

# FINANCIAL PRESENTATION

Venice, 27 November 2015

# Product range

Single ring burners



Special and multi-rings burners



Gas valves



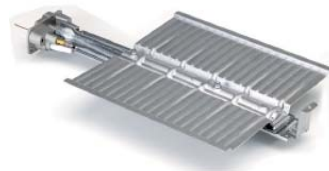
Micro switches & accessories



Oven hinges



Oven burners



Thermostats



# Production sites



SABAF Headquarters OSPITALETTO, BRESCIA - ITALY



All Burners  
Gas valves &  
Thermostats  
Microswitch Harness  
Spark Plugs  
Accessories



SABAF China : KUNSHAN - PRC



Wok Burners



Sabaf Turkey MANISA, IZMIR - TURKEY



Standard Burners



Faringosi Hinges S.r.l. BAREGGIO, MILANO - ITALY



Hinges



Sabaf do Brasil, JUNDIAI, SAO PAULO - BRAZIL



Standard Burners  
*Special Burners in 2016*

# Becoming even more international

- With over 270 customers in 60 different countries SABAF S.p.A. is a global leader in the production of gas components for domestic cooking appliances.
- Top 10 customers account for 49% of sales (H1 2015) – stable figure for 10 years
- Sabaf enjoys a strong leadership position in Italy and Europe (market share above 40%)
- Demographic trends do not leave space for substantial growth in Europe, while Sabaf's market share worldwide is still low (around 10%)
- Efforts are mainly addressed at furtherly increasing our international presence, with special focus on:
  - Turkey
  - China
  - Brazil
  - USA
  - Iran
  - India

# Sabaf in Turkey

## WHY

Turkey has become the most important manufacturer of white goods in Europe (Turkish manufacturers and production sites of multinational groups)

## HOW

In 2012 Sabaf built from greenfield a new factory in Manisa (Izmir) - €10 mn investment - 10,000 sqm  
Manufacturing of standard burners  
Same products, technology and quality as in Italy

## WHERE WE ARE

€9.2 mn sales in 2014, 60 people employed  
50% sales growth expected in 2015, 100 people employed

## WHERE WE WILL BE

Further expansion of production capacity is ongoing  
Constant growth has been planned for next years





# Sabaf in China

## WHY

Market size: 26 mn hobs

19 mn hobs manufactured for the domestic market

7 mn hobs manufactured for export markets

Expected product mix trend: higher value, moderate volume growth

New standards concerning gas hobs apply starting from April 2015.

The new standards state 3 different energy classes: 55%, 59% and 63%.

At present only 10% to 15% of hobs meet the highest class.

## HOW

Sabaf has developed a new special burner that reaches an efficiency rate higher than 63%. €2mn capex in 2014-2015 in order to start production.

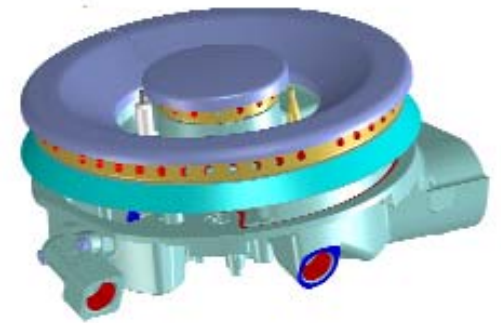
## WHERE WE ARE

Production has started in H1 2015, €1mn sales expected in 2015

Ongoing contacts with major hob manufacturers for a strategic agreement for the supply of safety valves

## WHERE WE WILL BE

We are targeting the 10% premium market



# Sabaf in Brazil

## WHY

Brazil is a big market, difficult to supply from abroad, due to logistics, duties, forex impact.

## HOW

Start of production in Brazil in 2001. A new factory was set up in Jundiaí (SP) in 2007, starting from greenfield.

