



SABAF[®]

SABAF
GROUP

THERE'S LIFE INSIDE

FINANCIAL PRESENTATION

BNP Paribas Exane

5th MidCap CEO Conference

16th November 2022

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COMPANY PROFILE

Sabaf Group: product range

SINCE 1950

GAS

- Standard Burners
- Special Burners
- Professional Burners
- Oven and Grill Burners
- Gas Valves
- Gas Oven Thermostats
- Microswitches & Accessories



SINCE 2018

ELECTRONICS

- Cooker Hoods
- Ovens
- Cookers and hobs
- Vitroceramic hobs control cards
- Refrigerators/freezers
- Other products



SINCE 2000, further expansion since 2019

HINGES

- Ovens
- Dishwashers
- Washing machines
- Special applications
- Small compartments
- Catering appliances



SINCE 2022

INDUCTION

Components for induction cookers and hobs



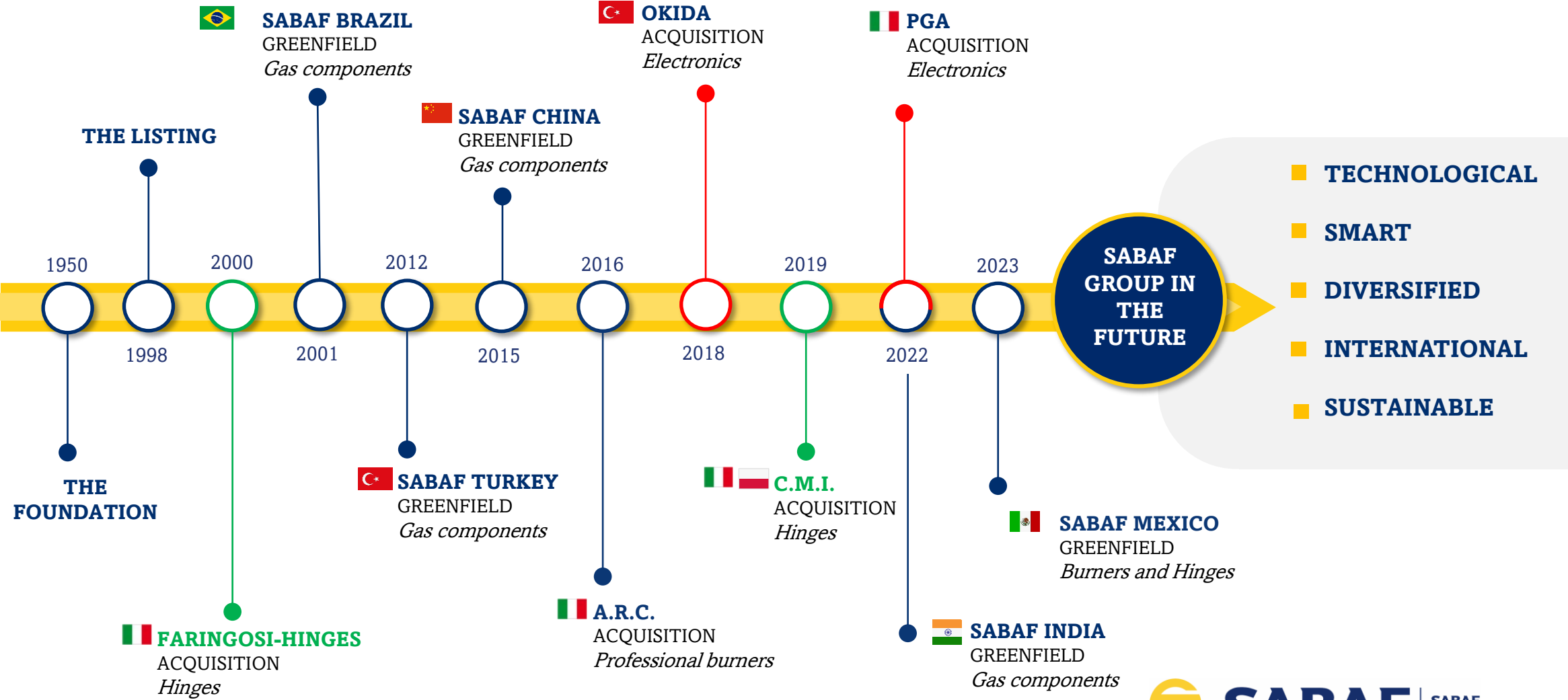
Inductor

Cooling system

Touch control

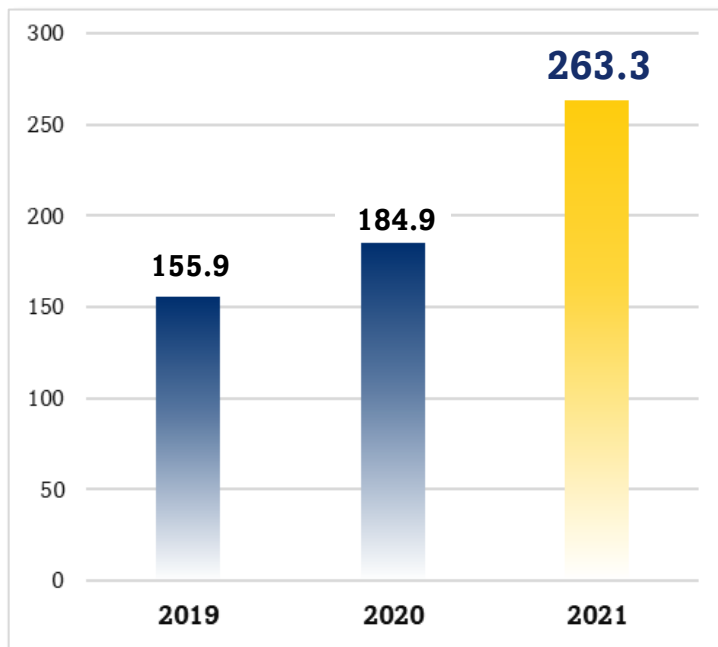
User interface

Sabaf Group: evolution



Sabaf Group: Revenues and EBITDA last 3 years

REVENUES

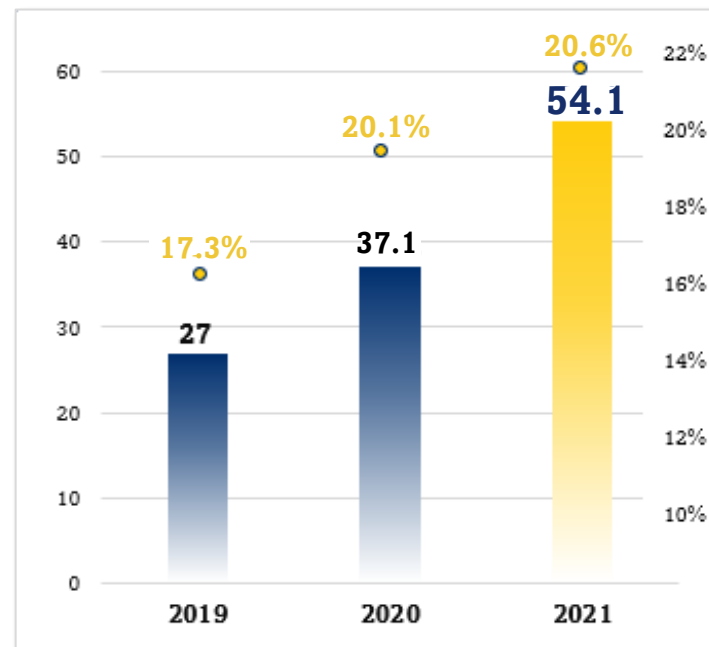


FY 2021 Revenues at € 263.3 mn

+ 42.4% vs. 2020

+ 68.9% vs. 2019

EBITDA



FY 2021 EBITDA at € 54.1 mn

+ 45.9% vs. 2020

+ 100.4% vs. 2019

Sabaf Group: leading producer of components for household appliances



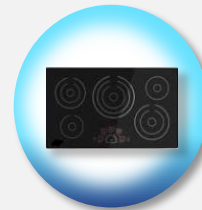
GAS



HINGES



ELECTRONICS

