

Press release

Ospitaletto (BS), 14 May 2019

SABAF: FIRST-QUARTER 2019 RESULTS APPROVED

- **In the first quarter of 2019, revenue was €37.6 million, (-2.3% compared to the first quarter of 2018)**
- **EBITDA was €6.6 million (-14.3%); EBIT was €3.3 million (-26.4%); net profit was €2.1 million (-36.9%)**
- **At 31 March 2019 net working capital at €57.1 million (€59.7 million at 31 December 2018) and net financial debt of €48.5 million (€53.5 million at 31 December 2018)**
- **Sales ranging from €155 to €160 million and a gross operating profitability (EBITDA %) slightly down or in line with 2018 are expected for the entire 2019 financial year.**

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

Consolidated results for Q1 2019

The Sabaf Group recorded sales revenue of €37.6 million in the first quarter of 2019, down 2.3% from €38.5 million in the same quarter of 2018 (-8.2% taking into consideration the same scope of consolidation).

The performance is the result of a combination of growth in sales on the American continent, where the Group consolidated its positive trend in both North and South America (+12% and +5%, respectively, compared to the first quarter of 2018), and the downturn in the Middle East market (where sales were lower by €2.3 million), following the well-known political and economic reasons. In Italy, the sales performance also fell compared to the first quarter of 2018, due to the interruption of a customer's business as from April 2018.

The decrease in production volumes, more than proportional to the drop in sales, affected profitability: the EBITDA of the period was €6.6 million, equal to 17.6% of sales, down by 14.3% compared to the €7.7 million (20.1% of sales) of the first quarter of 2018. EBIT for the quarter was €3.3 million, or 8.9% of turnover, down by 26.4% compared to €4.6 million in the same period of 2018 (11.8% of turnover). Net profit for the period was €2.1 million, down by 36.9% compared to €3.4 million in the first quarter of 2018.

Net investments for the quarter came to €1.6 million (€3 million in Q1 2018 and €11.5 million for the whole of 2018).

The reduction in inventories and trade receivables allowed an improvement in working capital, which stood at €57.1 million at 31 March 2019, compared with € 59.7 million at the end of 2018 (the impact of the net working capital on revenue was 37.9%, compared to 39.7% of 31 December 2018).

The financial position improved significantly: at 31 March 2019, net financial debt amounted to €48.5 million (€53.5 million at 31 December 2018).

Outlook

On the basis of the results of the first quarter and the current visibility on management performance, the Group expects sales to increase in 2019 and operating profitability to remain stable, despite the difficult conditions in some markets. In detail, we expect to be able to achieve sales ranging from €155 to €160 million (corresponding to an increase ranging from 3% to 6% compared to €150.6 million in 2018) and a gross operating profitability (EBITDA %) in line with or slightly down compared to 19.9% in 2018, also given the actions taken by management to contain operating costs (previous forecasts indicated sales ranging from €160 to € 165 million and a gross operating profit 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.

Composition of the Control and Risk Committee

Following the confirmation of Carlo Scarpa as director of the Company, approved by the shareholders' meeting on 7 May, the Board of Directors confirmed the composition of the Control and Risk Committee in the persons of Nicla Picchi (Chairman), Carlo Scarpa and Daniela Toscani.

Stock grant plan

With reference to the stock grant plan to directors and employees of the Company and its subsidiaries approved by the Shareholders' Meeting on 8 May 2018, the Board of Directors resolved:

- to identify the Beneficiaries of Cluster 2 of the Plan to whom a total of 184,400 rights are assigned;
- to make some marginal amendments to the relevant Regulations;
- to delegate to the Chief Executive Officer the carrying-out of the management deeds and implementation of the Plan.

Today at 15.00 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 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

(€/000)	31/03/2019	31/12/2018	31/03/2018
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	70,479	70,765	72,493
Investment property	4,198	4,403	5,553
Intangible assets	37,849	39,054	9,263
Equity investments	375	380	281
Non-current financial assets	120	120	180
Non-current receivables	233	188	221
Deferred tax assets	4,946	6,040	4,848
Total non-current assets	118,200	120,950	92,839
CURRENT ASSETS			
Inventories	37,676	39,179	35,130
Trade receivables	44,769	46,932	46,092
Tax receivables	3,439	3,043	2,604
Other current receivables	1,776	1,534	1,675
Current financial assets	60	3,511	72
Cash and cash equivalents	12,478	13,426	12,899
Total current assets	100,198	107,625	98,472
ASSETS HELD FOR SALE	0	0	0
TOTAL ASSETS	218,398	228,575	191,311
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	11,533	11,533	11,533
Retained earnings, Other reserves	105,061	90,555	98,740
Net profit for the period	2,115	15,614	3,353
<i>Total equity interest of the Parent Company</i>	<i>118,709</i>	<i>117,702</i>	<i>113,626</i>
<i>Minority interests</i>	<i>1,686</i>	<i>1,644</i>	<i>1,508</i>
Total shareholders' equity	120,395	119,346	115,124
NON-CURRENT LIABILITIES			
Loans	41,515	42,406	24,988
Other financial liabilities	1,938	1,938	1,943
Post-employment benefit and retirement reserves	2,783	2,632	2,872
Provisions for risks and charges	704	725	441
Deferred tax liabilities	2,915	3,030	797
Total non-current liabilities	49,855	50,731	31,041
CURRENT LIABILITIES			
Loans	17,208	18,435	12,354
Other financial liabilities	370	7,682	129
Trade payables	20,746	21,215	23,837
Tax payables	2,769	3,566	1,460
Other payables	7,055	7,600	7,356
Total current liabilities	48,148	58,498	45,136
LIABILITIES HELD FOR SALE	0	0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	218,398	228,575	191,311

