

We burn for technology and safety.



FINANCIAL PRESENTATION

Torino, 17 May 2019



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COMPANY PROFILE

Product range - the Heart of gas cooking appliances



Standard burners



Special burners



Electronic components



Gas valves



Professional burners



Gas oven thermostats



Oven and grill burners



Hinges



Micro switches & accessories



Industrial Footprint

Total Group employees
at 31.03.2019:
902

SABAF S.P.A.

Valves and thermostats
Standard burners
Special burners
537 employees



OKIDA ELEKTRONIK

Electronics for household appliances
97 employees



SABAF TURKEY

Standard burners
101 employees



SABAF APPLIANCE COMPONENTS (KUNSHAN) CO. LTD

Wok burners
8 employees



FARINGOSI-HINGES S.R.L.

Oven hinges
Washing machine hinges
49 employees



ARC S.R.L.

Professional burners
22 employees



SABAF DO BRASIL LTDA

Standard burners
Special burners
88 employees



ARC HANDAN JV

Professional Wok burners



We burn for technology and safety. 5

Market, product & technology



MARKET

- ✓ **Global leader** in the segment of components for domestic gas cooking appliances, with over 400 customers in 56 different countries. A strong leadership in Europe (market share above 40%), estimated market share worldwide of about 10%. After the acquisition of Okida, the Group business includes the development and manufacturing of electronic components for household appliances.
- ✓ Weight of **top 10** customers on total Group sales is **45%** (49% in 2017)
- ✓ Each top 10 customer represents **less than 8%** of total Group sales
- ✓ **Long-term agreements and strong relationships** with customers, based on mutual trust, technical cooperation, co-engineering and tailor-made products



PRODUCT & TECHNOLOGY

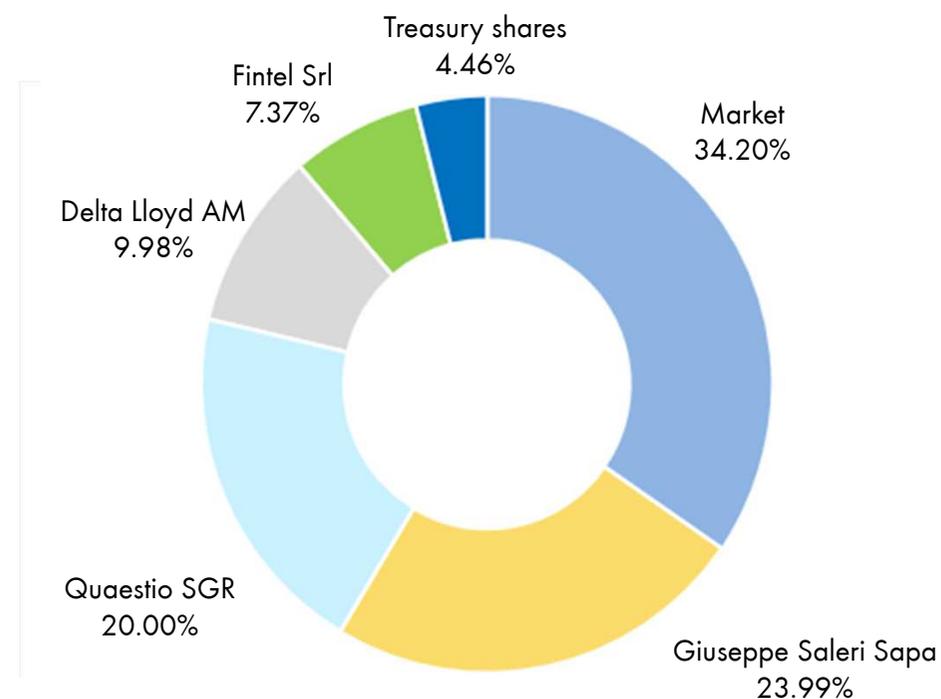
- ✓ **Continuous product innovation:** about 50 active patents
- ✓ **Knowledge:**
 - **Mechanic:** forefront process technology - internal development of special machinery, high performance molds for robotic die-casting, high speed and high precision tools not available on the market
 - **Electronic:** strong track record in new product development with 15 R&D employees
- ✓ **Cost and quality leadership:** highly automated plants and low incidence of direct labor, €61 mn investments (8.6% of sales) in the past 5 years, to reinforce competitiveness and to ensure the highest quality standards
- ✓ **Strong operational leverage:** great flexibility in production volumes growth, ready to satisfy customers requests
- ✓ **Intellectual capital:** highly specialized and qualified staff (40+ R&D engineers)

Stock price and main shareholders



Market cap: €177 mn at 14 May 2019

2019 dividend: €0.55 per share (payment date 29 May)