€10 mn investment - 10,000 sqm

Manufacturing of standard burners

Same products, technology and quality as in Italy

## WHERE WE ARE

€8.4 mn sales in 2014, 64 people employed

2015E flattish (drop in domestic sales balanced by growth in the rest of Latam)

80% market share in the hobs segment

## WHERE WE WILL BE

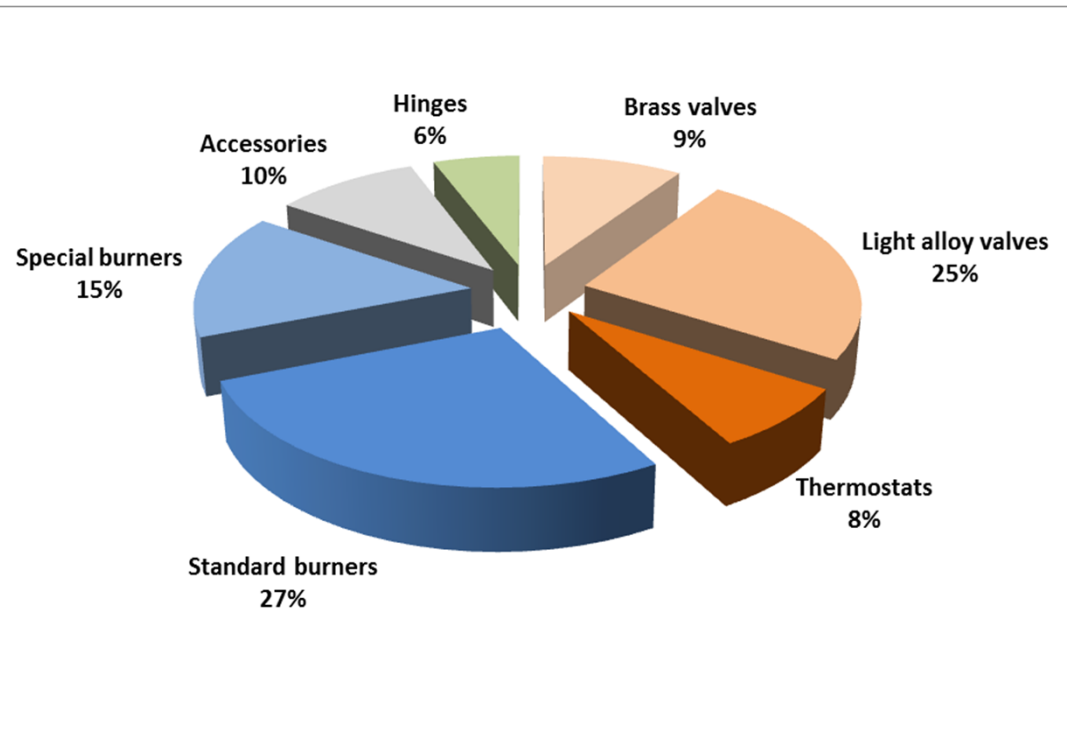
Production of special burners (2016) – a new wok burner for the Brazilian market

