AMORIM

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Sales increase 3.2% to €603 million

Highlights:

- *Strong sales growth by the Cork Stoppers BU (+5.3%)*
- Acquisition of 50% of VINOLOK consolidated by the equity method
- *Proposal to distribute free reserves in the amount of €0.085 per share to shareholders*

Sales

In the first nine months of 2019, Corticeira Amorim recorded consolidated sales of €602.6 million, an increase of 3.2% compared with the same period of 2018. This growth was supported by the positive impact of exchange rate variations. Excluding this effect, sales would have grown 2.2%.

In terms of sales by Business Unit (BU), the Insulation BU registered the most positive performance, with an 18.1% increase, followed by the Raw Materials BU (+15.0%). Sales by the Cork Stoppers and Composite Cork BUs rose 5.3% and 2.2% respectively. The strong third-quarter performance of the Cork Stoppers BU with a 6.9% increase in sales was of particular note. The Floor and Wall Covering BU recorded a slight increase in sales in the third quarter, counteracting the trend of the first half.

Sales by the **Raw Materials BU** totalled €155.1 million (up 15% on the same period of 2018), mainly reflecting increased activity (largely driven by the Cork Stoppers BU) and higher cork sales prices.

The **Cork Stoppers BU** recorded sales of €432.2 million (up 5.3% on the same period of the previous year). Despite having benefitted from favourable exchange rate variations, this growth was based on a 4.4% increase in sales at constant exchange rates. It is of note that sales rose across all the BU's business segments (especially spirit beverages) and in all the principal wine-producing markets - except for France, a reflection of the drop in volume of the 2017 Bordeaux harvest.

Sales by the **Floor and Wall Coverings BU totalled** €82.9 million (down 1.4% on the same period of 2018). Its negative sales performance over this period reflects delays in the market availability of the new WISE product line. Sales in the third quarter increased 0.2%, reversing the trend of the first half.

The **Composite Cork BU** registered sales of €78.8 million (up 2.2% on the same period of the previous year). This positive evolution over the first nine months was mainly due to increased sales prices and the favourable impact of the USD exchange rate.

Performance

Corticeira Amorim closed the period with a net profit of €54.4 million, down 7.1% on the same period of 2018.

Consolidated EBITDA totalled €96.8 million, this reflected the negative impact of the increased price of raw material cork and the negative performance of the Floor and Wall Coverings BU. Emphasise the increased sales prices and operational efficiency gains in several Business Units. The EBITDA-sales ratio for the period was 16.1% (compared with 18.6% in the same period of 2018).

At the **Raw Materials and Cork Stoppers BU**, EBITDA totalled €93.2 million (6.8% lower than in the same period of 2018). In an unfavourable context of increasing cork consumption prices, increased sales prices, operational efficiency gains and increase in productivity, softened the reduction in the EBITDA-sales ratio to 21% (9M18: 23.5%).

The **Floor and Wall Coverings BU** recorded a negative EBITDA in the amount of €2.2 million, impacted mainly by increased marketing and product development costs resulting from the launch of the new WISE product line, as well as a deterioration in the product mix. The impact of these factors was felt mainly in the first six months; EBITDA in the third quarter was only slightly negative (-€0.2 million). It will therefore be important to maintain the pace of implementing efficiency-enhancing measures, specifically in the areas of logistics and industrial operations, as a means of helping to reverse this negative trend. Measures of this nature involved €0.4 million in non-recurring costs related to restructuring.

The EBITDA of the **Composite Cork BU** totalled €9 million (up 9.1% on the same period of 2018). This was supported by increased sales prices and a favourable exchange rate effect. The EBITDA-sales ratio increased to 11.4% (9M18: 10.1%).

The EBITDA of the **Insulation Cork BU** fell to zero at the end of September (9M18: €0.9 million). Cork is the only raw material the BU uses, meaning that its profitability was significantly affected by the increased price of raw material cork. In the third quarter, as expected, a reversal in the negative impact of raw material prices was already being reflected in the BU's EBITDA (+€0.3 million).

The adoption of the IFRS 16 - Leases did not entail significant changes to Corticeira Amorim's financial statements. The main impacts were a €1.1 million increase in EBITDA, a €1.1 million increase in depreciations and a €4.6 million increase in debt at the end of the third quarter.

Non-recurring results include expenditure on restructuring (€0.8 million) and the acquisition of associated companies (€0.2 million).

The increase in profit of associated companies mainly reflects the receipt of the final amount due (€2.3 million) from the sale of US Floors and the acquisition of Vinolok (€0.7 million).

Under the tax heading, the Group benefitted from a reversion of provisions, notably a final decision of tax authorities that resulted in the recognition of taxes losses at a subsidiary in Spain.

After results attributable to non-controlling interests, net profit totalled €54.4 million, a reduction of 7.1% in comparison with the same period of the previous year.

At the end of the third quarter, net interest-bearing debt totalled €161.3 million (12M18: €139.0 million). This debt already includes the impact of adopting IFRS 16 (€4.6 million), as referred to above. In comparable terms excluding this effect, debt would have increased by €17.7 million. The acquisition of 50% of Vinolok (€11 million) and 10% of Bourrassé (€5 million) contributed to the increase in debt. Receiving the final amount due from the sale of US Floors (€2.3 million) had a positive impact. In comparable terms, discounting these effects, debt would have totalled €143 million.

Dividend proposal

The Board of Directors decided to propose to the Shareholders' General Meeting, to be held on December 2, the partial distribution of free reserves to shareholders in the amount of €0.085 per share.

Main indicators

		9M18	9M19	yoy	3Q18	3Q19	yoy
Sales		583,758	**602,625**	3.2%	183,893	**190,383**	3.5%
Gross Margin – Value		297,666	**295,344**	-0.8%	90,689	**91,125**	0.5%
	1)	49.2%	**48.1%**	-1.1 p.p.	47.1%	**45.8%**	-1.3 p.p.
Operating Costs - current		212,857	**224,872**	5.6%	66,823	**70,943**	6.2%
EBITDA - current		108,419	**96,806**	-10.7%	30,995	**28,519**	-8.0%
EBITDA/Sales		18.6%	**16.1%**	-2.5 p.p.	16.9%	**15.0%**	-1.9 p.p.
EBIT - current		84,809	**70,472**	-16.9%	23,866	**20,182**	-15.4%
Non-current results	2)	681	**-1039**	N/A	-	**-1039**	N/A
Net Income		58,590	**54,410**	-7.1%	17,375	**14,057**	-19.1%
Earnings per share		0.441	**0.409**	-7.1%	0.138	**0.112**	-19.1%
Net Bank Debt		104,702	**161,282**	56,580	-	**-**	-
Net Bank Debt/EBITDA (x)	3)	0.77	**1.32**	0.55 x	-	**-**	-
EBITDA/Net Interest (x)	4)	123.5	**91.3**	-32.19 x	99.6	**126.9**	27.27 x

1) Related to Production
2) Figures refer to restructuring and acquisition of associated companies costs (9M19) and the reversal of provisions for Amorim Argentina, Amorim Revestimentos restructuring and transaction costs for associated companies acquisition (9M18)
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)