1Q 2019 PERFORMANCE

Performance data

Income statement

€x 000	Q1 2019		Q1 2018		Δ % 19 - 18	FY 2018		FY 2017		Δ % 18 - 17
SALES	37,635	100.0%	38,503	100.0%	-2.3%	150,642	100.0%	150,223	100.0%	+0.3%
Materials	(14,279)	(37.9%)	(16,844)	(43.7%)		(62,447)	(41.5%)	(59,794)	(39.8%)	
Payroll	(8,860)	(23.5%)	(9,024)	(23.4%)		(34,840)	(23.1%)	(35,328)	(23.5%)	
Change in stock	(1,265)	(3.4%)	2,425	6.3%		4,603	3.1%	2,380	1.6%	
Other operating costs/income	(6,614)	(17.6%)	(7,339)	(19.1%)		(27,999)	(18.6%)	(26,526)	(17.7%)	
EBITDA	6,617	17.6%	7,721	20.1%	-14.3%	29,959	19.9%	30,955	20.6%	-3.2%
Depreciation	(3,312)	(8.8%)	(3,169)	(8.2%)		(12,728)	(8.4%)	(12,826)	(8.5%)	
Gains/losses on fixed assets	45	0.1%	(1)	(0.0%)		28	0.0%	(12)	(0.0%)	
Impairment of fixed assets										
EBIT	3,350	8.9%	4,551	11.8%	-26.4%	16,409	10.9%	18,117	12.1%	-9.4%
Net financial expense	(232)	(0.6%)	(157)	(0.4%)		(833)	(0.6%)	(590)	(0.4%)	
Foreign exchange gains/losses	(397)	(1.1%)	235	0.6%		5,384	3.6%	277	0.2%	
EBT	2,721	7.2%	4,629	12.0%	-41.2%	20,960	13.9%	17,804	11.9%	+17.7%
Income taxes	(565)	(1.5%)	(1,228)	(3.2%)		(5,162)	(3.4%)	(2,888)	(1.9%)	
Minorities	(41)	(0.1%)	(48)	(0.1%)		(184)	(0.1%)	(81)	(0.1%)	
									0.0%	
NET INCOME	2,115	5.6%	3,353	8.7%	-36.9%	15,614	10.4%	14,835	9.9%	+5.3%

Performance data

Balance sheet

€x 000	Q1 2019	Q1 2018	FY 2018	FY 2017
Fixed assets	118,200	92,839	120,950	93,802
<i>Inventories</i>	<i>37,676</i>	<i>35,130</i>	<i>39,179</i>	<i>32,929</i>
<i>Trade receivables</i>	<i>44,769</i>	<i>46,092</i>	<i>46,932</i>	<i>42,263</i>
<i>Tax receivables</i>	<i>3,438</i>	<i>2,604</i>	<i>3,043</i>	<i>3,065</i>
<i>Other current receivables</i>	<i>1,776</i>	<i>1,675</i>	<i>1,534</i>	<i>1,057</i>
<i>Trade payables</i>	<i>(20,746)</i>	<i>(23,837)</i>	<i>(21,215)</i>	<i>(19,975)</i>
<i>Tax payables</i>	<i>(2,768)</i>	<i>(1,460)</i>	<i>(3,566)</i>	<i>(1,095)</i>
<i>Other payables</i>	<i>(7,055)</i>	<i>(7,356)</i>	<i>(7,600)</i>	<i>(7,491)</i>
Net working capital	57,090	52,848	58,307	50,753
Capital Employed	175,290	145,687	179,257	144,555
Equity	120,395	115,134	119,346	115,055
Provisions for risks and severance indemnity	6,402	4,110	6,387	4,034
Net debt	48,493	26,443	53,524	25,466
Sources of finance	175,290	145,687	179,257	144,555

Performance data

Cash flow statement

€x 000	Q1 2019	Q1 2018	FY 2018	FY 2017
Cash at the beginning of the period	13,426	11,533	11,533	12,143
Net profit	2,156	3,401	15,798	14,916
Depreciation	3,312	3,169	12,728	12,826
Other income statement adjustments	1,004	1,462	7,237	3,252
Change in net working capital				
- Change in inventories	2,163	(2,201)	(4,374)	(1,445)
- Change in receivables	1,503	(3,829)	(3,003)	(5,421)
- Change in payables	(469)	3,862	556	998
	3,197	(2,168)	(6,821)	(5,868)
Other changes in operating items	(1,754)	(1,087)	(3,128)	(2,347)
Operating cash flow	7,915	4,777	25,814	22,779
Investments, net of disposals	(1,616)	(2,975)	(11,467)	(13,944)
Free Cash Flow	6,299	1,802	14,347	8,835
Cash flow from financial activity	(7,066)	2,341	30,009	978
Own shares buyback	-	(1,766)	(2,359)	(2,110)
Dividends	-	-	(6,071)	(5,384)
OKIDA acquisition	(317)	-	(24,077)	-
Forex	136	(1,011)	(9,956)	(2,929)
Net financial flow	(948)	1,366	1,893	(610)
Cash at the end of the period	12,478	12,899	13,426	11,533
Current financial debt	17,518	12,411	22,606	17,363
Non-current financial debt	43,453	26,931	44,344	19,703
Net financial debt	48,493	26,443	53,524	25,533

