

*We burn* for technology and safety.



# FINANCIAL PRESENTATION

Milan, 04 September 2019



*We burn* for technology and safety.

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# COMPANY PROFILE

# Product range - the Heart of gas cooking appliances



Standard burners



Special burners



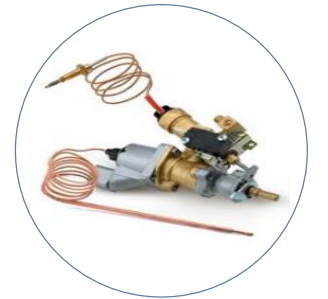
Electronic components



Gas valves



Professional burners



Gas oven thermostats



Oven and grill burners



Micro switches & accessories



Hinges

# Industrial Footprint



Total Group employees :  
**1,071**

## SABAF S.P.A.

Valves and thermostats  
Standard burners  
Special burners  
**517 employees**



## OKIDA ELEKTRONIK

Electronics for household appliances  
**100 employees**



## SABAF TURKEY

Standard burners  
**111 employees**



## SABAF APPLIANCE COMPONENTS (KUNSHAN) CO. LTD

Wok burners  
**8 employees**



## FARINGOSI-HINGES S.R.L.

Oven hinges  
Washing machine hinges  
**50 employees**



## ARC S.R.L.

Professional burners  
**19 employees**



## CMI ITALY

Oven hinges  
Dishwasher hinges  
**144 employees**

New



## SABAF DO BRASIL LTDA

Standard burners  
Special burners  
**76 employees**



## CMI POLAND

Dishwasher hinges  
**46 employees**

New



## ARC HANDAN JV

Professional Wok burners



# Market, product & technology



## MARKET

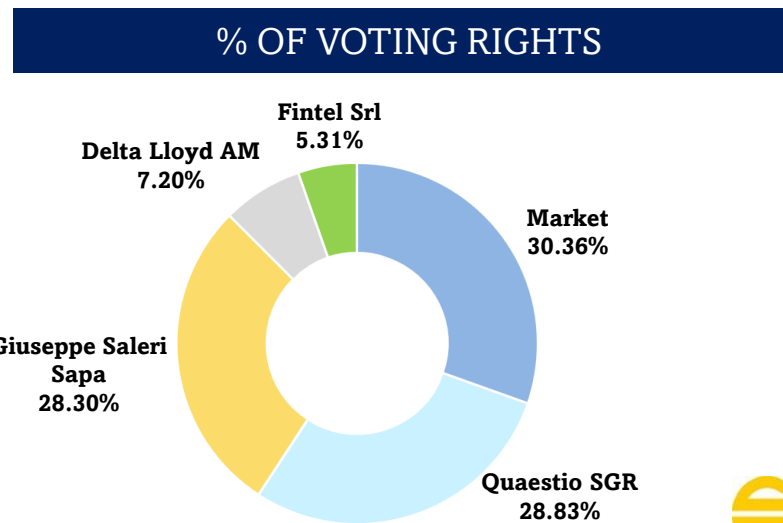
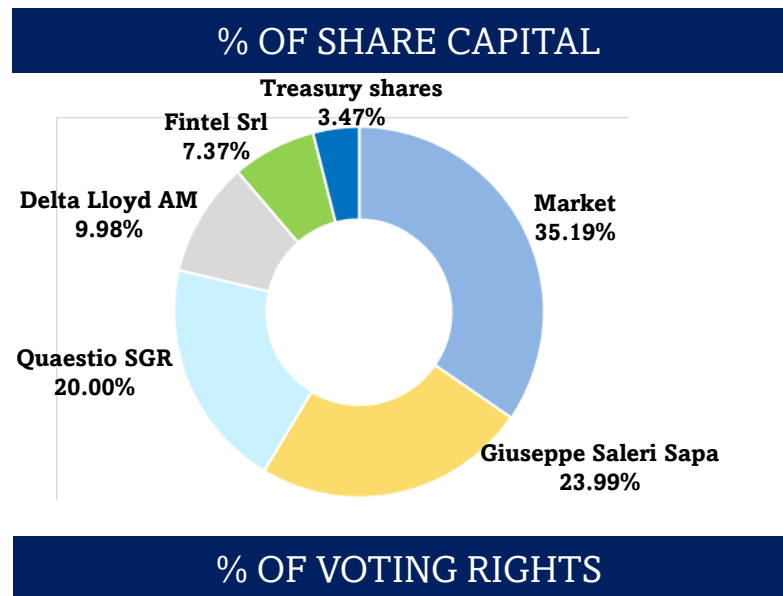
- ✓ **Global leader** in the segment of components for domestic gas cooking appliances, with over 400 customers in 56 different countries. A strong leadership in Europe (market share above 40%), estimated market share worldwide of about 10%. After the acquisition of Okida, the Group business includes the development and manufacturing of electronic components for household appliances.
- ✓ Weight of **top 10** customers on total Group sales is **46%** (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: € 159 mn at 29 August 2019**

