

# Corticeira Amorim 1Q2019

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# In brief

**Climate Change Leadership:** as a founding member of The Porto Protocol Corticeira Amorim is deeply committed to creating a sustainable future for generations to come.



“By sharing best practices and near-term solutions we are capable of making a difference” climate leader Al Gore said during his speech at Climate Change Leadership Porto.

# In brief



**Launch of WISE**, a non PVC sustainable flooring with a negative carbon footprint. WISE has an innovative core (Cork Rigid Core), made of cork and recycled materials, 100% recyclable.

WISE by Amorim cork flooring has won the **Innovation Award for Architecture + Construction at BAU**, the world's leading trade fair for architecture and building materials, in Munich.



# In brief



**Helix™** has been adopted by Bronco Wine Company's Great American Wine Company (GAWC) for its California wines.



nielsen

Latest data from **Nielsen Scanning Statistics** confirms rising dominance for cork-sealed brands for the Top 100 Premium Brands in the USA. Cork-sealed wines already have 64.7% market share of US Premium Wines.

# In brief

**ARCO VIP Room** lined and decorated with cork as part of an artistic creation designed by Lázaro Rosa-Violán.



**Skulpod  
igloo-shaped  
modular home**  
created by  
Nouschka  
Očenášek and  
Ryan Ashworth.



# In brief



Corticeira Amorim has been honored with the **Research/Innovation Award** at the "Melhores do Ano 2018" Awards by Revista de Vinhos.



Corticeira Amorim won the 2018 **National Agriculture Award in the category of Large Corporations**. The award is a joint initiative of BancoBPI and Cofina Media, with the support of the Portuguese Ministry of Agriculture, Forests and Rural Development and PwC.



# In brief



**Wallpaper:** Handmade at Milan Design Week where cork shows its amazing potential for design. In a project exploring cork and glass, featured at the famous Wallpaper \* Handmade X show.

Opened for the Milan Design Week, **The Manzoni, Tom Dixon Studio 's new restaurant**, with custom cork tables by Corticeira Amorim. "All natural, recyclable and incredibly haptic, cork is perfect for this monastic setting inspired by Michelangelo's Last Supper".



# In brief

Corticeira Amorim supported a new project by Universidade de Aveiro to create a biodegradable cork-based filament for 3D printing.



Eco-friendly router made with cork, teamed up with Altice Labs. Its structure is 50% cork. Has a much lower density than alternative materials and substantially reduces the carbon footprint.

First sustainable electric guitar with an expanded cork body. Weighing only 2.9kg, 75% of its body is made of cork, a completely natural, recyclable and carbon negative material





# *In brief*

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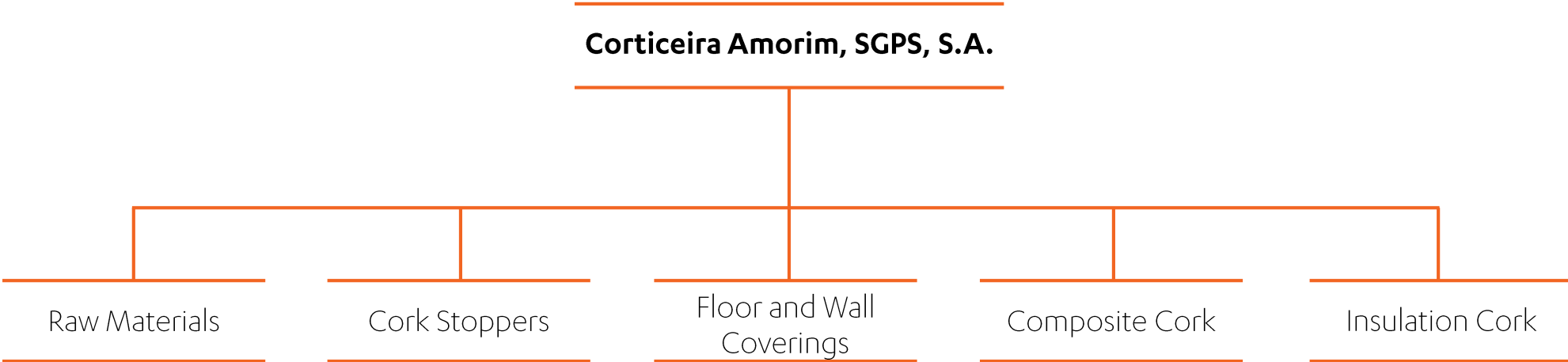
The **Valmor Architecture Award** was given to architect João Luís Carrilho da Graça, with his landmark project for the Lisbon Cruise Terminal. The building's exoskeleton is made of a new material combining white concrete with cork, an innovative solution developed by Corticeira Amorim in partnership with Secil and Itecons.