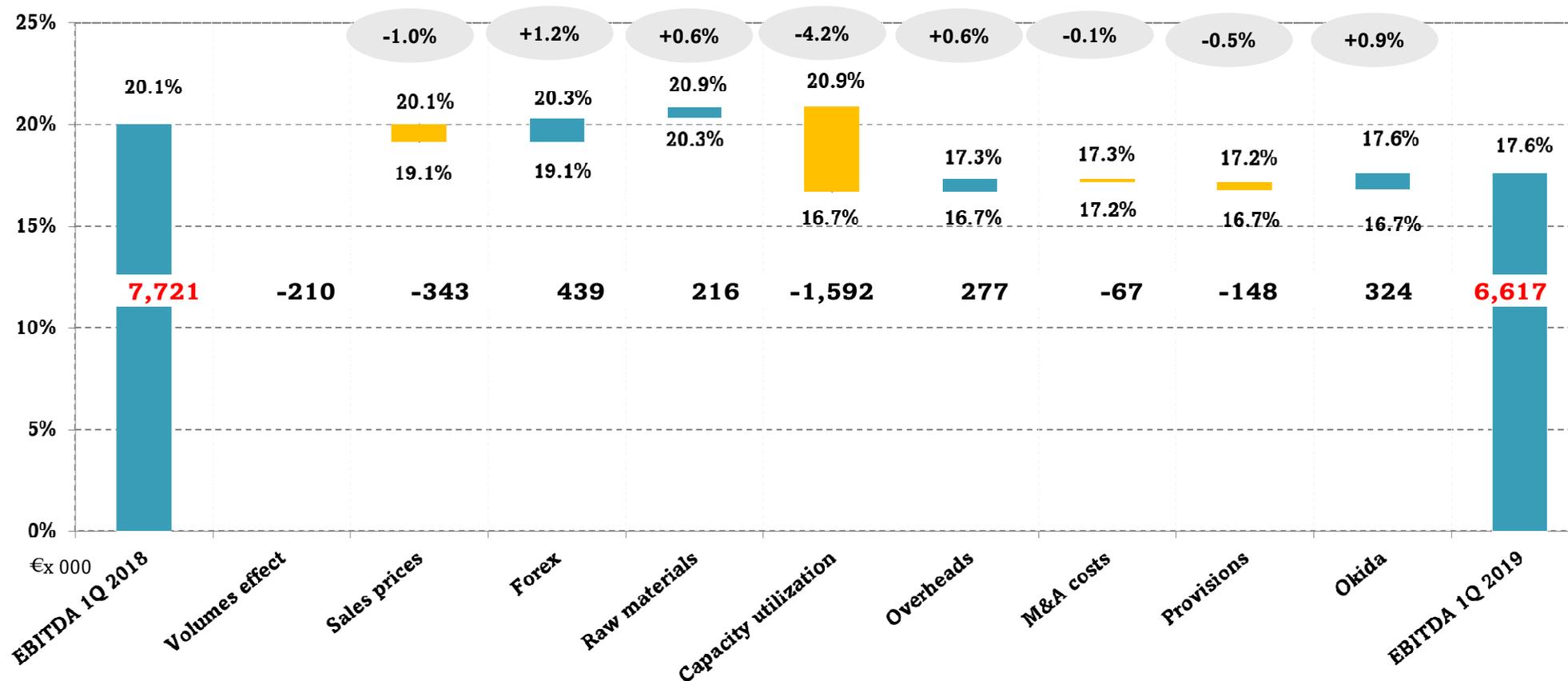
Performance data

Key performance indicators

	Q1 2019	Q1 2018	FY 2018	FY 2017
Debt / Equity	0.40	0.23	0.45	0.22
Debt / EBITDA	1.83	0.86	1.79	0.82
ROI	7.6%	12.5%	9.2%	12.5%
NWC / Sales	37.9%	34.3%	38.7%	33.8%
DSO	107	108	112	116
DPO	59	68	62	59
DSI	107	100	114	97

