



AMORIM

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First-half sales grow 3% to €412 million

Highlights:

- **Cork Stopper BU registers robust sales growth (+4.7%)**
- **First-half EBITDA/Sales ratio (16.6%) upholds trend observed at the end of 2018**
- **Net profit stable**

Sales

In the first half of 2019, Corticeira Amorim recorded total sales of €412.2 million, an increase of 3.1% on the same period of 2018.

In terms of sales by business unit (BU), the Insulation BU registered the strongest performance with sales growth of 15.6%, followed by the Raw Materials BU (+12.0%). Sales by the Cork Stoppers and Composite Cork BU increased 4.7% and 4.0% respectively. The Floor and Wall Coverings BU recorded a first-half drop in sales.

Sales by the **Raw Materials BU** totalled €106.9 million (up 12.0% on the same period of 2018), essentially reflecting an increase in activity (mainly driven by the Cork Stoppers BU) and higher cork sales prices.

The **Cork Stoppers BU** recorded sales of €295.7 million (up 4.7% on the same period of the previous year). Highlights include growth in all business segments (still wines, sparkling wines and spirits) and in the most relevant wine markets - except for France, due to a reduction in the bottling volumes of wines from 2017 harvest (Bordeaux).

Sales by the **Floor and Wall Coverings BU** totalled €56.1 million (down 2.2% on the same period of 2018). The drop in first-half sales reflects delays in commercialising a new line of WISE products, which is expected to make a bigger contribution to sales in the second half.

The **Composite Cork BU** registered sales of €53.4 million (up 4.0% on the same period of 2018). This positive first-half performance resulted mainly from an increase in sales prices and the favourable impact of the USD exchange rate. Highlights include the excellent performance of the Resilient & Engineered Flooring Manufacturers and Sports Surfaces segments, reflecting the BU's continued efforts to develop and launch new products. The BU continued to focus strongly on circular economy, especially on reusing and recycling by-products of other industries.



Performance

Corticeira Amorim ended the first half with a net profit of €40.4 million (1H18: €41.2 million). In spite of the context of big increases in raw material prices, net profit remained stable.

Consolidated EBITDA totalled €68.3 million, a reduction of 11.8% compared with the first half of the previous year. The decrease reflected the unfavourable performance of the Floor and Wall Coverings BU as well as the negative impact of increased cork consumption prices. Although higher sales prices and operational efficiency gains helped offset the reduction in EBITDA, the EBITDA/Sales ratio decreased to 16.6% (12M18: 17.6%).

EBITDA for the **UN Raw Materials and Cork Stoppers BU** rose to €66.6 million (down 7.3% on the same period of the previous year). In spite of the unfavourable context of the increased cork prices, they recorded an EBITDA/Sales ratio of 21.9% (12M18: 22.3%), reflecting an increase in sales prices and operational efficiency gains.

The **Floor and Wall Coverings BU** recorded negative EBITDA of €2.1 million, mainly reflecting additional marketing and product development costs resulting from the launch of a new line of WISE products, as well as a less favourable product mix. The implementation of additional measures to increase efficiency, namely in the areas of logistics and industrial operations, should help to reverse this negative trend, having a bigger impact next year.

EBITDA for the **Composite Cork BU** reached €6.1 million (up 14.5% on the same period of the previous year). EBITDA/Sales ratio rose to 11.5% (12M18: 10.1%), supported by higher sales prices and a favourable exchange rate effect, which more than offset the negative impact from higher cork prices.

The adoption of the IFRS 16 Leases did not entail significant changes to Corticeira Amorim's financial statements. The main impacts were a €0.8 million increase in EBITDA, a €0.8 million increase in depreciations and a €5.1 million increase in debt at the end of the first half.

At the end of the first half of 2019, net interest-bearing debt totalled €149.9 million (12M18: €139.0 million). Excluding the impact of adopting the IFRS 16 referred to in the previous paragraph, net interest-bearing debt would have totalled €144.8 million.

Mention should also be made of the positive effect that receiving the final distribution of escrow funds due (€2.4 million) from the disposal of US Floors had in the first half.

Regarding income tax, the Group benefitted from a reversion of provisions, notably a final inspection that resulted in the utilisation of taxes losses at a subsidiary in Spain.

After results attributable to non-controlling interest, net profit totalled €40.4 million, in line with the profit recorded in the same period of the previous year.



Main indicators

		1H18	1H19	yoy	2Q18	2Q19	qoq
Sales		399 865	412 243	3,1%	214 505	209 920	-2,1%
Gross Margin – Value		206 977	204 219	-1,3%	107 023	101 502	-5,2%
	1)	49,3%	48,0%	-1,3 p.p.	47,9%	46,4%	-1,52 p.p.
Operating Costs - current		146 034	153 929	5,4%	74 828	76 838	2,7%
EBITDA - current		77 424	68 287	-11,8%	40 583	33 503	-17,4%
EBITDA/Sales		19,4%	16,6%	-2,8 p.p.	18,9%	16,0%	-3, p.p.
EBIT - current		60 943	50 290	-17,5%	32 195	24 663	-23,4%
Non-current results	2)	681	0	N/A	820	0	N/A
Net Income		41 214	40 352	-2,1%	22 393	21 742	-2,9%
Earnings per share		0,310	0,303	-2,1%	0,178	0,173	-2,9%
Net Bank Debt		102 134	149 912	47 778	-	-	-
Net Bank Debt/EBITDA (x)	3)	0,73	1,20	0,47 x	-	-	-
EBITDA/Net Interest (x)	4)	136,6	81,8	-54,87 x	145,3	73,1	-72,22 x

1) Related to Production

2) Figures refer to the reversal of provisions for Amorim Argentina, Amorim Revestimentos restructuring and transaction costs for subsidiaries acquisition

3) Current EBITDA of the last four quarters

4) Net interest includes interest from loans deducted of interest from deposits (excludes stamp tax and commissions)