AMORIM

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Sales grow 9.4% to more than €700 million

Highlights:

- *EBITDA reaches €133.6 million, an increase of 9.2%*
- *Net profit of €73 million, in line with the previous year (excluding the impact of the sale of US Floors in 2016)*
- *Bourrassé contributed to the 2017 results with six months of activity*
- *Proposal to distribute a gross dividend of €0.185 per share*

For the first time, Corticeira Amorim's sales exceeded €700 million in 2017 after increasing 9.4% in comparison with 2016. The growth was partly due to the integration of the subsidiary companies acquired in 2017, especially the Bourrassé Group (Bourrassé), whose operations began consolidating earnings from July 1, 2017. Even discounting this change in the consolidation perimeter, sales grew 5.3%, in line with the evolution of sales throughout the year.

The growth in sales revenue was mainly due to an increase in volume sales, despite a negative exchange rate impact of €1.8 million (an inversion of the exchange rate effect experienced in the first nine months of 2017), mainly due to the evolution of the US dollar.

By Business Unit (BU), sales growth maintained the same trend as in the first nine months of the year. Sales by the Cork Stopper BU, which consolidated the activities of the companies acquired (Bourrassé and Sodiliège), increased by 12.8%. Excluding the change in the consolidation perimeter, the BU's sales rose by 6.7%.

The Floor and Wall Coverings BU increased the pace of sales growth (+3.8%) in comparison with the first nine months. The Cork Composite BU registered a 1.3% decrease in sales, but managed to limit the pace at which sales declined in the last quarter of 2017.

EBITDA increased, accompanying the growth in sales, to reach €133.6 million. An improvement in the gross margin offset higher operating costs resulting from increased production.

The EBITDA/sales ratio was 19.0%, in line with the ratio recorded in the same period of the previous year (19.1%). Discounting the change in the consolidation perimeter, EBITDA was €130.5 million and the EBITDA/sales ratio was 19.3%. Bourrassé, which had the most significant impact on the change in the consolidation perimeter, recorded a lower level of profitability than Corticeira Amorim, as expected.

The Group's net debt totalled €92.8 million, an increase that resulted mainly from the acquisition of Bourrassé and, to a lesser degree, of Sodiliège, for which the acquisition costs totalled approximately €31 million. The inclusion of these new subsidiaries in the consolidation perimeter also implied the consolidation of the existing debt of these companies (in the amount of €35.4 million). In spite of the increase in net debt, an improvement in the financial function was recorded due to lower interest rates.

Capex in 2017 rose to €43.7 million.

After results attributable to minority interests, net profit totalled €73 million, a decrease of 28.9% in comparison with the €102.7 million registered the previous year. In comparable terms – i.e. excluding the impact of the sale of US Floors on 2016 profits – total profit in 2017 increased 0.3% in comparison with the previous year.

The Board of Directors decided to propose to the General Meeting of Shareholders to be held on April 13, 2018, the distribution of a gross dividend of €0.185 per share.

Performance by Business Unit

Raw Materials BU

Sales by the Raw Materials BU increased by about 5% to €156.1 million.

EBITDA increased 22.1% in comparison with 2016 to a total €22.4 million. The BU's improved profitably mainly reflects the improved earnings of some raw materials and improved operating efficiency.

The targets set for the 2017 cork purchasing campaign quantities were met, with an increase in the price of raw materials compared with previous years.

Cork Stopper BU

Sales by the Cork Stopper BU reached €477.1 million, an increase of 12.8% on 2016. Discounting the change in the consolidation perimeter, the BU's sales totalled €451.1 million, up 6.7% on the previous year, driven mainly by the volume effect (+6.8%). The BU maintained its sales mix and strengthened its position in every product segment.

Sales of stoppers using NDtech® technology reached 29 million units. The BU maintains its forecast for doubling its NDtech® production capacity as a result of improvements made in the technology and some additional investment.

The EBITDA/Sales ratio of Cork Stoppers BU + Raw Materials BU reached 23.3%.

Floor and Wall Coverings BU

Sales by the Floor and Wall Coverings BU rose by 3.8% to €121.5 million. The pace of sales growth increased in the fourth quarter in comparison with the previous nine months (+1.5%). Hydrocork® and Authentica® flooring stood out in terms of sales growth for individual products.

The BU's EBITDA fell to €8.3 million despite the increase in sales. Profitability was affected by increased commercial costs in key markets, due to the strengthening of commercial teams in these areas, as well as non-recurring costs (-€2.4 million).

Composite Cork BU

Sales by the Composite Cork BU totalled €98.8 million, a decrease of 1.3% in relation to 2016.

Highlights by market segment include a growth in sales in the "Resilient & Engineered Flooring Manufacturers" and "Heavy Construction" areas. The "Furnishing" and "Sport Surfaces" segments registered the largest decreases in sales and several initiatives are under way with a view to recovering sales in these two market segments. In terms of regions, Europe and Asia showed significant growth.

EBITDA totalled €15.0 million, a decrease of 11.7% compared with 2016. The drop was mainly due to a reduction in sales volume, changes in the sales mix, the unfavourable evolution of the US dollar and increased operating costs.

The BU plans to launch a new pilot plant in the first half of 2018 that will function as an innovation and learning centre with the aim of testing new products and technologies.

Insulation BU

Sales by the Insulation BU reached €10.6 million, a decrease of 7.4% compared with the previous year. Excluding the impact of internal supplies, however, sales increased 4.7% (€0.5 million), with MDFachada® products.

EBITDA reached €1.7 million, a decrease of 22.1% compared with the previous year. The drop was mainly due to the average price of raw materials and an increase in the volumes used.

Indicators

		2016	2017	yoy	4Q16	4Q17	yoy
Sales		641,411	**701,609**	9.4%	150,554	**170,139**	13.0%
Gross Margin – Value		334,704	**373,511**	11.6%	78,529	**89,079**	13.4%
	1)	53.2%	**52.9%**	-0.34 p.p.	53.8%	**51.5%**	-2.32 p.p.
Operating Costs - current	2)	238,667	**269,516**	12.9%	59,877	**68,689**	14.7%
EBITDA - current		122,347	**133,594**	9.2%	26,901	**28,242**	5.0%
EBITDA/Sales		19.1%	**19.0%**	-0.03 p.p.	17.9%	**16.6%**	-1.27 p.p.
EBIT - current		96,037	**103,995**	8.3%	18,652	**20,390**	9.3%
Non-current costs	3)	4,353	**2,913**	-33.1%	623	**1,341**	-
Net Income	4)	102,703	**73,027**	-28.9%	47,479	**16,664**	-64.9%
Earnings per share		0.772	**0.549**	-28.9%	0.357	**0.125**	-64.9%
Net Bank Debt		35,889	**92,784**	56.895	-	**-**	-
Net Bank Debt/EBITDA (x)	5)	0.29	**0.69**	0.40 x	-	**-**	-
EBITDA/Net Interest (x)	6)	108.6	**135.9**	-27.31 x	115.8	**75.3**	-40.48 x
Equity/Net Assets		58.7%	**52.6%**	-6.12 p.p.	-	**-**	-

1) Related to Production

2) Including depreciation

3) Figures refer to transaction costs of Bourrassé and Sodiliège and to Floor and Wall Coverings BU restructuring costs (2017) and to the provision for labor and customs in Amorim Argentina, deferred costs concerning business started in the previous year and adjustments related to non-controlling interests (2016)

4) Attributable to the equity holders

5) Current EBITDA of the last four quarters

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