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

# The acquisition of CMI



# Company overview and business model

The **C.M.I.** Group is one of the main players in the design, production and sale of hinges for household appliances and is active with production units in Italy (Crespellano, BO) and Poland. C.M.I. also controls C.G.D. s.r.l.

- **CMI Italy** develops and produces oven and dishwasher hinges
- **CGD** is specialised in the production of moulds for steel and sheet metal pressed articles.
- **CMI Polska** assembles dishwasher hinges.

C.M.I. was previously controlled by the Chinese group Guandong Xingye Investment, which held 91.5% of the share capital; the remaining 8.5% was held by Eros Gherardi - the company's founder - and by other private shareholders

# Products portfolio

**The hinges for ovens and dishwashers** represent the largest part of the CMI business

CMI supplies some of the main **international manufacturers** of household appliances

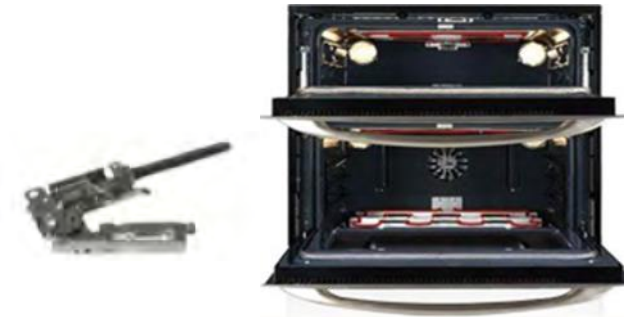
**Innovative** solutions are developed jointly with customers and are based on proprietary **patents**



A total of 41 patents for ovens, dishwashers and refrigerators are registered in different countries

## OVEN HINGES

- They represent around 25% of CMI's business
- Fixed fulcrum hinges
- Variable fulcrum hinges
- Sliding hinges