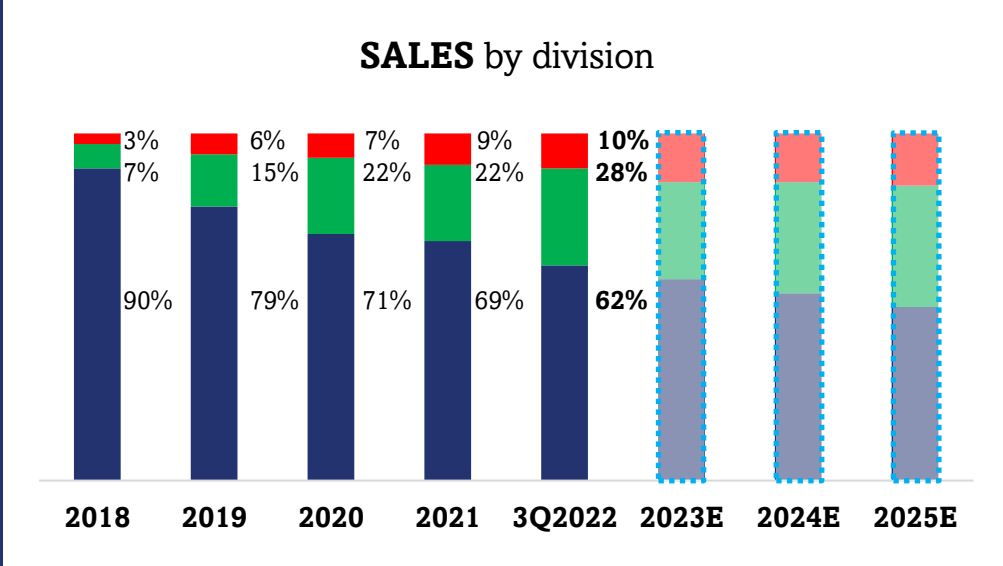


INDUCTION
NEW 2022

Widening product range

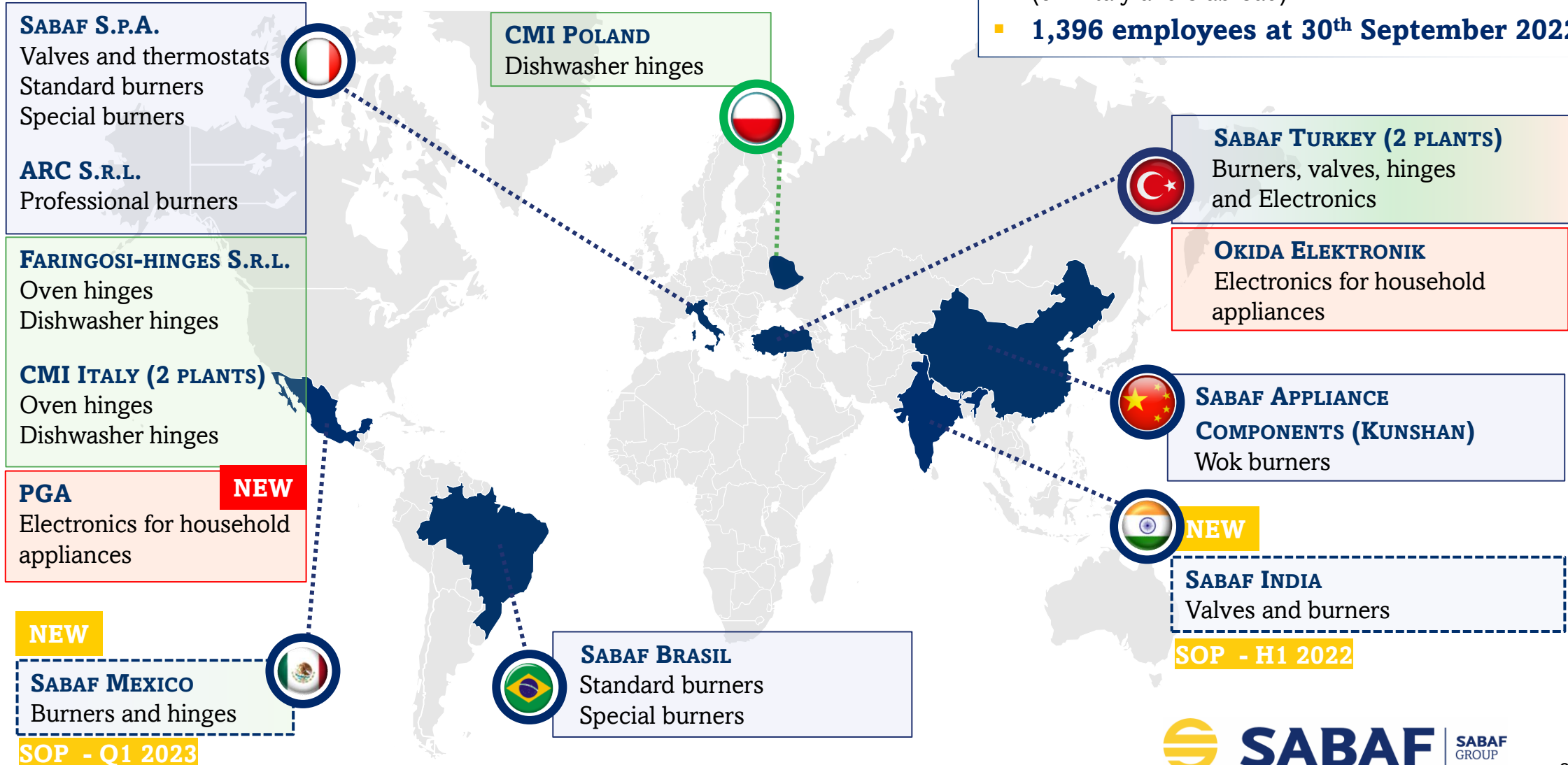
DIVERSIFICATION

Diversification of
profitability



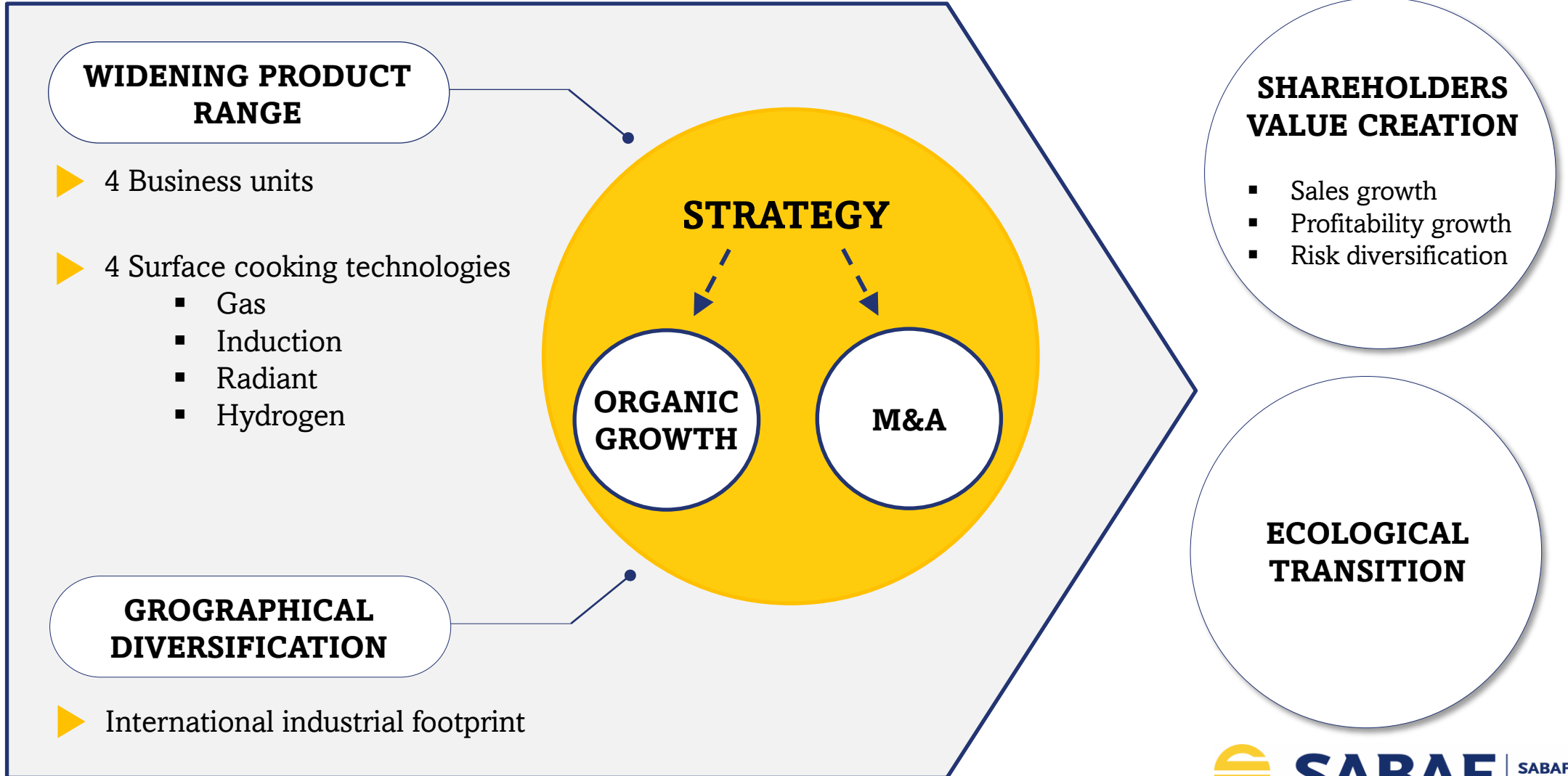
Sabaf Group: industrial footprint

- 2021: 10 production plants
- By 2022: 14 production plants (6 in Italy and 8 abroad)
- 1,396 employees at 30th September 2022



Why invest in Sabaf

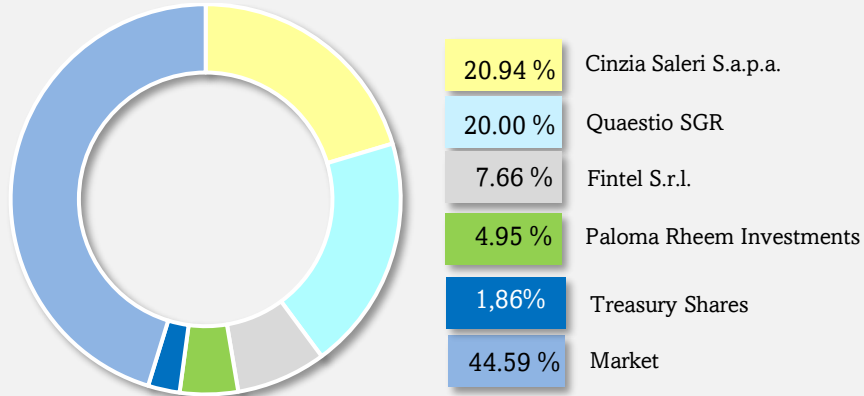
Strategy for value creation



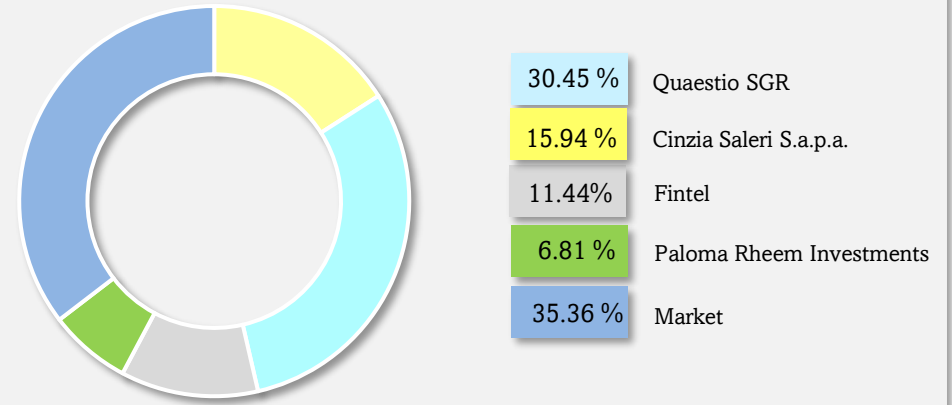
Sabaf Group

Main shareholders

% OF SHARE CAPITAL



% OF VOTING RIGHTS



Pietro Iotti, CEO of Sabaf,
owns 1.6%

2022 STRATEGIC MOVES

Strategic moves (becoming in facts)