Performance data

EBITDA bridge Q1 2018 – Q1 2019



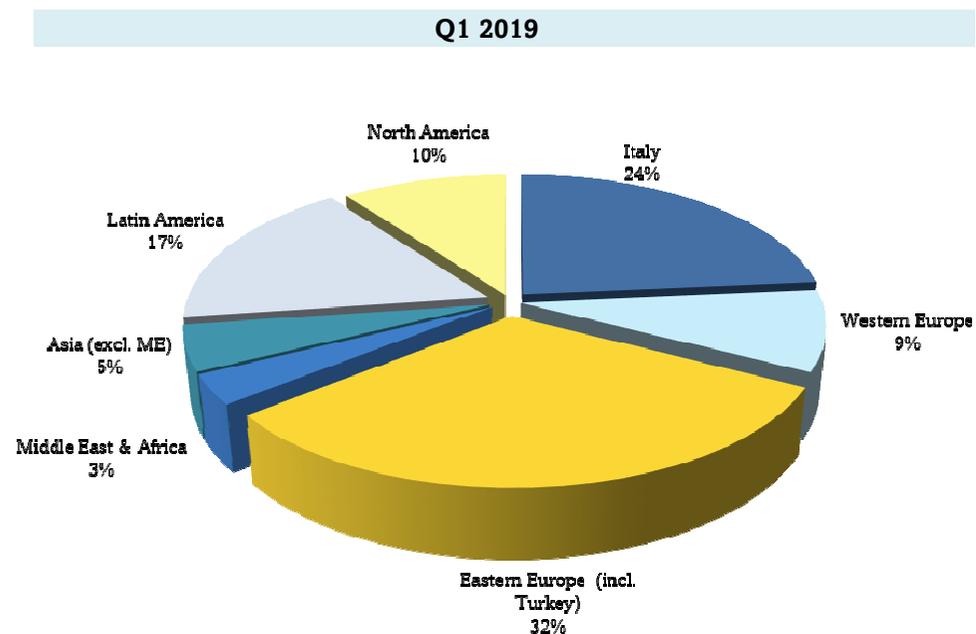
Performance data

Sales by market

€x 000

	Q1 2019	Q1 2018	
Italy	8,852	9,306	-4.9%
Western Europe	3,409	3,272	+4.2%
Eastern Europe (incl. Turkey)	11,964	11,504	+4.0%
Middle East & Africa	1,258	3,606	-65.1%
Asia (excl. ME)	1,914	1,304	+46.8%
Latin America	6,416	6,103	+5.1%
North America	3,822	3,408	+12.1%
Total	37,635	38,503	-2.3%

	FY 2018	FY 2017	
Italy	31,579	36,523	-13.5%
Western Europe	12,337	11,678	+5.6%
Eastern Europe (incl. Turkey)	46,301	42,824	+8.1%
Middle East & Africa	12,303	13,009	-5.4%
Asia (excl. ME)	7,590	10,516	-27.8%
Latin America	25,461	22,938	+11.0%
North America	15,071	12,735	+18.3%
Total	150,642	150,223	+0.3%

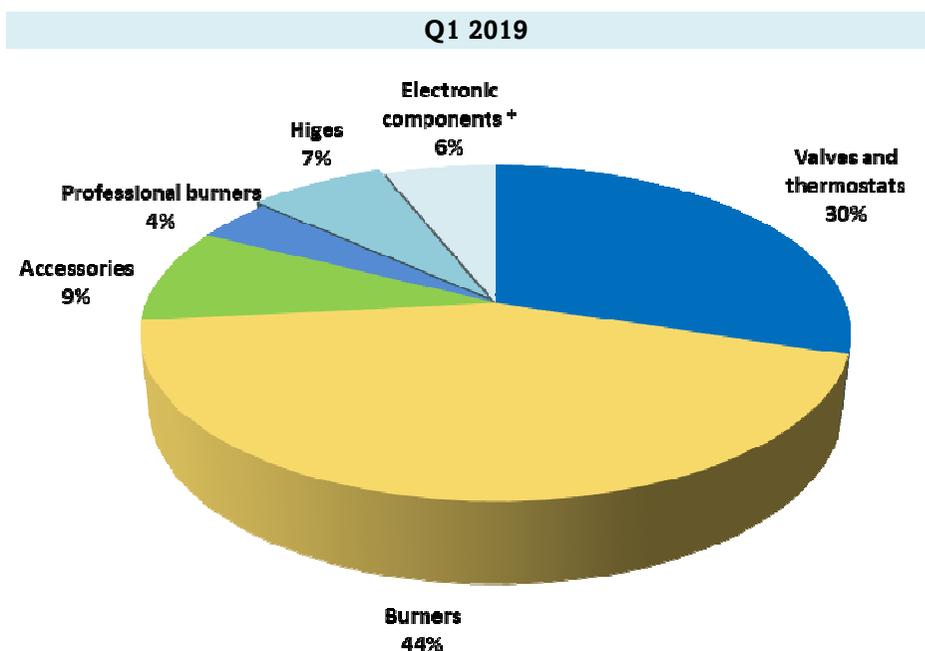


Performance data

Sales by product

€x 000	Q1 2019	Q1 2018	
Valves and thermostats	11,238	13,108	-14.3%
Burners	16,375	17,607	-7.0%
Accessories	3,416	3,843	-11.1%
Professional burners	1,562	1,547	+1.0%
Higes	2,768	2,399	+15.4%
Electronic components *	2,276	0	
Total	37,635	38,504	-2.3%