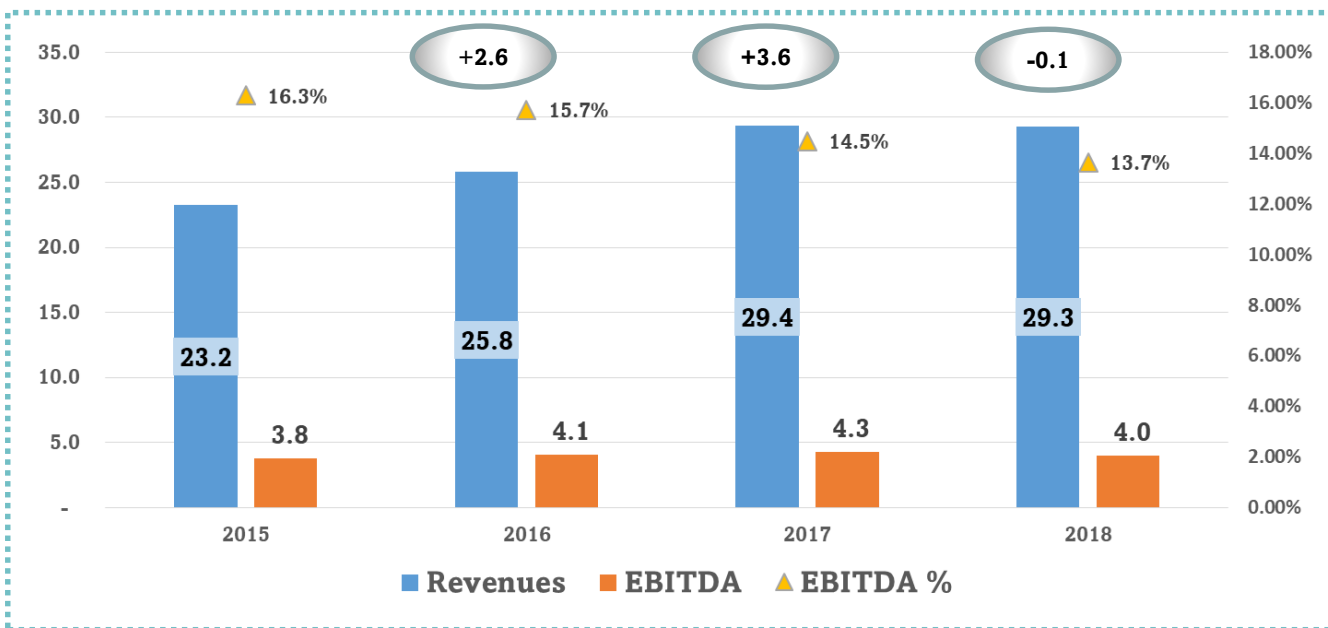


## DISHWASHER HINGES

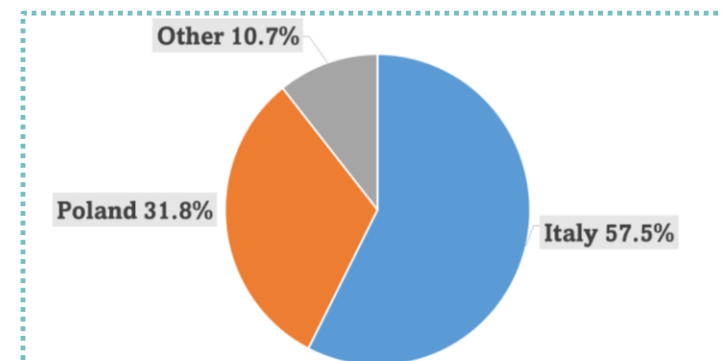
- The sector in which CMI has reached the highest level of innovation: the only manufacturer of self-balancing hinges (patented technology)
- Variable fulcrum hinges
- Fixed fulcrum hinges with 2 springs
- Hinges with variable lateral fulcrum



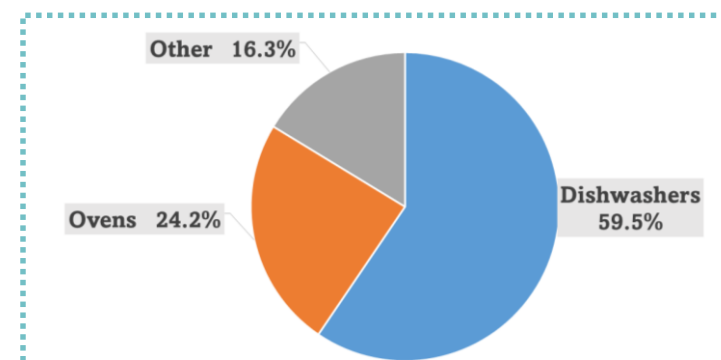
# Sales and profitability



## Sales by market



## Sales by product



# Rational for the acquisition

The Sabaf Group is already active in the sector of hinges for household appliances through Faringosi Hinges. The acquisition of C.M.I. allows the Group to achieve a **leadership position on a global scale**, proposing also in this area as a reference partner for all manufacturers of household appliances.