Ongoing negotiations with large multinational groups

Expected increase of share in the cookers segment



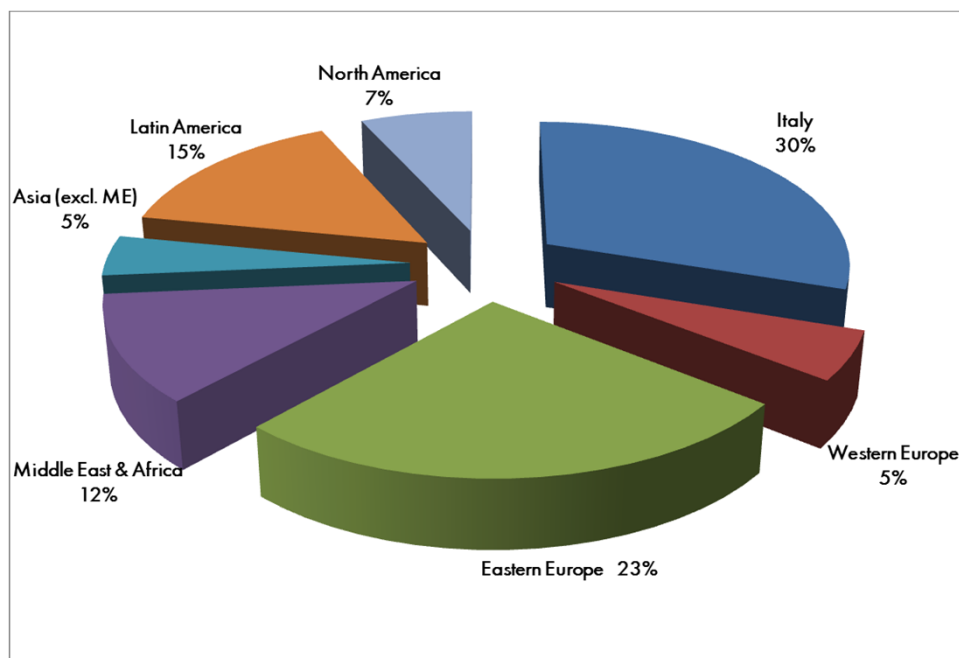
# Sales by product



|                    | 9M 2015        | 9M 2014        | Change       |
|--------------------|----------------|----------------|--------------|
| Brass valves       | 9,858          | 10,858         | -9.2%        |
| Light alloy valves | 25,765         | 24,880         | +3.6%        |
| Thermostats        | 8,092          | 9,542          | -15.2%       |
| Standard burners   | 28,502         | 26,667         | +6.9%        |
| Special burners    | 16,107         | 14,940         | +7.8%        |
| Accessories        | 10,186         | 9,640          | +5.7%        |
| Hinges             | 6,059          | 5,439          | +11.4%       |
| <b>Total</b>       | <b>104,569</b> | <b>101,966</b> | <b>+2.6%</b> |



