



AMORIM

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Corticeira Amorim's sales increase 9% to €202 million

Highlights:

- Sales growth supported by the Cork Stoppers BU, whose sales increased 11.3%
- First quarter EBITDA margin (17.2%) similar to the 2018 full year value (17.6%)
- Net profit remained stable in spite of a climate of sharply increasing raw material prices

Sales

Sales in the first quarter of 2019 totalled €202.3 million, an increase of 9.2% on the same period of 2018. The increase does not include any impact relating to changes in the consolidation perimeter. Excluding the effect of exchange rate variations, sales would have increased 7.9% compared with the first three months of the previous year, representing significant growth in consolidated sales.

In terms of sales by Business Unit (BU), the sales of the Cork Stoppers BU (+11.3%) deserve to be highlighted, given the weight the BU has in Corticeira Amorim's total sales. Sales by the Raw Materials (+28.7%), Composite Cork (+9.2%) and Insulation (+26.5%) BUs also made significant contributions to the overall increase.

Sales by the **Raw Materials BU** totalled €58.7 million, an increase of 28.7% on the same quarter of the previous year. Because this BU sells mainly to other Corticeira Amorim units, its increase in sales reflects the increased activity of the other BUs.

Sales by the **Cork Stoppers BU** totalled €143.4 million, an increase of 11.3% on the same period of 2018. At constant exchange rates, its sales would have grown 10.1%. Sales rose in all business segments. In geographical terms, sales in the US, Spain and Italy were strong, while sales in France reflected the country's weak grape harvest in 2017.

Sales by the **Floor and Wall Coverings BU** totalled €28.4 million, a fall of 2.6% in relation to the same period of the previous year and a continuation of the 2018 trend. Sales in the first quarter do not yet reflect the projected impact of the launch of the new WISE product line, which is expected to be felt in the second half of the year.

The **Composite Cork BU** registered sales of €26.6 million, an increase of 9.2% on the first quarter of 2018. The increase was largely related to

higher sales prices, the favourable impact of the USD exchange rate and the sale mix.

Performance

Corticeira Amorim ended the first quarter of 2019 with a net profit of €18.6 million, down 1.1% on the same period of 2018. In the context of a reduction in EBITDA resulting from the higher purchasing price of cork and the negative performance of the Floor and Wall Coverings BU, the decrease in net profit is less significant than might have been expected.

Consolidated EBITDA totalled €34.8 million (Q118: €36.8 million), down 5.6% on the same quarter of 2018. Due mainly to the increased purchasing price of raw materials, the EBITDA margin fell in comparison with same period of the previous year, from 19.9% to 17.2%. Taking the EBITDA margin for the full year of 2018 (17.6%) as a reference, the reduction is less significant and in line with expectations. Price increases and operational efficiency gains helped offset the reduction in EBITDA.

EBITDA at the **Raw Materials and Cork Stoppers BU** totalled €33.9 million, an increase of 1% compared with the same quarter of 2018 (Q118: €33.5 million). The profitability of this BU decreased (the EBITDA margin fell from 25.1% to 22.8%) in a context of higher cork prices. Increased sales prices and operational efficiency gains were not enough to offset the higher purchasing cost of raw materials.

The **Floor and Wall Coverings BU** recorded an EBITDA loss of €1 million, reflecting the expenditure involved in launching the new WISE product line (mainly development and marketing costs). These costs are expected to be less expressive in the remaining nine months of 2019. However, the BU's negative performance does not only reflect this. Additional efficiency measures are required - and are already being implemented - in areas including logistics and industrial operations, with the aim of reverting the trend of the first quarter.

The **Composite Cork BU** recorded an EBITDA of €3.2 million (Q118: €3.6 million), impacted mainly by increased raw material prices, partially offset by increased activity, with higher sales prices and better product mix. The EBITDA margin fell to 12.2% (Q118: 14.7%).

The **Insulation BU** registered an EBITDA of practically zero (-€48 thousand), a decrease compared with the €0.3 million recorded for the same quarter of the previous year. Higher purchasing prices for cork, the only raw material used by this BU, impacted profitability.

The adoption of the IFRS 16 - Leases did not entail significant changes to Corticeira Amorim's financial statements. The main impacts were a €0.5 million increase in EBITDA, a €0.4 million increase in depreciations and a €7.6 million increase in debt at March 31, 2019.

At the end of the quarter, net interest-bearing debt totalled €141.7 million (12M18: €139.0 million). This debt already includes the effect of the adoption of the IFRS 16 Leases standard referred to in the previous paragraph. In comparable terms, excluding this effect, debt would have fallen by €4.9 million in the first quarter.

Receiving the final distribution of escrow funds due (€2.3 million) from the disposal of US Floors made a positive impact in the first quarter.

After results attributable to interests that Corticeira Amorim does not control, net profit totalled €18.6 million, in line with the profit recorded in the same period of the previous year.

Main indicators

		1Q18	1Q19	qoq
Sales		185,360	202,323	9.2%
Gross Margin – Value		99,954	102,718	2.8%
	1)	50.8%	48.0%	-2.73 p.p.
Operating Costs - current		71,206	77,091	8.3%
EBITDA - current		36,841	34,785	-5.6%
EBITDA/Sales		19.9%	17.2%	-2.683 p.p.
EBIT - current		28,748	25,627	-10.9%
Non-current costs	2)	-139	0	-
Net Income		18,820	18,609	-1.1%
Earnings per share		0.142	0.140	-1.1%
Net Bank Debt		85,923	141,736	55,813
Net Bank Debt/EBITDA (x)	3)	0.63	1.07	0.45 x
EBITDA/Net Interest (x)	4)	128.2	92.3	-35.90 x

1) Related to Production

2) 1Q18 figures refer to transaction costs of Elfverson

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)