Sabaf combines its consolidated leadership in **gas burners and valves** with the new leadership in the **hinges sector**.

Moreover, the combination of **mechanical and electronic know-how**, the result of the recent acquisition of Okida Elektronik, allows Sabaf to offer itself as a **creator and developer of innovative solutions in the flourishing world of smart appliances**.

# CMI acquisition - valuation

Acquisition of 68.5% **share in CMI:**

- 60% from Guandong Xingye Investment (Chinese industrial group working in the same sector)
- 8.5% from Mr. Eros Gherardi (the founder) and other private investors

**Signing:** 1st July 2019

**Closing:** 31st July 2019

**100% Equity Value:** Eur 19.55 mn

**Net financial debt at 31 Dec 2019:** Eur 5.5 mn

**Valuation:** approx 6.3 x EBITDA 2018

**Call & Put options** on the residual share of 31.5% owned by Guandong Xingye Investment

The options may be exercised in 2 equal tranches in 2020 and 2021. Valuation 7x EBITDA as from the latest FS.

The acquisition has been wholly financed through a **bank loan expiring in 2026**

Mr. Paolo Santini remains at the head of CMI as **CEO and General Manager**

# 6M 2019 PERFORMANCE

# Performance data

## Income statement

€ x 000	H1 2019		H1 2018		Δ % 19 - 18	FY 2018		FY 2017		Δ % 18 - 17
<b>SALES</b>	<b>74,826</b>	<b>100.0%</b>	<b>76,013</b>	<b>100.0%</b>	<b>-1.6%</b>	<b>150,642</b>	<b>100.0%</b>	<b>150,223</b>	<b>100.0%</b>	<b>+0.3%</b>
Materials	(27,878)	(37.3%)	(34,556)	(45.5%)		(62,447)	(41.5%)	(59,794)	(39.8%)	
Payroll	(17,659)	(23.6%)	(18,273)	(24.0%)		(34,840)	(23.1%)	(35,328)	(23.5%)	
Change in stock	(3,687)	(4.9%)	6,472	8.5%		4,603	3.1%	2,380	1.6%	
Other operating costs/income	(12,708)	(17.0%)	(14,380)	(18.9%)		(27,999)	(18.6%)	(26,526)	(17.7%)	
<b>EBITDA</b>	<b>12,894</b>	<b>17.2%</b>	<b>15,276</b>	<b>20.1%</b>	<b>-15.6%</b>	<b>29,959</b>	<b>19.9%</b>	<b>30,955</b>	<b>20.6%</b>	<b>-3.2%</b>
Depreciation	(6,689)	(8.9%)	(6,303)	(8.3%)		(12,728)	(8.4%)	(12,826)	(8.5%)	
Gains/losses on fixed assets	48	0.1%	11	0.0%		28	0.0%	(12)	(0.0%)	
Impairment of fixed assets	-		-							
<b>EBIT</b>	<b>6,253</b>	<b>8.4%</b>	<b>8,984</b>	<b>11.8%</b>	<b>-30.4%</b>	<b>16,409</b>	<b>10.9%</b>	<b>18,117</b>	<b>12.1%</b>	<b>-9.4%</b>
Net financial expense	(554)	(0.7%)	(315)	(0.4%)		(833)	(0.6%)	(590)	(0.4%)	
Foreign exchange gains/losses	(1,041)	(1.4%)	1,072	1.4%		5,384	3.6%	277	0.2%	
			-							
<b>EBT</b>	<b>4,658</b>	<b>6.2%</b>	<b>9,741</b>	<b>0.0%</b>	<b>-52.2%</b>	<b>20,960</b>	<b>13.9%</b>	<b>17,804</b>	<b>11.9%</b>	<b>+17.7%</b>
Income taxes	(1,024)	(1.4%)	(2,412)	0.0%		(5,162)	(3.4%)	(2,888)	(1.9%)	
Minorities	(121)	(0.2%)	(103)	(3.2%)		(184)	(0.1%)	(81)	(0.1%)	
				(0.1%)					0.0%	
<b>NET INCOME</b>	<b>3,513</b>	<b>4.7%</b>	<b>7,226</b>	<b>0.0%</b>	<b>-51.4%</b>	<b>15,614</b>	<b>10.4%</b>	<b>14,835</b>	<b>9.9%</b>	<b>+5.3%</b>