Consolidated Income Statement

	Q1 2019		Q1 2018		12M 2018	
<i>(€/000)</i>						
INCOME STATEMENT COMPONENTS						
OPERATING REVENUE AND INCOME						
Revenue	37,635	100.0%	38,503	100.0%	150,642	100.0%
Other income	672	1.8%	703	1.8%	3,369	2.2%
Total operating revenue and income	38,307	101.8%	39,206	101.8%	154,011	102.2%
OPERATING COSTS						
Materials	(14,279)	-37.9%	(16,844)	-43.7%	(62,447)	-41.5%
Change in inventories	(1,265)	-3.4%	2,425	6.3%	4,603	3.1%
Services	(7,334)	-19.5%	(8,144)	-21.2%	(31,297)	-20.8%
Payroll costs	(8,860)	-23.5%	(9,024)	-23.4%	(34,840)	-23.1%
Other operating costs	(363)	-1.0%	(333)	-0.9%	(1,670)	-1.1%
Costs for capitalised in-house work	411	1.1%	435	1.1%	1,599	1.1%
Total operating costs	(31,690)	-84.2%	(31,485)	-81.8%	(124,052)	-82.3%
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)						
	6,617	17.6%	7,721	20.1%	29,959	19.9%
Depreciations and amortisation	(3,312)	-8.8%	(3,169)	-8.2%	(12,728)	-8.4%
Capital gains/(losses) on disposals of non-current assets	45	0.1%	(1)	0.0%	28	0.0%
Write-downs/write-backs of non-current assets	0	0.0%	0	0.0%	(850)	-0.6%
OPERATING PROFIT (EBIT)	3,350	8.9%	4,551	11.8%	16,409	10.9%
Financial income	108	0.3%	59	0.2%	373	0.2%
Financial expenses	(340)	-0.9%	(216)	-0.6%	(1,206)	-0.8%
Exchange rate gains and losses	(397)	-1.1%	235	0.6%	5,384	3.6%
Profits and losses from equity investments	0	0.0%	0	0.0%	0	0.0%
PROFIT BEFORE TAXES	2,721	7.2%	4,629	12.0%	20,960	13.9%
Income taxes	(565)	-1.5%	(1,228)	-3.2%	(5,162)	-3.4%
NET PROFIT FOR THE PERIOD	2,156	5.7%	3,401	8.8%	15,798	10.5%
of which						
Minority interests	41	0.1%	48	0.1%	184	0.1%
PROFIT ATTRIBUTABLE TO THE GROUP	2,115	5.6%	3,353	8.7%	15,614	10.4%

Consolidated statement of cash flows

<i>(€/000)</i>	Q1 2019	Q1 2018	12M 2018
<i>Cash and cash equivalents at beginning of period</i>	13,426	11,533	11,533
Net profit/(loss) for the period	2,156	3,401	15,798
Adjustments for:			
- Depreciation and amortisation for the period	3,312	3,169	12,728
- Write-downs of non-current assets	0	0	850
- Realised gains/losses	(45)	1	(28)
- Financial income and expenses	232	157	833
- IFRS 2 measurement stock grant plan	129	0	321
- Income tax	565	1,228	5,162
Change in post-employment benefit reserve	144	(31)	(241)
Change in risk provisions	(21)	107	340
<i>Change in trade receivables</i>	<i>2,163</i>	<i>(3,829)</i>	<i>(3,003)</i>
<i>Change in inventories</i>	<i>1,503</i>	<i>(2,201)</i>	<i>(4,374)</i>
<i>Change in trade payables</i>	<i>(469)</i>	<i>3,862</i>	<i>556</i>
Change in net working capital	3,197	(2,168)	(6,821)
Change in other receivables and payables, deferred taxes	(887)	(683)	2,537
Payment of taxes	(642)	(254)	(4,860)
Payment of financial expenses	(333)	(209)	(1,178)
Collection of financial income	108	59	373
Cash flow from operations	7,915	4,777	25,814
Net investments	(1,616)	(2,975)	(11,467)
Repayment of loans	(12,885)	(7,720)	(19,579)
New loans	2,368	10,066	52,972
Change in financial assets	3,451	(5)	(3,384)
Purchase of treasury shares	0	(1,766)	(2,359)
Payment of dividends	0	0	(6,071)
Cash flow from financing activities	(7,066)	575	21,579
Okida acquisition	(317)	0	(24,077)
Foreign exchange differences	136	(1,011)	(9,956)
Net cash flows for the period	(948)	1,366	1,893
<i>Cash and cash equivalents at end of period</i>	12,478	12,899	13,426
Current financial debt	17,518	12,411	22,606
Non-current financial debt	43,453	26,931	44,344
Net financial debt	48,493	26,443	53,524

Consolidated net financial position

<i>(€/000)</i>	31/03/2019	31/12/2018	31/03/2018
A. Cash	18	19	14
B. Positive balances of unrestricted bank accounts	11,435	7,067	12,327
C. Other cash equivalents	1,025	6,340	558
D. Liquidity (A+B+C)	12,478	13,426	12,899
E. Current financial receivables	60	3,511	72
F. Current bank payables	6,177	7,233	4,732
G. Current portion of non-current debt	10,542	10,741	7,622
H. Other current financial payables	859	8,143	129
I. Current financial debt (F+G+H)	17,578	26,117	12,483
J. Net current financial debt (I-E-D)	5,040	9,180	(488)
K. Non-current bank payables	39,468	41,097	23,564
L. Other non-current financial payables	3,985	3,247	3,367
M. Non-current financial debt (K+L)	43,453	44,344	26,931
N. Net financial debt (J+M)	48,493	53,524	26,443