SABAF INDUCTION

Sales start: first half 2023

P.G.A. ACQUISITION

October 2022

SABAF INDIA

Start of production: first half 2022

SABAF MEXICO

Start of production: first quarter 2023

Sabaf Induction: business strategy

1

The Sabaf Group aims to become a **key player** in the large **induction cooking** market

2

Through this strategic investment Sabaf intends to turn out as **leader and innovator** not only in the mechanical sector, but also in electronics and new technologies

3

The inclusion of induction technology will lead the Group to be one of the few players able to **fully cover all the three cooking surface technologies** (gas, radiant and induction)

4

Sabaf aims to carry on along the **sustainable growth** path in the respect of the environment

5

This project will push Sabaf to a further **evolution** and **deep transformation** in the next few years

2022

The Sabaf Group enters the
INDUCTION COOKING SECTOR

Sabaf Induction: business strategy

MARKET

The European market of induction cooking components, estimated at around €500 million

- **Steady growth** for several years at a rate of over 10%
- Highly **concentrated market** with few players (Technological complexity)

PROJECT

Investment plan

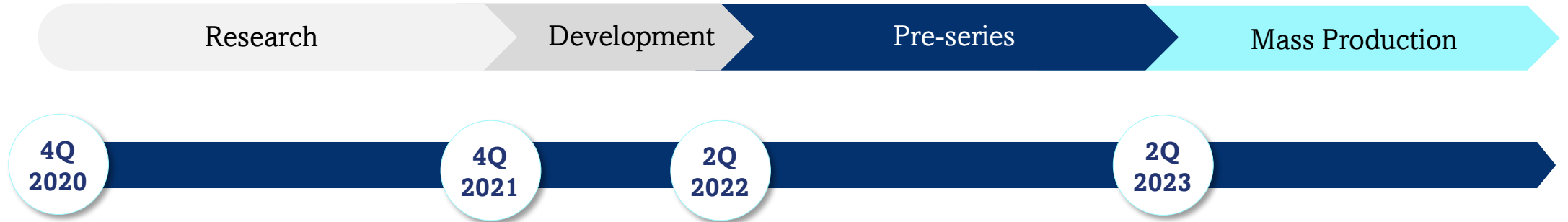
- About **€5 million** in R&D in the period 2021 – 2023
- Setting up of a **dedicated project team** in Italy

R&D

- Sabaf has developed **its own project know-how** internally by filing proprietary patents, software and hardware
- Creation of **innovative products** which better meet manufacturers' needs and new consumer trends
- The Group benefits from the expertise gained from the acquisition of **Okida** – the Turkish company of Sabaf Group already designated to electronics and where part of the induction cooking components will be produced
- Team of **more than 50 electronic engineers**

The project technological flexibility will enable Sabaf to offer to its clients **customised products**

Sabaf Induction: business strategy



- **5 product platforms** which cover the whole market (high, medium and basic range) with customisation opportunities
- The first **prototypes** has been released since **June 2022**
- **Production** will start by the **first half of 2023**
- Sabaf **network** for **sales** and distribution
- **Very positive customer feedback** (**agreements** with some important players have been already **signed**)
- Objective: at least **5% of the non-captive European market** by 2025, further expansion in the following years

P.G.A. acquisition

The company

- **P.G.A. S.r.l.** is based in **Fabriano** (AN)
- Owned by brothers **Andrea and Paolo Cennimo**, each of whom held 50% of the capital
- Operating for over 25 years in the field of design and assembly of **electronic control boards** for the household appliances sector
- Holds 100% of the share capital of **PGA2.0 s.r.l.**, a business unit dedicated to the design and prototyping of innovative solutions based on interconnection and the Internet of Things

The numbers

- 2021 **SALES: €11.5 million**
- 2021 **EBITDA: €2.2 million**
- **Net financial debt** at 30 June 2022: €1.3 million
- **36 employees**



P.G.A. acquisition

The acquisition

- **100%** of the share capital
- **Preliminary valuation** amounting to **€9.76 million** → **5x EBITDA** (average annual consolidated 2020 – 2022)
- The **purchase price** will be determined on the basis of the final P.G.A. Group **2022 EBITDA** and of the **net financial position** at the date of completion of the transaction
 - 75% paid in a single payment
 - 25% paid through the sale of Sabaf treasury shares
- Possible further price adjustment ("**earn-out**"), linked to the achievement of the Sabaf Group Electronics Division objectives
- Andrea and Paolo Cennimo will remain at the head of P.G.A. as Chief Executive Officers

The strategy

- The acquisition of P.G.A. reflects the aim of **diversification and expansion** of the offer defined in our Business Plan
- P.G.A. **integrates perfectly with Okida**, the Sabaf Group's company which is already active in the electronics sector and which is increasingly contributing to the Group's results
- The **Electronics Division plays a decisive role** in Sabaf's strategic development into a group with a full-fledged presence in advanced technologies in the household appliance industry → Electronics allows to reach **diversified future expansions** and **higher profitability level**
- Through this acquisition the **2023 Electronic division turnover** is expected to be around **€35 - 40 million**

Widening Industrial Footprint

SABAF INDIA

- **Production:** valves and burners for local market and potential export
- **Investments:** € 5.2 mn in 3 years
- **Area:** 24,000 sqm (5,000 sqm covered)
- **Expected capacity:** € 6 mn
- **Start of production:** first half 2022
- **Excellent outlook for growth in 2023**

SABAF MEXICO

- **Production:** burners and hinges for North and Central America markets
- **Investments:** € 5 mn in 3 years
- **Area:** 23,300 sqm (12,950 sqm covered)
- **Expected capacity:** € 11 mn already fully booked
- **Start of production:** first quarter 2023

FINANCIAL PERFORMANCE

Performance data

Income statement – 9 months 2022 vs. 9 months 2021

€ x 000

	9 MONTHS 2022		9 MONTHS 2021		Δ % 22 - 21	12 MONTHS 2021	
Revenue	201,623	100.0%	200,772	100.0%	+0.4%	263,259	100.0%
Other income	6,473	3.2%	5,979	3.0%		8,661	3.3%
Total operating revenue and income	208,096		206,751			271,920	
Consumption	(98,820)	(49.0%)	(84,059)	(41.9%)		(112,433)	(42.7%)
Personnel costs	(38,316)	(19.0%)	(40,922)	(20.4%)		(53,964)	(20.5%)
Other operating costs	(37,504)	(18.6%)	(37,601)	(18.7%)		(51,383)	(19.5%)
EBITDA	33,456	16.6%	44,169	22.0%	-24.3%	54,140	20.6%
Depreciation	(13,674)	(6.8%)	(12,718)	(6.3%)		(16,869)	(6.4%)
Gains/losses on fixed assets	242	0.1%	126	0.1%		237	0.1%
Write-downs/write-backs of non-current assets	-	0.0%	-	0.0%		-	0.0%
EBIT	20,024	9.9%	31,577	15.7%	-36.6%	37,508	14.2%
Net financial expense	551	0.3%	(89)	(0.0%)		(429)	(0.2%)
Revenues (expenses from hyperinflation)	(7,664)	(3.8%)	-	0.0%			
Exchange rate gains and losses	1,170	0.6%	(1,267)	(0.6%)		(7,399)	(2.8%)
Profits and losses from equity investments	(48)	(0.0%)	(38)	(0.0%)		-	0.0%
EBT	14,033	7.0%	30,183	15.0%	-53.5%	29,680	11.3%
Income taxes	(937)	(0.5%)	(6,126)	(3.1%)		(5,003)	(1.9%)
PROFIT FOR THE YEAR	13,096	6.5%	24,057	12.0%	-45.6%	24,677	9.4%
Minority interests	-	0.0%	794	0.4%		780	0.3%
PROFIT ATTRIBUTABLE TO THE GROUP	13,096	6.5%	23,263	11.6%	-43.7%	23,897	9.1%