# Performance data

## Balance sheet

€ x 000	H1 2019	H1 2018	FY 2018	FY 2017
Fixed assets	116,061	92,451	120,950	93,802
<i>Inventories</i>	<i>35,141</i>	<i>38,293</i>	<i>39,179</i>	<i>32,929</i>
<i>Trade receivables</i>	<i>46,712</i>	<i>49,084</i>	<i>46,932</i>	<i>42,263</i>
<i>Tax receivables</i>	<i>2,958</i>	<i>2,792</i>	<i>3,043</i>	<i>3,065</i>
<i>Other current receivables</i>	<i>2,114</i>	<i>1,572</i>	<i>1,534</i>	<i>1,057</i>
<i>Trade payables</i>	<i>(21,450)</i>	<i>(25,083)</i>	<i>(21,215)</i>	<i>(19,975)</i>
<i>Tax payables</i>	<i>(1,703)</i>	<i>(2,353)</i>	<i>(3,566)</i>	<i>(1,095)</i>
<i>Other payables</i>	<i>(8,289)</i>	<i>(7,649)</i>	<i>(7,600)</i>	<i>(7,491)</i>
Net working capital	55,483	56,656	58,307	50,753
<b>Capital Employed</b>	<b>171,544</b>	<b>149,107</b>	<b>179,257</b>	<b>144,555</b>
Equity	115,064	110,398	119,346	115,055
Provisions for risks and severance indemnity	6,162	3,949	6,387	4,034
Net debt	50,318	34,760	53,524	25,466
<b>Sources of finance</b>	<b>171,544</b>	<b>149,107</b>	<b>179,257</b>	<b>144,555</b>



# Performance data

## Cash flow statement

€ x 000	H1 2019	H1 2018	FY 2018	FY 2017
Cash at the beginning of the period	13,426	11,533	11,533	12,143
Net profit	3,634	7,329	15,798	14,916
Depreciation	6,689	6,303	12,728	12,826
Other income statement adjustments	1,949	2,633	7,237	3,252
Change in net working capital				
- Change in inventories	4,038	(5,364)	(4,374)	(1,445)
- Change in receivables	220	(6,821)	(3,003)	(5,421)
- Change in payables	235	5,108	556	998
	4,493	(7,077)	(6,821)	(5,868)
Other changes in operating items	(2,288)	(1,472)	(3,128)	(2,347)
<b>Operating cash flow</b>	<b>14,477</b>	<b>7,716</b>	<b>25,814</b>	<b>22,779</b>
Investments, net of disposals	(4,118)	(6,632)	(11,467)	(13,944)
<b>Free Cash Flow</b>	<b>10,359</b>	<b>1,084</b>	<b>14,347</b>	<b>8,835</b>
Cash flow from financial activity	(6,745)	5,023	30,009	978
Own shares buyback	-	(2,086)	(2,359)	(2,110)
Dividends	(6,060)	(6,071)	(6,071)	(5,384)
OKIDA acquisition	(317)	(2,279)	(24,077)	
Forex	298		(9,956)	(2,929)
<b>Net financial flow</b>	<b>(2,465)</b>	<b>(4,329)</b>	<b>1,893</b>	<b>(610)</b>
Cash at the end of the period	10,961	7,204	13,426	11,533
Current financial debt	22,523	17,631	22,606	17,363
Non-current financial debt	38,756	24,333	44,344	19,703
<b>Net financial debt</b>	<b>50,318</b>	<b>34,760</b>	<b>53,524</b>	<b>25,533</b>