	FY 2018	FY 2017	
Valves and thermostats	48,463	52,718	-8.1%
Burners	66,953	68,254	-1.9%
Accessories	15,422	15,267	+1.0%
Professional burners	5,331	5,079	+5.0%
Higes	10,436	8,905	+17.2%
Electronic components *	4,037	0	
Total	150,642	150,223	+0.3%



* Electronic components have been consolidated from Sep 2018

Outlook 2019

On the basis of the results of the first quarter and the current visibility, 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 and a slight decrease in gross operating profitability (EBITDA %) compared to 2018, also given the actions taken by management to contain operating costs.

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.

Efforts in place to reduce operating costs

- Actions on indirect costs
- Actions on logistics costs
- Overtime reduction
- Lean methods to improve flexibility
- Improved production efficiency and reduction of set-up costs

OKIDA ACQUISITION

Company overview and business model

Okida was founded in 1987 by Mr. Gurol Oktug and was 100% owned by Oktug family.

Leader in Turkey in the design, manufacture and sale of electronic control boards, timers, display and power units for ovens, hoods, vacuum cleaners, refrigerators and freezers

Steering away from mass manufacturing at lower margins, Okida is focused on medium sized household appliances manufacturers, both in Turkey and abroad as reliable supplier with quality products, offering short lead times and the ability to manufacture customized solutions at very competitive prices.

Okida has a well diversified **customers portfolio** of **40 reputable customers** in Turkey and abroad, with which the Company has established long term commercial relationships.

The Company's production site is located in Esenyurt, in the European area of **Istanbul**

97 employees at 31.12.2018, **15 in R&D department**. The General Manager is the founder Gürol Oktug.

The acquisition of Okida represents for Sabaf Group a step to enter the market of electronics for household appliances

Possible **strong sales synergies** thanks to Sabaf's widespread presence among all the main manufacturers of household appliances worldwide