Performance data

Income statement – III quarter 2022 vs. III quarter 2021

€ x 000

	III Q 2022		III Q 2021		Δ % 22 - 21	12 MONTHS 2021	
Revenue	55,939	100.0%	63,107	100.0%	-11.4%	263,259	100.0%
Other income	1,810	3.2%	1,494	2.4%		8,661	3.3%
Total operating revenue and income	57,749		64,601			271,920	
Consumption	(28,973)	(51.8%)	(28,258)	(44.8%)		(112,433)	(42.7%)
Personnel costs	(11,170)	(20.0%)	(12,786)	(20.3%)		(53,964)	(20.5%)
Other operating costs	(11,036)	(19.7%)	(11,572)	(18.3%)		(51,383)	(19.5%)
EBITDA	6,570	11.7%	11,985	19.0%	-45.2%	54,140	20.6%
Depreciation	(4,611)	(8.2%)	(4,377)	(6.9%)		(16,869)	(6.4%)
Gains/losses on fixed assets	20	0.0%	9	0.0%		237	0.1%
Write-downs/write-backs of non-current assets	-	0.0%	-	0.0%		-	0.0%
EBIT	1,979	3.5%	7,617	12.1%	-74.0%	37,508	14.2%
Net financial expense	220	0.4%	(112)	(0.2%)		(429)	(0.2%)
Revenues (expenses from hyperinflation)	(3,058)	(5.5%)	-	0.0%			
Exchange rate gains and losses	823	1.5%	586	0.9%		(7,399)	(2.8%)
Profits and losses from equity investments	-	0.0%	11	0.0%		-	0.0%
EBT	(36)	-0.1%	8,102	12.8%	-100.4%	29,680	11.3%
Income taxes	124	0.2%	(1,358)	(2.2%)		(5,003)	(1.9%)
PROFIT FOR THE YEAR	88	0.2%	6,744	10.7%	-98.7%	24,677	9.4%
Minority interests	-	0.0%	230	0.4%		780	0.3%
PROFIT ATTRIBUTABLE TO THE GROUP	88	0.2%	6,514	10.3%	-98.6%	23,897	9.1%

Highlights - III quarter 2022

Negative effects

- **DROP IN VOLUMES:**

- Sales volumes
- Production volumes

Causes: market slowdown after two years of strong growth, inflation, *destocking*.

- **INCREASE IN ENERGY COSTS:**

	Consumption	Cost
Electric Energy	-23%	+78%
Gas	-30%	+81%

- **INCREASE IN RAW MATERIAL COSTS**

Positive effects

- **STRONG CASH GENERATION**

- **WORKING CAPITAL IMPROVEMENT**

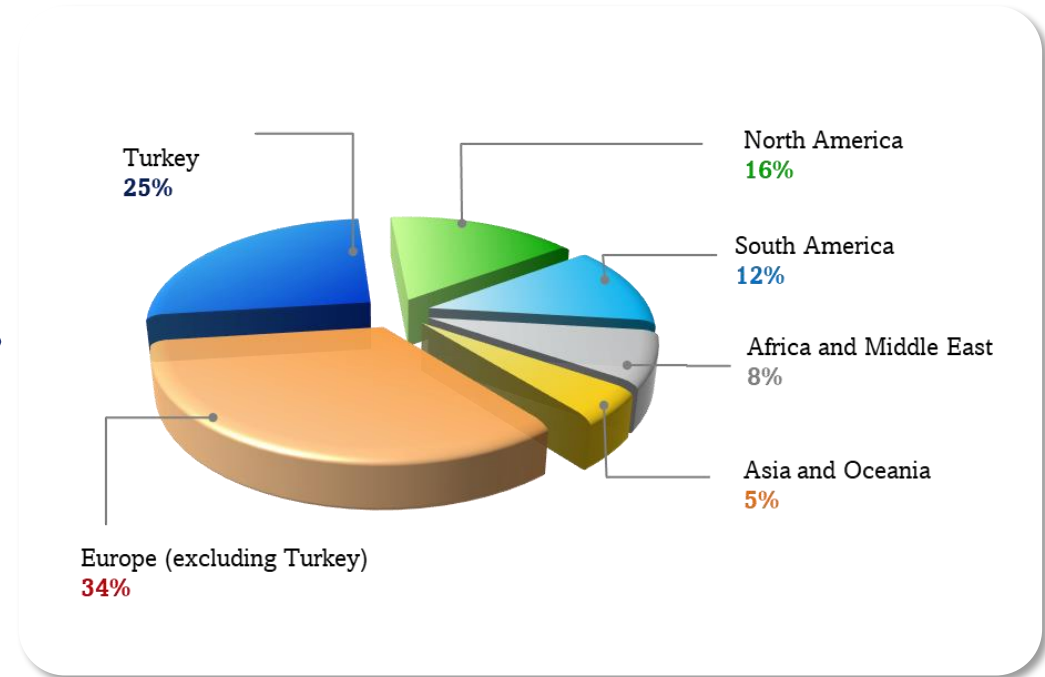
- **PRICE INCREASE**

- **FOREIGN EXCHANGE RATE EFFECT**

Performance data

Sales by market

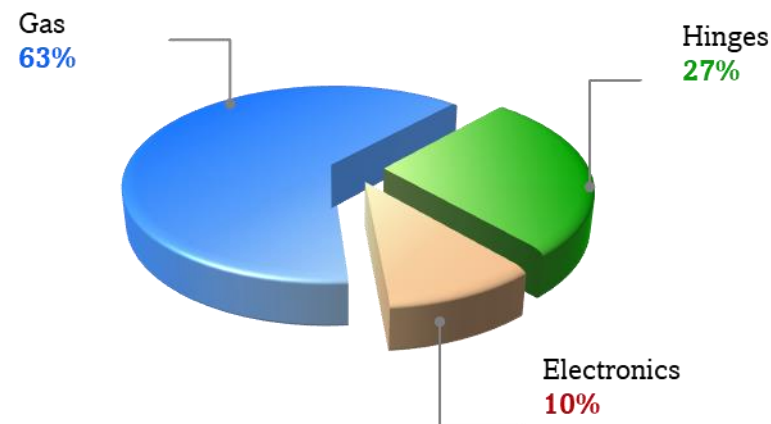
€ x 000	9 MONTHS 2022	9 MONTHS 2021	
Europe (excluding Turkey)	68,286	71,215	-4.1%
Turkey	51,619	49,329	+4.6%
North America	32,730	23,134	+41.5%
South America	24,237	30,452	-20.4%
Africa and Middle East	15,409	15,106	+2.0%
Asia and Oceania	9,341	11,536	-19.0%
Total	201,623	200,772	+0.4%