# Sales by market



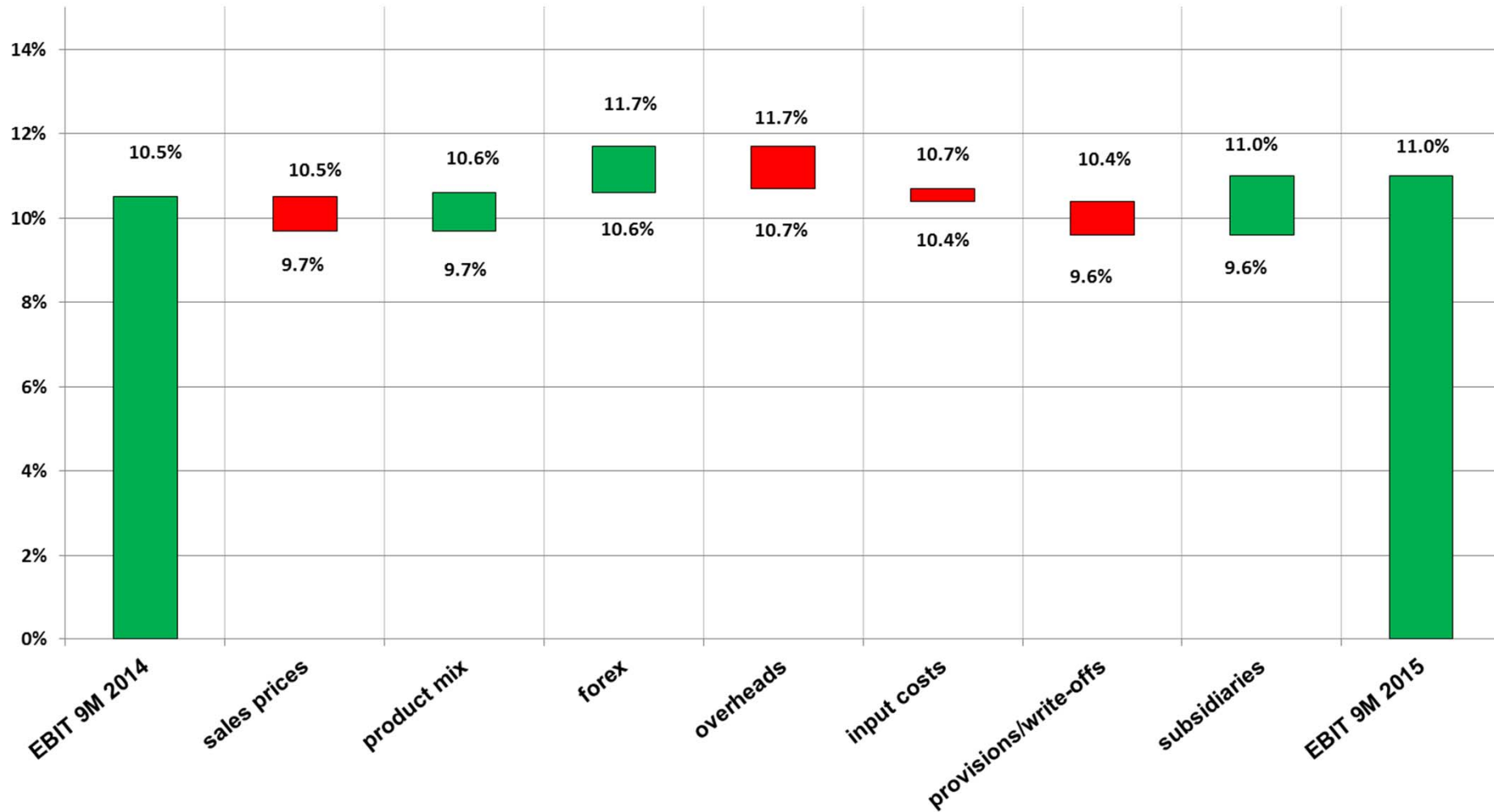
|                               | 9M 2015        | 9M 2014        | Change       |
|-------------------------------|----------------|----------------|--------------|
| Italy                         | 31,472         | 32,105         | -2.0%        |
| Western Europe                | 5,662          | 6,663          | -15.0%       |
| Eastern Europe (incl. Turkey) | 27,511         | 26,622         | +3.3%        |
| Middle East & Africa          | 12,328         | 13,470         | -8.5%        |
| Asia (excl. ME)               | 4,667          | 4,663          | +0.1%        |
| Latin America                 | 15,793         | 13,326         | +18.5%       |
| North America                 | 7,136          | 5,117          | +39.5%       |
| <b>Total</b>                  | <b>104,569</b> | <b>101,966</b> | <b>+2.6%</b> |