Products portfolio

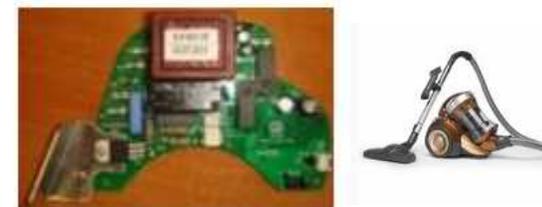
OVEN TIMERS



OVEN CONTROLS



VACUUM CLEANER CONTROLS



HOOD CONTROLS



REFRIGERATION & FREEZER CONTROLS



HOB CONTROLS



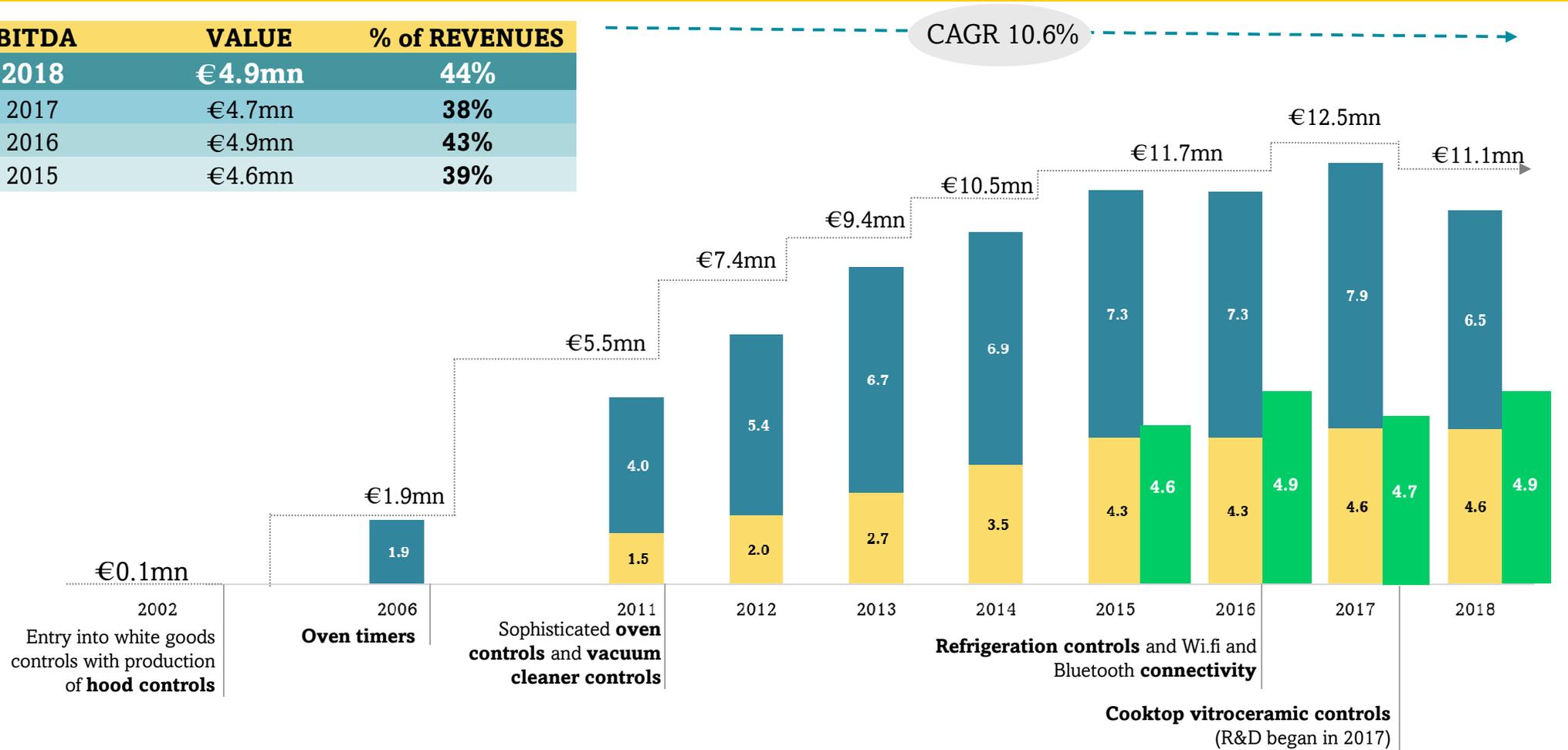
ACCESSORIES / OTHER PRODUCTS



All Okida products are available with **WiFi** and **Bluetooth** connectivity

Revenues 1/2

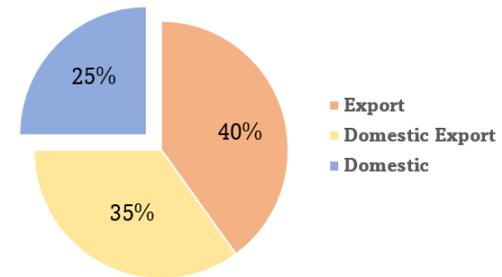
EBITDA	VALUE	% of REVENUES
2018	€4.9mn	44%
2017	€4.7mn	38%
2016	€4.9mn	43%
2015	€4.6mn	39%



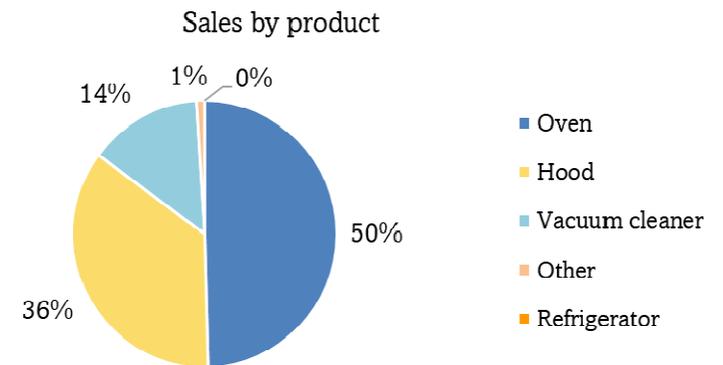
■ Export ■ Domestic ■ EBITDA

Revenues 2/2

- **Direct Export** represents ca. 40% of revenues in 2018. Major export markets include **Europe** and **Middle East**. Sales in North and South America are still negligible
- **Indirect Export**: other than direct exports, a very large portion of products sold to domestic customers (ca. 60% of revenues in Turkey) is installed on appliances which also are exported.
- **Total Okida export (direct and indirect) represents ca. 75% of sales**
Risk Mitigation of domestic market



- **Oven** segment is the largest revenue generating segment at 50%, split by 80% timers and 20% controls
- Other segments include electronic components for **Hoods** and **Vacuum cleaners**
- In addition to the above, Okida also recently entered into **Refrigeration** controls and **Vitroc ceramic cooktop** controls
- Okida's **price lists** are in **strong currencies** (Euro/US Dollar).
- **New important projects** are coming soon, even thanks to **sinergies with Sabaf customers**



Acquisition Update

Few months after the acquisition, we confirm the **significant growth potential** of Okida

Tangible **products** and **commercial synergies** with Sabaf's customers, already in progress and better than expected