Performance data

Sales by product

€ x 000	9 MONTHS 2022	9 MONTHS 2021	
Gas	126,670	141,014	-10.2%
Hinges	55,751	43,002	+29.6%
Electronics	19,202	16,756	+14.6%
Total	201,623	200,772	+0.4%



Performance data

Balance Sheet

€ x 000	30/09/2022	30/06/2022	31/12/2021	30/09/2021	30/06/2021
Fixed assets	158,336	154,593	130,093	136,489	136,192
<i>Inventories</i>	<i>68,093</i>	<i>72,962</i>	<i>64,153</i>	<i>63,404</i>	<i>58,735</i>
<i>Trade receivables</i>	<i>64,886</i>	<i>90,189</i>	<i>68,040</i>	<i>75,688</i>	<i>81,666</i>
<i>Tax receivables</i>	<i>6,195</i>	<i>4,452</i>	<i>6,165</i>	<i>3,821</i>	<i>3,531</i>
<i>Other current receivables</i>	<i>5,523</i>	<i>5,556</i>	<i>3,136</i>	<i>2,530</i>	<i>3,086</i>
<i>Trade payables</i>	<i>(43,821)</i>	<i>(55,867)</i>	<i>(54,837)</i>	<i>(49,104)</i>	<i>(56,494)</i>
<i>Tax payables</i>	<i>(3,519)</i>	<i>(1,678)</i>	<i>(4,951)</i>	<i>(5,504)</i>	<i>(6,629)</i>
<i>Other payables</i>	<i>(12,011)</i>	<i>(12,972)</i>	<i>(13,075)</i>	<i>(12,478)</i>	<i>(13,463)</i>
Net working capital	85,346	102,642	68,631	78,357	70,432
Provisions for risks and severance indemnity	(9,467)	(8,982)	(8,681)	(8,733)	(8,883)
Capital Employed	234,215	248,253	190,043	206,113	197,741
Equity	155,419	153,460	122,436	132,572	126,615
Net debt	78,796	94,793	67,607	73,541	71,126
Sources of finance	234,215	248,253	190,043	206,113	197,741

Performance data

Cash flow statement

€ x 000	III QUARTER 2022	6 MONTHS 2022	9 MONTHS 2022	9 MONTHS 2021	12 MONTHS 2021
Cash at the beginning of the period	12,343	43,649	43,649	13,318	13,318
Net profit	88	13,008	13,096	24,057	24,683
Depreciation	4,611	9,063	13,674	12,718	16,869
Other income statement adjustments	1,595	3,668	5,263	6,011	5,810
Change in net working capital					
- Change in inventories	3,724	(6,037)	(2,313)	(24,180)	(24,929)
- Change in receivables	25,303	(22,151)	3,152	(12,252)	(4,604)
- Change in payables	(12,046)	1,047	(10,999)	7,331	13,064
	16,981	(27,141)	(10,160)	(29,101)	(16,469)
Other changes in operating items	(1,418)	(6,807)	(8,225)	(3,898)	(7,677)
Operating cash flow	21,857	(8,209)	13,648	9,787	23,216
Investments, net of disposals	(5,085)	(11,018)	(16,103)	(19,501)	(23,752)
Free Cash Flow	16,772	(19,227)	(2,455)	(9,714)	(536)
Cash flow from financial activity	6,636	(4,314)	2,322	18,138	47,405
Own shares buyback	(585)	(1,189)	(1,774)	-	-
Dividends	-	(6,690)	(6,690)	(6,172)	(6,172)
CMI and ARC acquisitions	-	-	-	-	(6,393)
Deconsolidation / consolidation ARC Handan	-	(97)	(97)	-	97
Forex	(650)	211	(439)	(257)	(4,070)
Net financial flow	22,173	(31,306)	(9,133)	1,995	30,331
Cash at the end of the period	34,516	12,343	34,516	15,313	43,649

Performance data

Financial indicators

	9 MONTHS 2022	6 MONTHS 2022	9 MESI 2021	12 MONTHS 2021
Change in turnover (vs. previous year)	+0.4% <i>vs. 9m 2021</i>	+5.8% <i>vs. 6m 2021</i>	+60.0% <i>vs. 9m 2020</i>	+42.4% <i>vs. 12m 20</i>
ROCE (return on capital employed)	11.4%	14.5%	20.4%	19.7%
Net debt/EBITDA	1.77	1.76	1.25	1.25
Net working capital/Turnover	31.7%	35.2%	29.3%	26.1%
Net debt/equity	50.7%	61.8%	55.5%	55.2%
Days of Sales Outstanding	87	111	102	101
Days of Payables Outstanding	83	96	90	96
Days of Inventory Outstanding	105	106	105	99

Outlook

In the current quarter:

- Demand remains generally weak in the main markets in which the Group operates
- The impact of destocking seems to have worn off in recent weeks
- Commodity and energy prices show a downward trend compared to recent peaks

For the whole of 2022:

the Group expects to achieve **sales of between €253 million and €256 million** (including the consolidation of the fourth quarter results of the newly acquired P.G.A.)

The Board of Directors confirms the worth of the **internationalization and diversification path** that the Group has undertaken and which has led, compared to the first 9 months of 2019, to **an increase in turnover of 74.9%** (from €115.3 million to €201.6 million) **and in EBITDA of 63.6%** (from €20.4 million to €33.5 million)

The Group is confident that the **strategic projects** launched in implementation of the Business Plan, aimed at diversifying the product range, increasing its international presence and at a substantial production processes efficiency, can significantly contribute to the **growth and strengthening of its competitive position**