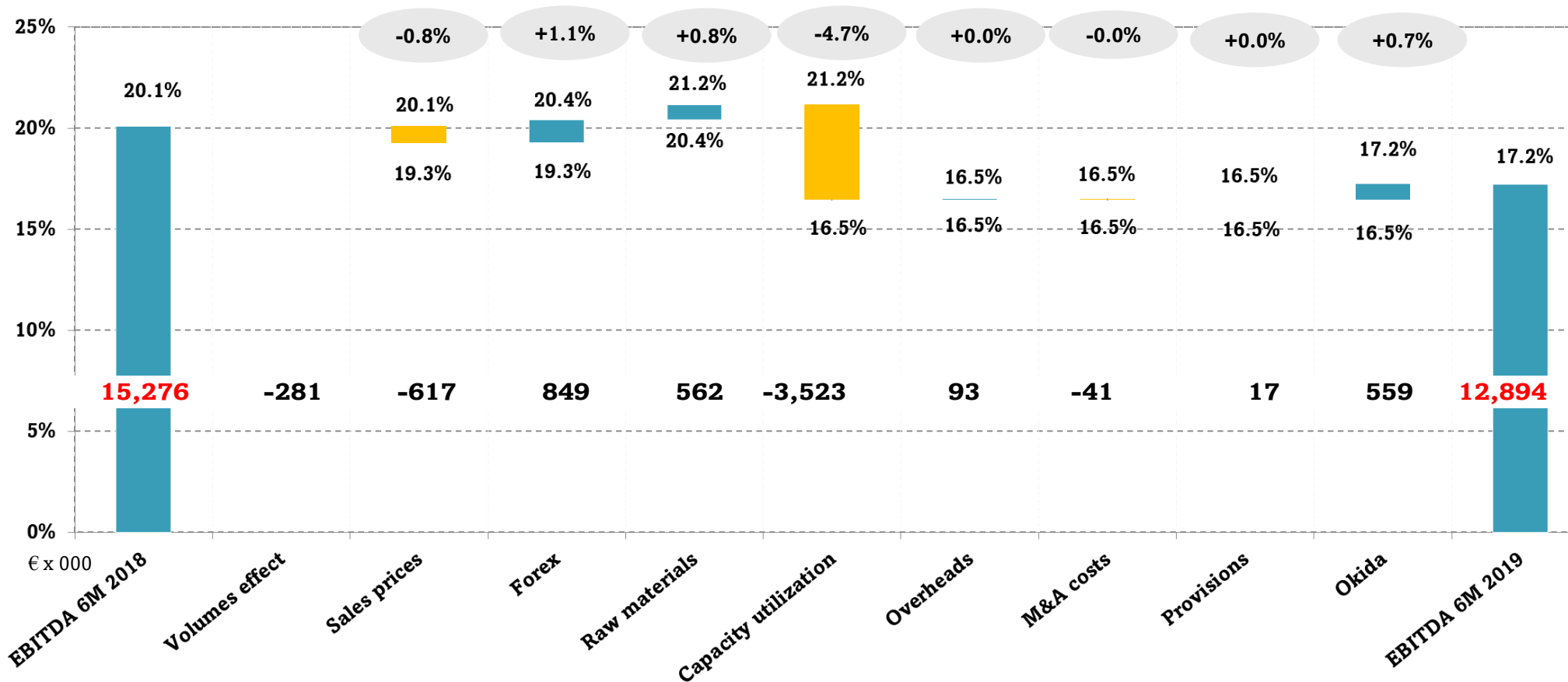
# Performance data

## Key performance indicators

	H1 2019	H1 2018	FY 2018	FY 2017
Debt / Equity	0.44	0.31	0.45	0.22
Debt / EBITDA	1.95	1.14	1.79	0.82
ROI	7.3%	12.1%	9.2%	12.5%
NWC / Sales	37.1%	37.3%	38.7%	33.8%
DSO	112	116	112	116
DPO	61	72	62	59
DSI	100	110	114	97