# Income statement

€ x 000

|                                   | <u>Q3 15</u>  |               | <u>Q3 14</u>  |               |               | <u>9M 15</u>   |               | <u>9M 14</u>   |               |               | <u>FY 14</u>   |               |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|----------------|---------------|----------------|---------------|---------------|----------------|---------------|
| <b>SALES</b>                      | <b>32,060</b> | <b>100.0%</b> | <b>30,681</b> | <b>100.0%</b> | <b>4.5%</b>   | <b>104,569</b> | <b>100.0%</b> | <b>101,966</b> | <b>100.0%</b> | <b>+2.6%</b>  | <b>136,337</b> | <b>100.0%</b> |
| Materials                         | (12,456)      | -38.9%        | (13,057)      | -42.6%        |               | (41,309)       | -39.5%        | (42,694)       | -41.9%        |               | (54,472)       | -40.0%        |
| Payroll                           | (7,555)       | -23.6%        | (7,622)       | -24.8%        |               | (24,615)       | -23.5%        | (24,415)       | -23.9%        |               | (32,180)       | -23.6%        |
| Change in stock                   | 205           | 0.6%          | 2,479         | 8.1%          |               | 2,082          | 2.0%          | 4,930          | 4.8%          |               | 2,447          | 1.8%          |
| Other operating costs/income      | (6,105)       | -19.0%        | (6,545)       | -21.3%        |               | (20,214)       | -19.3%        | (19,894)       | -19.5%        |               | (26,180)       | -19.2%        |
| <b>EBITDA</b>                     | <b>6,149</b>  | <b>19.2%</b>  | <b>5,936</b>  | <b>19.3%</b>  | <b>3.6%</b>   | <b>20,513</b>  | <b>19.6%</b>  | <b>19,893</b>  | <b>19.5%</b>  | <b>+3.1%</b>  | <b>25,952</b>  | <b>19.0%</b>  |
| Depreciation                      | (3,042)       | -9.5%         | (3,012)       | -9.8%         |               | (9,061)        | -8.7%         | (9,291)        | -9.1%         |               | (12,292)       | -9.0%         |
| Gains/losses on fixed assets      | 14            | 0.0%          | 38            | 0.1%          |               | 59             | 0.1%          | 62             | 0.1%          |               | 63             | 0.0%          |
| Impairment of fixed assets        | 0             | 0.0%          | 0             | 0.0%          |               | 0              | 0.0%          | 0              | 0.0%          |               | (548)          | -0.4%         |
| <b>EBIT</b>                       | <b>3,121</b>  | <b>9.7%</b>   | <b>2,962</b>  | <b>9.7%</b>   | <b>5.4%</b>   | <b>11,511</b>  | <b>11.0%</b>  | <b>10,664</b>  | <b>10.5%</b>  | <b>+7.9%</b>  | <b>13,175</b>  | <b>9.7%</b>   |
| Net financial expense             | (131)         | -0.4%         | (148)         | -0.5%         |               | (418)          | -0.4%         | (413)          | -0.4%         |               | (531)          | -0.4%         |
| Foreign exchange gains/losses     | 280           | 0.9%          | 117           | 0.4%          |               | 400            | 0.4%          | 130            | 0.1%          |               | 119            | 0.1%          |
| Equity investments profits/losses | 0             | 0.0%          | (123)         | -0.4%         |               | 0              | 0.0%          | (387)          | -0.4%         |               | (606)          | -0.4%         |
| <b>EBT</b>                        | <b>3,270</b>  | <b>10.2%</b>  | <b>2,808</b>  | <b>9.2%</b>   | <b>+16.5%</b> | <b>11,493</b>  | <b>11.0%</b>  | <b>9,994</b>   | <b>9.8%</b>   | <b>+15.0%</b> | <b>12,157</b>  | <b>8.9%</b>   |
| Income taxes                      | (978)         | -3.1%         | (1,014)       | -3.3%         |               | (3,746)        | -3.6%         | (3,734)        | -3.7%         |               | (3,819)        | -2.8%         |
| Minorities                        | 0             |               | 0             |               |               | 0              |               | 0              |               |               | 0              |               |
| <b>NET INCOME</b>                 | <b>2,292</b>  | <b>7.1%</b>   | <b>1,794</b>  | <b>5.8%</b>   | <b>27.8%</b>  | <b>7,747</b>   | <b>7.4%</b>   | <b>6,260</b>   | <b>6.1%</b>   | <b>+23.8%</b> | <b>8,338</b>   | <b>6.1%</b>   |

# EBIT bridge 9M 2014 – 9M 2015



# Cash flow statement

| € x 1000                                   | 9M 15         | 9M 14          | FY 14          |
|--|---------------|----------------|----------------|
| <i>Cash at the beginning of the period</i> | 3,675         | 5,111          | 5,111          |
| Net profit                                 | 7,747         | 6,260          | 8,338          |
| Depreciation                               | 9,061         | 9,291          | 12,292         |
| Change in net working capital              |               |                |                |
| change in inventories                      | 2,002         | (5,080)        | (4,079)        |
| change in receivables                      | (1,072)       | (3,054)        | (2,548)        |
| change in payables                         | 56            | 1,015          | 365            |
|  | 986           | (7,119)        | (6,262)        |
| Other changes in operating items           | 15            | 1,743          | 2,609          |
| <b>Operating cash flow</b>                 | <b>17,809</b> | <b>10,175</b>  | <b>16,977</b>  |
| Investments, net of disposals              | (9,603)       | (7,318)        | (11,491)       |
| <b>Free cash flow</b>                      | <b>8,206</b>  | <b>2,857</b>   | <b>5,486</b>   |
| Cash flow from financial activity          | 1,441         | (1,155)        | 8,054          |
| Own shares sale (repurchase)               | (175)         | 0              | 0              |
| Dividends                                  | (4,613)       | (4,613)        | (16,146)       |
| Forex                                      | (2,848)       | 437            | 453            |
| <b>Net financial flow</b>                  | <b>2,011</b>  | <b>(2,474)</b> | <b>(2,153)</b> |
| <i>Cash at the end of the period</i>       | <i>5,686</i>  | <i>2,637</i>   | <i>2,958</i>   |