More than **30 main projects** in pipeline



Oven and Cooktop control

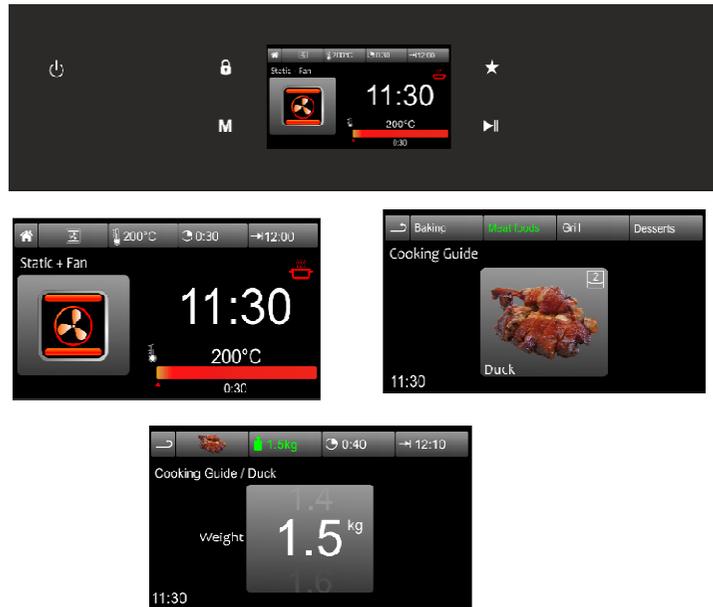
Cooker hoods control

Refrigerator and freezer control

Paper dispenser and hand driers

Hinges electronic motor control

Main projects



High-End Oven Control (POC-500)

- **Picture/Video capture/Remote control** of food cooking status and upload to the smartphone
- Capacitive touch wide-view angle 5in TFT display.
- Real-Time Embedded Operating System
- **Wireless connectivity and companion app for smartphone**
- **Automatic cooking with recipe selection**
- Customizable software and hardware



Voice-Controlled Motorized Hinge:

- **Faringosi motorized hinge** allows for automatic hands-free door operations
- **Okida Voice-Recognition** feature added to High-End Oven Controls OC-4100

BUSINESS PLAN 2018 - 2022

Business plan 2018 - 2022

Key points 1 / 2

GROWTH

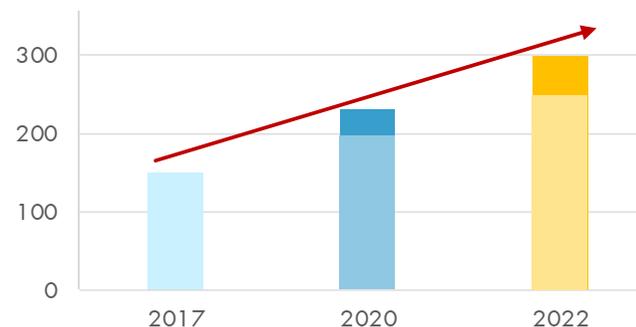
SALES

Estimated sales growth
between 65% and 100%
(2022 compared to 2017)

EBITDA margin

- **ORGANIC:** CAGR between 4% and 6% (€180 – 200 mn sales by 2022)
- **BY ACQUISITIONS** (€70 – 100 mn sales by 2022)

- **€200 - 230 mn** by 2020
- **€250 - 300 mn** by 2022



- **> 20%** of sales

Business plan 2018 - 2022

Key points 2/2

Investments

- Organic growth: **€80 - 90 mn** capex in 5 years (about 8% of sales per year)
- Growth by acquisition: up to **€140 mn** investment in 5 years

Estimated Dividends

- **€30 - 40 mn** in 5 years (between €6 and 8 mn per year)
- Lower payout than in previous years, to support future growth

Financed with

- Operating cash flow: **€130 - 150 mn** in 5 years
- Financial debt: up to **€120 mn** by 2022

Financial leverage

- Net debt / EBITDA: **lower than 2.0**

Organic growth

Market development - Europe & Turkey

EUROPE (Turkey excluded)



2018-2022 GROWTH FACTORS

- ✓ Reinforce the leadership in this market, in order to strengthen the presence and commercial relationship
 - Multi-year agreements recently undersigned with some of the major European market players. These agreements grant significant growth and allow high mid-term visibility
 - Expected market share increase

TURKEY



2018-2022 GROWTH FACTORS

- ✓ Increase of local production, enhancing previous years success. Wider range of products manufactured locally
- ✓ Expected volume increase from current customers
- ✓ New contracts with new customers for valves and hinges
- ✓ Okida estimated growth (CAGR) around 20%

Organic growth

Market development - Brazil

BRAZIL



2018-2022 GROWTH FACTORS

- ✓ Enter in the mid range and free-standing cookers markets:
 - High volumes / low cost burners project
 - Special burners project
- ✓ Enhancement of commercial relationships with major international Groups, also through co-engineering and development of customized products
- ✓ Market growth within present top customers