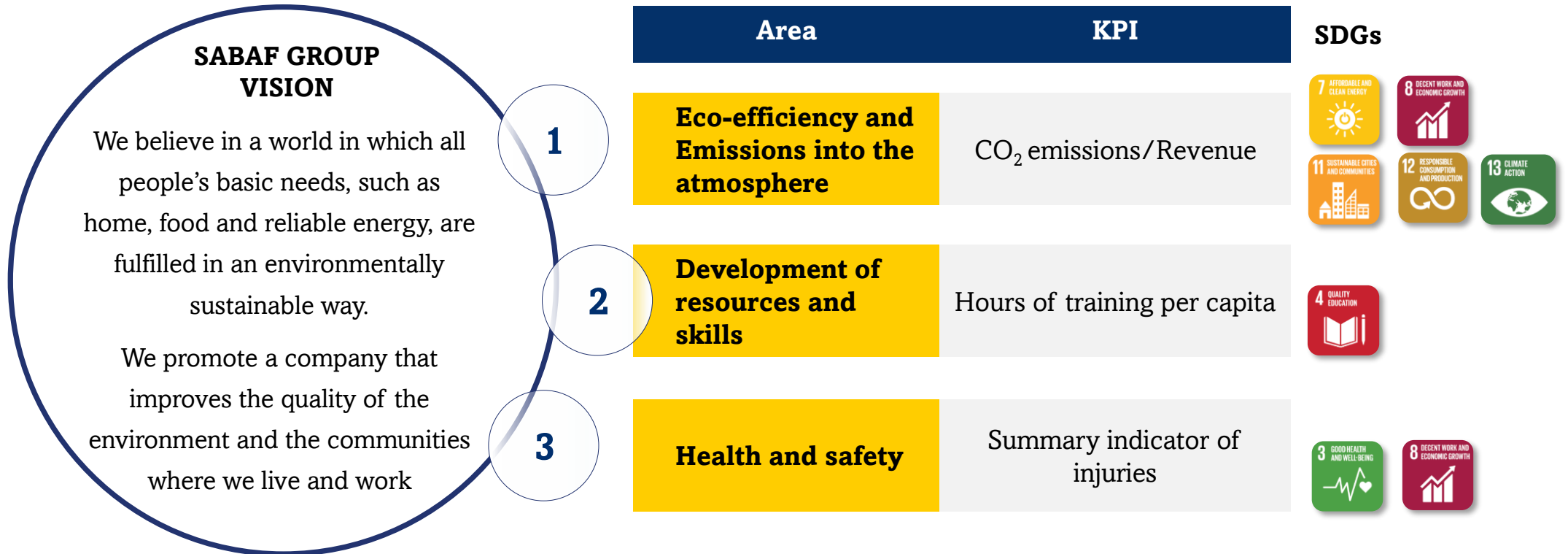
- **Sales of induction cooking components** (for which the Group has already signed some significant contracts) will start in 2023
- **P.G.A. will be integrated** into the Electronics Division
- A few months after the **successful start-up of the Indian plant**, the **production of gas components in Mexico will also be started** and will contribute to further growth in the important North American market

SUSTAINABILITY

Sabaf: a sustainable business

Sustainability in the Business plan 2021 - 2023

“ Sabaf’s strategy and governance model are aimed towards ensuring long-term sustainable growth. For Sabaf, sustainability is primarily based on sharing values with its stakeholders; compliance with common values increases mutual trust and encourages knowledge development ”



Sabaf: a sustainable business

KPI measurement

KPI	Unit of measurement	2023 Target vs. 2020	2020 ACTUAL	2021 TARGET	2021 ACTUAL	9M 2022 ACTUAL	2022 TARGET	2023 TARGET
1 CO ₂ emissions/Revenue	tCO _{2eq} / million of Euro	-14%	132	<128	111	91.52	<120	<114
2 Hours of training per capita	h	+40%	13.9	>11.0	20.4	14.9	>13	>15
3 Summary indicator of injuries	-	-44%	177	<140	327	90	<120	<100

NOTES

- KPI 1 **CO₂ emissions/Revenue** = CO₂ emissions scope 1 + scope 2 market-based / Revenue
- KPI 3 **Summary indicator of injuries** = injury rate x injury lost day rate x 100
 - injury rate = number of injuries x 1,000,000/total hour worked
 - injury lost day rate = days of absence x 1,000/hours worked

ESG Performance - Corporate Governance

Remuneration policy

LONG - TERM INCENTIVE PLAN

2021 - 2023

Linked to the economic-financial and sustainability objectives set out in the **2021-2023 Business plan**

Definition of **SUSTAINABILITY OBJECTIVES**:

- With reference to the issues highlighted in the **materiality analysis**
- Fully in line with **best practices** and **Corporate Governance Code**

MATERIAL TOPIC	KPI	IMPACT ON THE LTI PLAN
Emissions into the atmosphere	CO ₂ emissions scope 1 + scope 2 market based/Revenue	15%
Development of resources and skills	Hours of training per capita (by collaborator)	5%
Health and safety of personnel	Summary indicator of injuries (injury rate x injury lost da rate x 100)	5%
Impact of sustainability objectives on total LTI		25%

ESG Performance - Environment

CO₂ Emissions for the production of electric power (2019 energy mix)

	EMISSIONS		ENERGY SOURCE	
	g CO _{2eq} /kWh	Renewable	Fossil	Nuclear
Italy	315	33%	67%	-
France	56	19%	11%	70%
Europe	298	29%	50%	21%
US	374	16%	64%	20%
China	609	26%	70%	4%
India	684	18%	79%	3%
World	521	24%	65%	11%

Source: Terna International comparison

ESG Performance - Environment

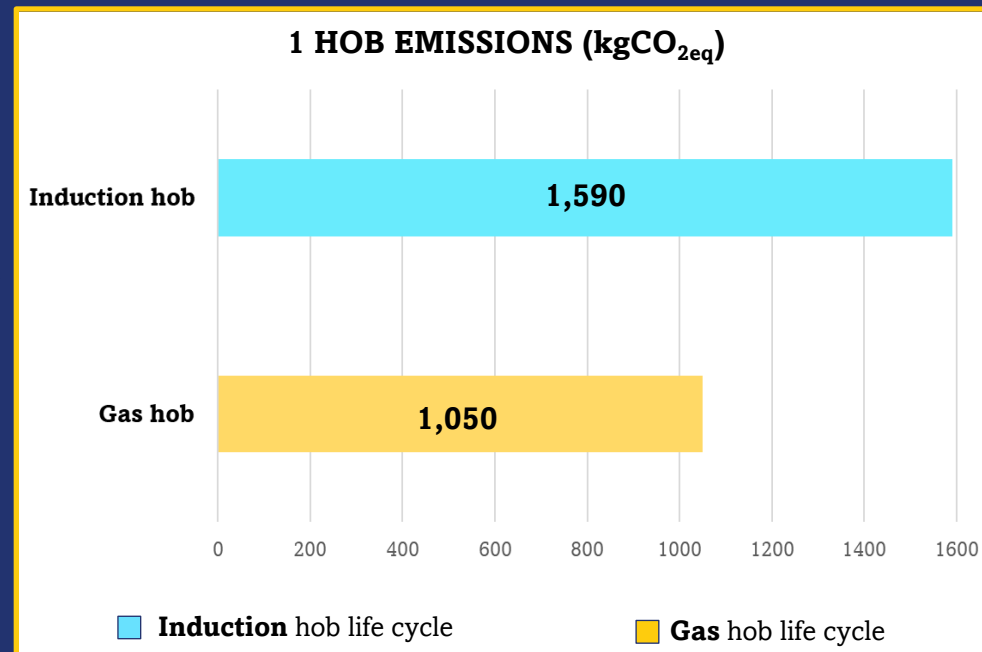
CO₂ Emissions of gas hobs vs. induction hobs in Italy (from Journal of Cleaner production)

Scenario:

- preparation of a complete homemade meal (lunch)
- five (5) times per week
- for 20 years
- consumed by a four-member family **in Italy**

At the present time, **gas hobs are still more efficient** in term of environmental impacts