# Balance sheet

| € x 1000  | 30-Sep-15      | 31-Dec-13      | 30-Sep-14      |
|---|----------------|----------------|----------------|
| Fixed assets                                    | 93,518         | 96,152         | 95,747         |
| Net working capital                             | 44,955         | 45,844         | 46,717         |
| Short term financial assets                     | -              | -              | -              |
| <b>Capital Employed</b>                         | <b>138,473</b> | <b>141,996</b> | <b>142,464</b> |
| Equity  | 108,609        | 110,738        | 120,471        |
| Provisions for risks and<br>severance indemnity | 4,218          | 4,325          | 3,947          |
| Net debt  | 25,646         | 26,933         | 18,046         |
| <b>Sources of finance</b>                       | <b>138,473</b> | <b>141,996</b> | <b>142,464</b> |
| Debt / Equity                                   | 0.24           | 0.24           | 0.15           |



# Net financial position

|           | € x 1000  | 30-Sep-15     | 31-Dec-14     | 30-Sep-14     |
|-----------|---|---------------|---------------|---------------|
| A.        | Cash  | 15            | 9             | 11            |
| B.        | Positive balances of unrestricted bank accounts | 5,376         | 2,691         | 2,354         |
| C.        | Other liquidities                               | 295           | 258           | 272           |
| D.        | Cash and cash equivalents (A+B+C)               | 5,686         | 2,958         | 2,637         |
| E.        | Current bank overdrafts                         | 19,985        | 15,890        | 16,226        |
| F.        | Current portion of non-current debt             | 3,765         | 3,723         | 1,055         |
| G.        | Other current financial payables                | 7             | 105           | 70            |
| H.        | Current financial debt (E+F+G)                  | 23,757        | 19,718        | 17,351        |
| <b>I.</b> | <b>Current net financial debt (H-D)</b>         | <b>18,071</b> | <b>16,760</b> | <b>14,714</b> |
| J.        | Non-current bank payables                       | 5,782         | 8,275         | 1,398         |
| K.        | Other non-current financial payables            | 1,793         | 1,898         | 1,933         |
| L.        | Non-current financial debt (J+K)                | 7,575         | 10,173        | 3,331         |
| <b>M.</b> | <b>Net financial debt (L+I)</b>                 | <b>25,646</b> | <b>26,933</b> | <b>18,045</b> |