Organic growth

Market development - North America

NORTH AMERICA



2018-2022 GROWTH FACTORS

- ✓ Expected annual double-digit:
 - Long-term agreements and special projects with present customers, which are the major market players
 - Sub-assemblies supply and customized components
 - Top range professional products for high-end new customers
 - New projects will allow to gain market share vs competitors
- ✓ Planning to operate through a production plant in North America



RISK FACTORS

- ✓ Exchange rate
- ✓ Import duties and other US protectionist policies

Organic growth

Market development - India

INDIA



2018-2022 GROWTH FACTORS

- ✓ India is considered a high potential market, in which Sabaf Group is just at the beginning of its development. At present, only 30% of Indian people use gas as a cooking source, the remaining part still using biomass sources
- ✓ Expected annual double-digit growth
- ✓ The Group aims to increase the customer base, through:
 - Agreements with domestic market leaders
 - Development of specific burners and valves for Indian market, in order to fit local cooking needs (e.g. Series 4 burners)
 - Increase demand for safety and quality

Organic growth

Market development - China

CHINA



2018-2022 GROWTH FACTORS

- ✓ Supply agreements with global market leaders
- ✓ Development of new commercial relationships with big Chinese manufacturers
- ✓ Beginning of new projects with high-potential «newcomers»
- ✓ Evaluation of local partnerships for JV
- ✓ Arc Handan JV deployment for wok burners

Organic growth Products



PRODUCTS GROWTH FACTORS

- ✓ Annual **investments in R&D**: 3% of sales (in line with historical trend)
- ✓ Greater care to specific **markets needs** and **customization** in order to increase client loyalty
- ✓ Focus on:
 - **Special burners**: high performances and combustion efficiency
 - **“Easy to clean”** burners
 - **“Precise flame setting”** valves
 - **“Advanced assisted cooking”** solutions
 - **Professional burners**: also for use in high-range domestic cookers
- ✓ New concepts and new products, in an advanced development stage, are still confidential and not disclosed

Organic growth

Process and industrial footprint



PROCESS IMPROVEMENTS

- ✓ **Forefront** process technology, based on automation and robotization of all production phases
- ✓ Increase of machining and assembling **productivity** through high-speed machinery
- ✓ Higher **efficiency** through scraps reduction
- ✓ Further **interconnection** of production with SAP management system (Industry 4.0)
- ✓ **Lean** manufacturing
- ✓ **Increase of factories flexibility** (lower dependence on production volumes)



INDUSTRIAL FOOTPRINT

- ✓ Increase of **Turkey** local **production**
- ✓ Planning to operate through a production **plant in North America**
- ✓ Evaluation to set up a production **plant in India**

Organic Growth by New Projects In-Progress (additional sales)

	Total Projects	Main Projects	Estimated additional annual sales	Period	Markets
Burners and valves	31	6	15 - 18 mn €	2019-2021	North America Europe South America Far East
Electronic components	48	30	4 - 6 mn €	2019-2021	Europe and Middle East South America (new market) North America (new market)
Hinges	19	9	3 - 4 mn €	2019-2021	Europe
Total	98	45	22 - 28 mn €		

Growth by acquisitions

Target profile

Target parameters

TURNOVER

Up to **€70 mn sales**

EBITDA

Higher than 10%. Steady results over the past years
No turnarounds

SHAREHOLDING

Preference for **entrepreneurial** ownership

EBITDA MULTIPLES

Non-dilutive

M&A TEAM

Dedicated to development of business **contacts**, creation of an **internal Data Base**, analysis and evaluation of **opportunities**, management of **negotiations**

Growth by acquisitions

Investment sectors

GROWTH BY ACQUISITIONS

Aimed to a greater **product diversification**, in order to allow the Group to entry in different **markets**, in addition to the traditional sector of gas cooking

COMPONENTS FOR
HOUSEHOLD APPLIANCES

HEATING

ELECTRONICS

PROFESSIONAL COOKING

News
Coming soon

DISCLAIMER

Certain information included in this document is forward looking and is subject to important risks and uncertainties that could cause actual results to differ materially.

The Company's business is in the domestic appliance industry, with special reference to the gas cooking sector, and its outlook is predominantly based on its interpretation of what it considers to be the key economic factors affecting this business. Forward-looking statements with regard to the Group's business involve a number of important factors that are subject to change, including: the many interrelated factors that affect consumer confidence and worldwide demand for durable goods; general economic conditions in the Group's markets; actions of competitors; commodity prices; interest rates and currency exchange rates; political and civil unrest; and other risks and uncertainties.

Pursuant to Article 154/2, 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 financial presentation corresponds to the company's records, books and accounting entries.

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