# Performance data

## EBITDA bridge H1 2018 – H1 2019



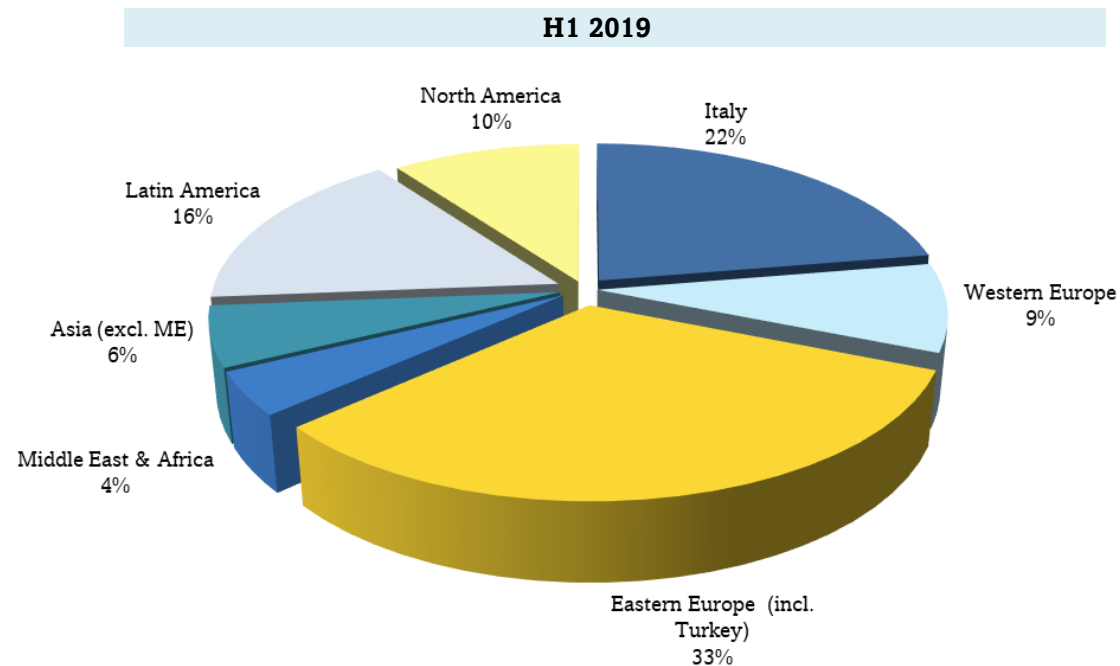
# Performance data

## Sales by market

€ x 000

	H1 2019	H1 2018	
Italy	16,733	18,308	-8.6%
Western Europe	6,500	6,119	+6.2%
Eastern Europe (incl. Turkey)	24,286	23,632	+2.8%
Middle East & Africa	3,196	5,188	-38.4%
Asia (excl. ME)	4,438	2,994	+48.2%
Latin America	12,103	12,400	-2.4%
North America	7,570	7,372	+2.7%
<b>Total</b>	<b>74,826</b>	<b>76,013</b>	<b>-1.6%</b>

	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%
<b>Total</b>	<b>150,642</b>	<b>150,223</b>	<b>+0.3%</b>