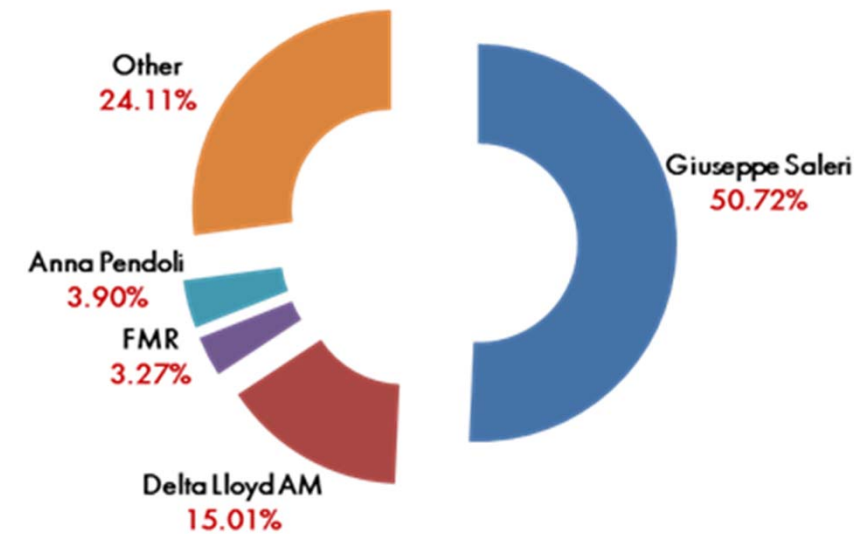
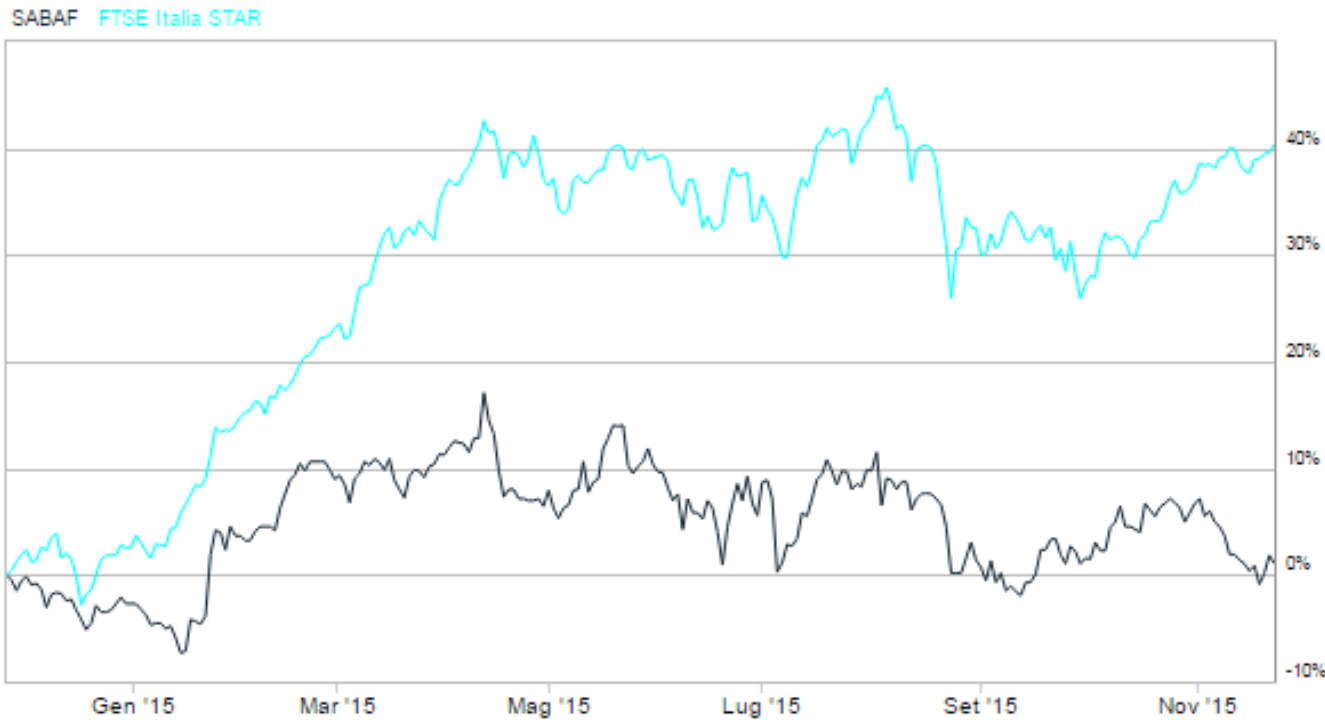
# Share buyback plan

- Last 14 September Sabaf announced the launch of a share buyback programme
- The buyback concerns up to a maximum of 1,153,345 shares, equal to 10% of the share capital
- The programme's objectives are as follows:
  - to use treasury shares as part of agreements with strategic partners or in the framework of investment transactions
  - to offer shareholders an additional tool to liquidate their investments
  - to conduct operations to support market liquidity
- During the period between 14 September and 20 November Sabaf has bought 38,666 shares, equal to 0.335% of the share capital

# Forecasts

- Group sales in the fourth quarter are expected to be slightly down compared with the same period of 2014, which was very buoyant. The Group believes it can achieve marginal growth in sales for the whole of 2015, accompanied by a more significant improvement in profitability.
- These targets assume a macroeconomic scenario not affected by unpredictable events. If the economic situation were to change significantly, actual figures might diverge from forecasts.

# Stock price and main shareholders



# 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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