The energy generation grid mix largely affects the results: **only when energy sources will include a higher rate of renewables** (photo- voltaic, wind power, cogeneration, etc.) **the induction cooking technology will be environmentally friendly**



Source: <https://www.sciencedirect.com/science/article/abs/pii/S0959652618308011>

Journal of Cleaner production

Article «Comparative life cycle assessment of cooking appliances in Italian kitchens»

Claudio Favi ^a, Michele Germani ^b, Daniele Landi ^b, Marco Mengarelli ^c, Marta Rossi ^b

^a Università degli Studi di Parma ^b Università Politecnica delle Marche ^c Energy Research Institute, Nanyang Technological University

ESG Performance - Environment

CO₂ Emissions of gas hobs vs. electric induction hobs

- Gas hob emission 1,050 / induction hob emission 1,590 = 1.51
- CO₂ emissions Break-Even Point Gas vs. Induction is:
 $315 / 1.51 = 208 \text{ g CO}_{2\text{eq}}/\text{kWh} \rightarrow$ equivalent to ~70% of electric power generated by renewable energy sources

A necessary condition for an induction hob to generate lower CO₂ emissions than a gas hob is that the electricity is produced with a % of **renewable sources** (or nuclear energy) **greater than 70%**.

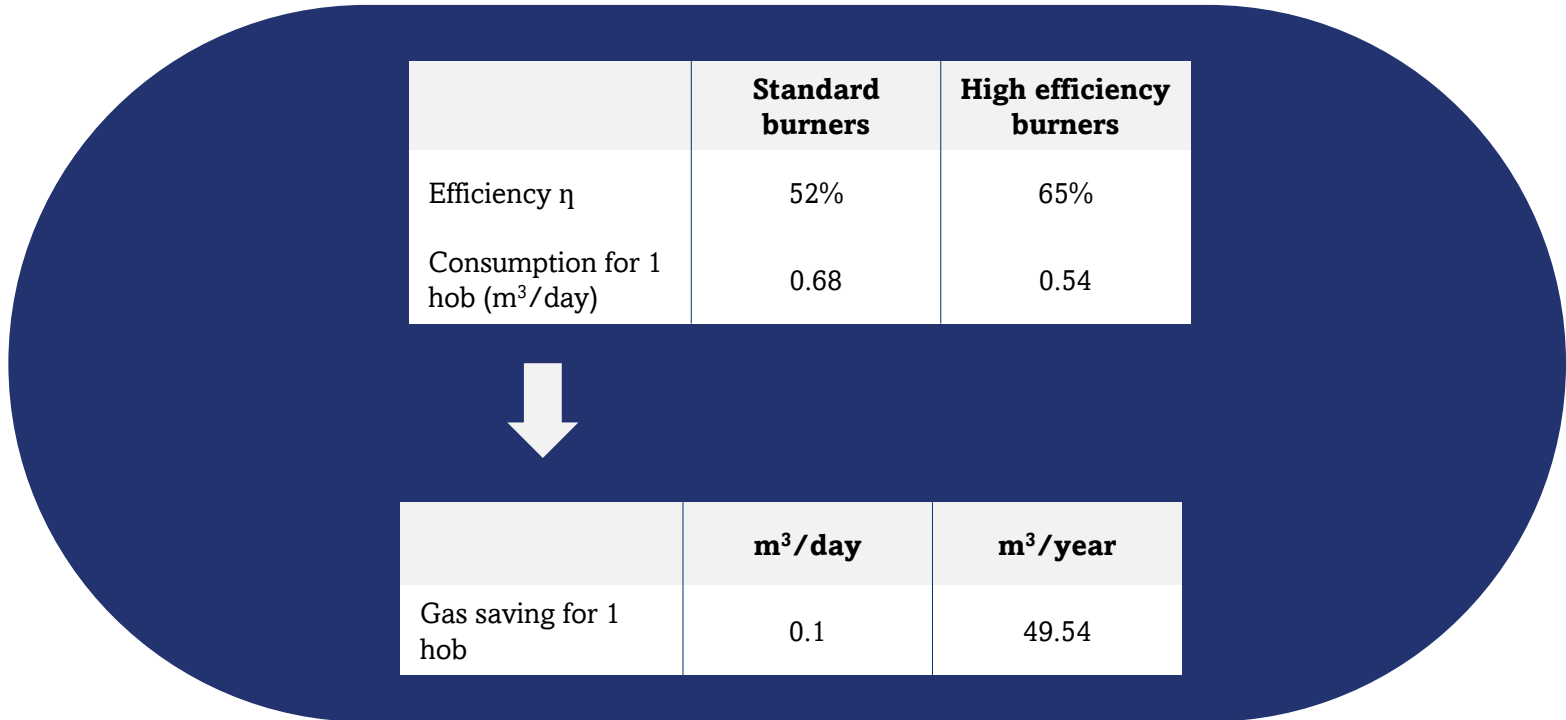
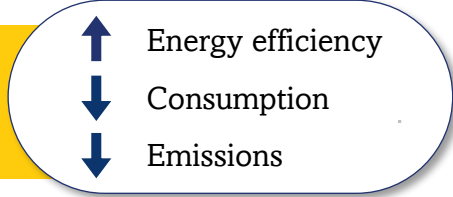
Countries that have less than 70% renewable energy pollute more if they use electric induction hobs than gas.

ESG Performance - Environment

High efficiency burners



More than 23% of burners produced are high efficiency burners
 Energy efficiency > 60% (Increasing efficiency year by year)



ESG Performance - Environment

Hydrogen: project Hy4Heat



Hy4Heat

H₂

Hydrogen

Sabaf strategic partner
in the Hy4Heat Project
with zero Co2 emissions
in cooking appliances

The Hy4Heat project aims to establish whether it is technically possible, safe and convenient to **replace natural gas (methane) with 100% hydrogen** in residential and commercial buildings and gas appliances. The Hy4Heat project is financed by BEIS, (the UK governments Department for Business, Energy, and Industrial Strategy) and involves ten separate work packages

The SABAF Group, **through its subsidiary ARC**, is involved in Work Package 4, which covers cooking and heating appliances. ARC has developed and produced the burners that have now been specified on the **world's first UKCA Certified ranges of 100% hydrogen hobs and cookers**. These have been installed on the cooking appliances Glen Dimpex at HyHome, two purpose built houses demonstrating hydrogen appliances in a 'real life' scenario at Low Thornley, near Gateshead in the North of England

Immediately following the Hy4Heat project, cooking appliances incorporating ARC burners will be specified for the Community Trial involving **300 homes commencing in 2022**. Beyond the Community Trial, the UK Government intends to commission a **'Village Trial' with around 2,500 homes** in 2025 and a **'Town Trial' (10,000 homes)** in the latter part of the decade prior to potentially converting the whole UK gas grid to hydrogen over future years

ARC is involved also in Work Package 5B (Commercial hydrogen gas appliance development) which , includes commercial catering equipment where ARC has developed commercial hob burners for Falcon Foodservice Equipment Ltd

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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