# Performance data

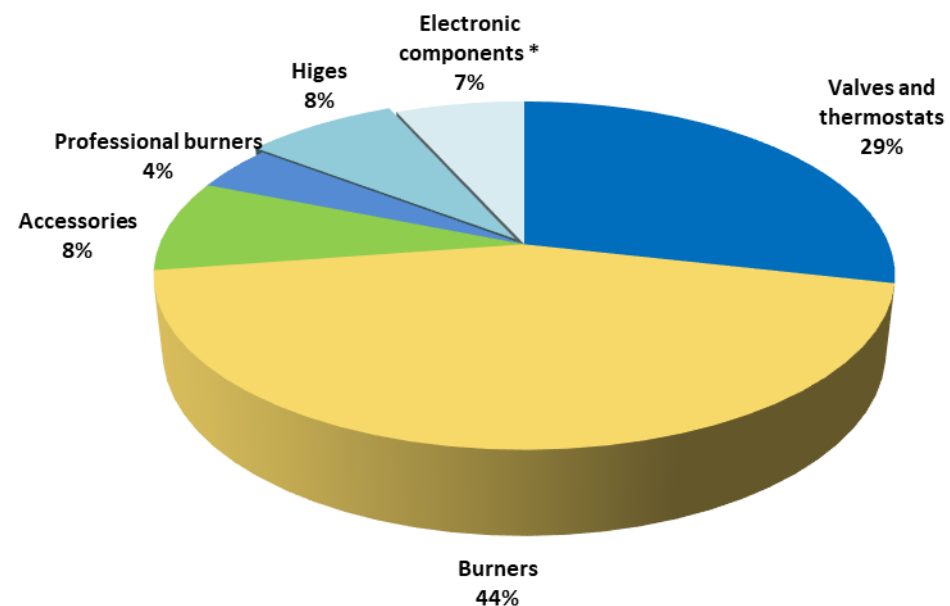
## Sales by product

€ x 000

	H1 2019	H1 2018	
Valves and thermostats	10,622	13,204	-19.6%
Burners	16,382	16,178	+1.3%
Accessories	3,163	4,035	-21.6%
Professional burners	1,572	1,430	+9.9%
Higes	2,962	2,663	+11.2%
Electronic components *	2,490	0	
<b>Total</b>	<b>37,191</b>	<b>37,510</b>	<b>-0.9%</b>

	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	
<b>Total</b>	<b>150,642</b>	<b>150,223</b>	<b>+0.3%</b>

H1 2019



\* Electronic components have been consolidated from Sep 2018

# Outlook 2019

The trend in demand during the third quarter remains dissimilar in the various markets in which the Group operates and does not show significant changes compared to the first part of the year.

Including the contribution from the recent acquisition of CMI, which will be consolidated as from August, the Group expects to achieve **sales** of approximately **€162 million** and **EBITDA** of **between €28 and €29 million** for the whole of 2019. Net of CMI, sales are expected to be around €150 million.

These forecasts assume a macroeconomic scenario not affected by unpredictable events. If the economic situation were to change significantly, actual figures might diverge from the 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

# BUSINESS PLAN 2018 - 2022

# Business plan 2018 - 2022

## Key points 1/2

**GROWTH**

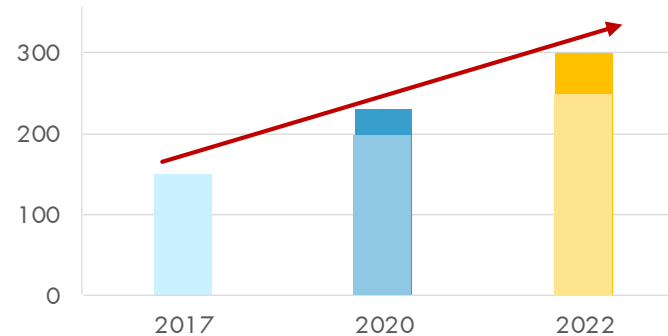
**SALES**

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



- around **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
- ✓ Planning to operate through a production plant in India
- ✓ 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 and **strong reduction of working capital**
- ✓ **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**
- ✓ 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
<b>Total</b>	<b>98</b>	<b>45</b>	<b>22 - 28 mn €</b>		

# Growth by acquisitions

## Target profile

### Transactions successfully completed in the past 12 months

Okida

Electronic components

September 2018

CMI

Hinges for domestic appliances

July 2019

### 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 and higher worldwide presence**, 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

New Entry  
CMI

# Okida acquisition - Update

One year 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

# Sabaf Group today

**SABAF**  
GROUP



## **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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