



AMORIM

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Sales increase 9% to €763 million

Highlights:

- *Cork stoppers drive growth with sales increasing 12%*
- *EBITDA for stoppers and raw materials up 9%*
- *Net profit increases 6% to more than €77 million*
- *Stronger profit in a year of unfavourable impact from raw material prices and exchange rates*

Sales

In 2018, Corticeira Amorim's consolidated sales totalled €763.1 million, an increase of 8.8% on the previous year. Excluding the effect of changes in the consolidation perimeter and the impact of US dollar depreciation, sales would have grown 4.6%. It should be noted that in the second half of 2018, there was no longer any impact on the consolidation perimeter from the Bourrassé Group (Bourrassé), which began to be consolidated from June 30, 2017.

All the Group's Business Units (BUs) registered sales increases, with the exception of the Floor and Wall Coverings BU. In accumulated terms, the Cork Stoppers BU (the only BU affected by perimeter changes) recorded sales growth of 11.9%, the Raw Materials BU 19.5%, the Composite Cork BU 3.4% and the Insulation Cork BU 13.1%.

The **Raw Materials BU** recorded sales of €186.4 million, up 19.5% on 2017. This BU's sales are made fundamentally to other Corticeira Amorim BUs.

Sales by the **Cork Stoppers BU** reached €534 million, an increase of 11.9% on 2017. At constant exchange rates and excluding the change in the consolidation perimeter, sales would have grown 5.2%. Sales grew in almost every geographical market (particularly in France, Italy, Spain and Portugal) and business segment. The implementation of measures aimed at attaining settled sales and profitability targets in the subsidiaries acquired by the BU (Bourrassé and Elfverson) is progressing as planned.

Sales by the **Floor and Wall Coverings BU** totalled €112.2 million, 7.7% down on 2017 as the downward trend registered in the first nine months continued in the fourth quarter.

Sales by the **Composite Cork BU** reached €102.2 million, an increase of 3.4% on 2017. Sales growth in the second half reversed the downward trend of the first six months. Excluding the exchange rate effect, the BU would have increased sales revenue by 5.4%, benefitting from the positive impact of increased sales prices, a more favourable sales mix and growth in volume sales.

Performance

Consolidated EBITDA was slightly higher than in 2017, increasing to €134.0 million (12M17: €133.6 million). The EBITDA-sales ratio fell in relation to the previous year (from 19.0% to 17.6%). Pressure on the gross margin caused by raw material price increases and the impact of US dollar depreciation in the first half explain most of the reduction. Sales price increases and operating efficiency gains, together with rigorous cost controls and a reduction in impairments played an important role in offsetting these impacts.

The EBITDA of the **Raw Material and Cork Stopper BUs** totalled €123.6 million, representing growth of 8.7% on the previous year (12M17: €113.7 million). The reduction in the profitability of these BUs was not significant (the EBITDA-sales ratio fell from 23.3% to 22.3%) in a context of increased raw material prices and US dollar depreciation. Increased operational efficiency (with positive contributions from preparation industrial operations, disc production, granulates and stoppers), together with the consolidation of the acquired companies had a favourable impact on the performance of these BUs.

The Raw Materials BU acquired the Herdade da Baliza with the aim of putting into practice measures and techniques under study as part of the Forestry Intervention Project, the goal being to ensure the maintenance and increasing value of cork oak forests and, consequently, the continued production of quality cork.

The profitability of the **Floor and Wall Coverings BU** was affected by the reduction in sales, customer impairments and price pressure on the unit's principle raw material (cork). The BU's EBITDA fell to €3 million. Non-recurring expenditure totalling €1.1 million was recorded, relating to additional restructuring measures. These measures are expected to enable the BU to return to business growth and profitability next year.

The BU's new management team is focused on improving productivity and bringing to market solutions with superior technical and sustainability credentials in line with market requirements, in particular developing the new range of WISE products launched in January 2019. WISE is an innovative product range with a modern, contemporary look and the acoustic, impact-resistant comfort provided by cork. The range contains no PVC and has a negative carbon footprint, thus making a positive contribution to the ecological balance.

The EBITDA of the **Composite Cork BU** totalled €10.3 million (12M17: €15.0 million), affected by increased raw material prices and unfavourable exchange rates. Excluding the exchange rate effect, the EBITDA-sales ratio would have been 11.2% (12M17: 15.2%).

The EBITDA of the **Insulation BU** was €0.6 million, a reduction compared with the €1.7 million recorded for 2017. Higher prices for cork, the only raw material used by this BU, affected the unit's profitability.

At the end of 2018, net financial debt totalled €139 million (12M17: €92.8 million). In a context of lower interest rates, total financial costs increased slightly, due to an increase in average indebtedness. The

increase in indebtedness was mainly due to the amount paid for recent acquisitions (Bourrasé, Sodiliège and Elfverson) together with increased CAPEX and working capital investment.

After results attributable to non-controlling interests, net profit totalled €77.4 million, an increase of 6% compared with the €73 million recorded for 2017.

Dividend proposal

The Board of Directors decided to propose to the General Shareholders' Meeting, to be held on April 12, 2019, the distribution of a gross dividend of €0.185 per share.

Main indicators

		thousand euros		
		2017	2018	yoy
Sales		701,609	763,117	8.8%
Gross Margin – Value		373,511	386,456	3.5%
	1)	52.9%	49.2%	-3.7 p.p.
Operating Costs - current		269,516	283,751	5.3%
EBITDA - current		133,594	133,984	0.3%
EBITDA/Sales		19.0%	17.6%	-1.4 p.p.
EBIT - current		103,995	102,705	-1.2%
Non-current results	2)	-2,913	57	-
Net Income		73,027	77,389	6.0%
Earnings per share		0.549	0.582	6.0%
Net Bank Debt		92,784	139,009	46,225
Net Bank Debt/EBITDA (x)	3)	0.69	1.04	0.34 x
EBITDA/Net Interest (x)	4)	135.9	108.0	-27.94 x

1) Related to Production

2) Figures refer to the reversal of provisions for Amorim Argentina, Amorim Revestimentos restructuring, goodwill impairment 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)