(126)	(1,178)	(532)
Collection of financial income	148	62	373	214
Cash flow from operations	7,018	6,967	25,814	22,779
Net investments	(2,931)	(3,350)	(11,467)	(13,944)
Repayment of loans	(11,465)	(5,723)	(19,579)	(16,526)
New loans	6,754	8,533	52,972	17,751
Change in financial assets	10	111	(3,384)	(247)
Purchase/sale of treasury shares	(273)	(113)	(2,359)	(2,110)
Payment of dividends	0	0	(6,071)	(5,384)
Cash flow from financing activities	(4,974)	2,808	21,579	(6,516)
Okida acquisition	(1,195)	0	(24,077)	0
Foreign exchange differences	(2,897)	(1,240)	(9,956)	(2,929)
Net cash flows for the period	(4,979)	5,185	1,893	(610)
<i>Cash and cash equivalents at end of period</i>	13,426	11,533	13,426	11,533
Current financial debt	22,606	17,363	22,606	17,363
Non-current financial debt	44,344	19,703	44,344	19,703
Net financial debt	53,524	25,533	53,524	25,533

Consolidated net financial position

<i>(€/000)</i>	31/12/2018	30/09/2018	31/12/2017
A. Cash	19	15	14
B. Positive balances of unrestricted bank accounts	7,067	18,081	11,009
C. Other cash equivalents	6,340	309	510
D. Liquidity (A+B+C)	13,426	18,405	11,533
E. Current financial receivables	3,511	3,521	-
F. Current bank payables	7,233	8,150	11,157
G. Current portion of non-current debt	10,741	8,595	6,131
H. Other current financial payables	8,143	9,536	75
I. Current financial debt (F+G+H)	26,117	26,281	17,363
J. Net current financial debt (I-E-D)	9,180	4,355	5,830
K. Non-current bank payables	41,097	45,660	16,298
L. Other non-current financial payables	3,247	3,230	3,405
M. Non-current financial debt (K+L)	44,344	48,890	19,703
N. Net financial debt (J+M)	53,524	53,245	25,533