# Integral Verticalization



**Corticeira Amorim, SGPS, S.A.**



# People, Planet and Profit



# Alignment with United Nations' SDG



Sustainability Strategy aligned with 12 Sustainable Development Goals

**Promote the environmental features of the product and the “Montado”**

- Circular Economy
- Product Environmental Impact
- Energy Efficiency and Climate Change
- Promotion of the “Montado”, its Biodiversity and Ecosystem Services



**Promote people’s development, safety and well-being**

- Training and Development
- Health and Safety at Work

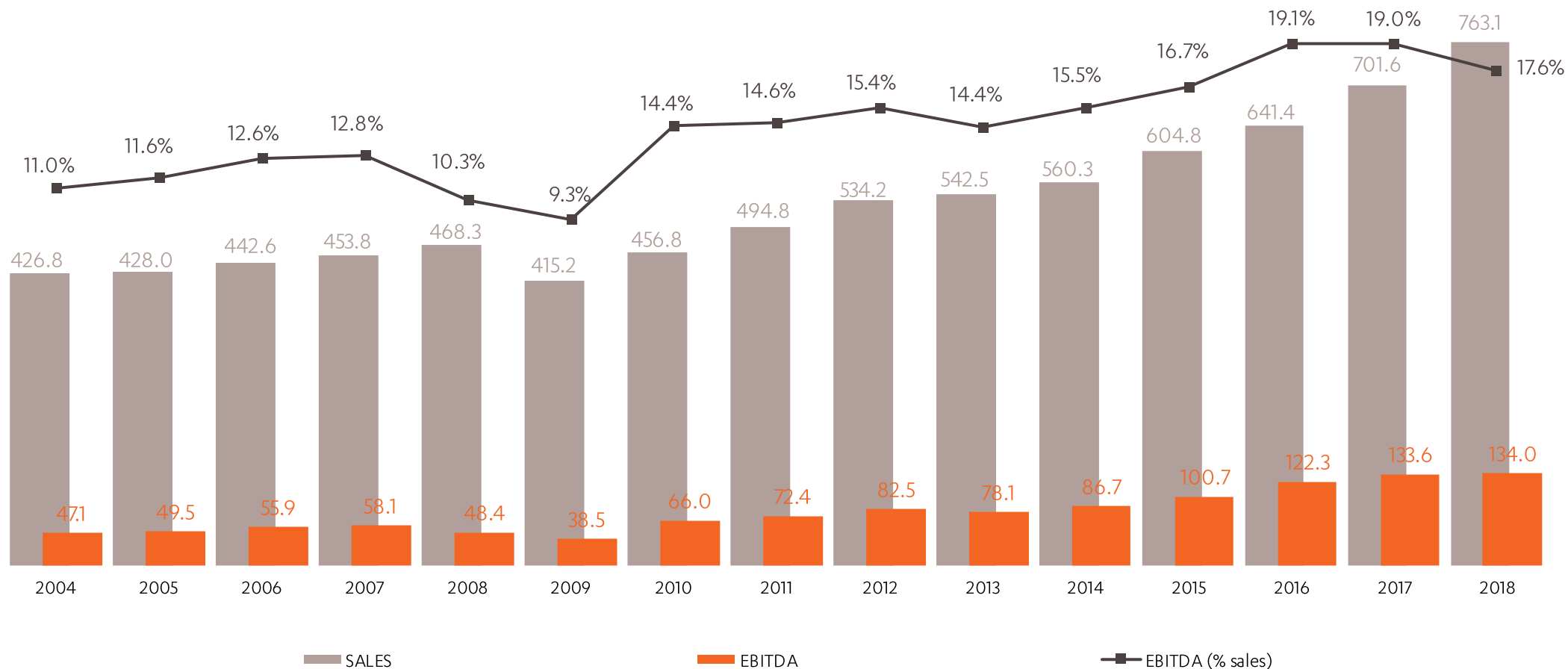


**Promote R&D and leverage economic performance**

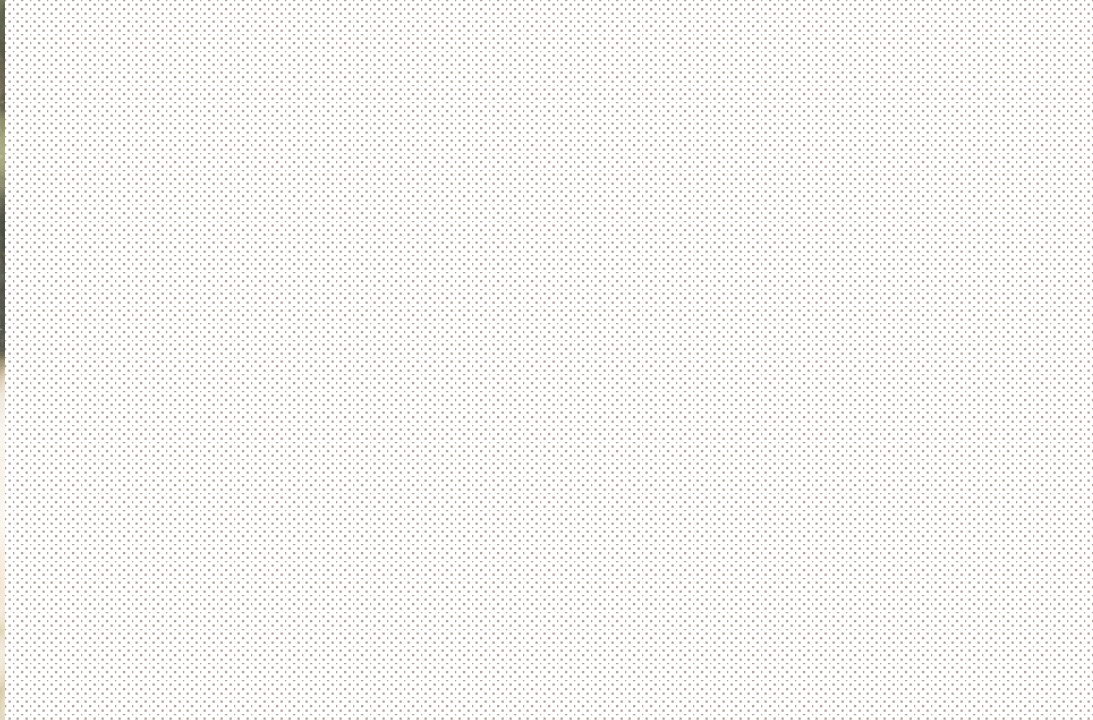
- Economic Performance
- Research, Development and Innovation



# Sales & EBITDA



Consolidated sales – excludes sales between Corticeira Amorim’s Business Units.  
Values in million euros.



# Consolidated Results

# Key Facts & Figures

## Sales rose to 202.3 M€ (+9.2%);

- Raw Materials: +28.7%;
- Cork Stoppers: +11.3%;
- Floor & Wall Coverings: -2.6%;
- Composite Cork: +9.2%;
- Insulation: +26.5%;

## Positive impact from FX:

- total impact of 2.3 M€ on sales (1Q18: -5.6 M€);
- at constant exchange rates, sales +7.9%;

## EBITDA/Sales: 17.2% (1Q18: 19.9%)

- EBITDA of 34.8 M€ (1Q18: 36.8 M€);
- Increased cork prices and operational costs, partially offset by higher activity, price increases, efficiency and yield gains, and a supportive FX;

## Raw Materials + Cork Stoppers:

- Sales increased by 11.4% to 148.7 M€;
- EBITDA/Sales of 22.8% (1Q18: 25.1%);
- 72% of consolidated sales (1Q18: 71%)

## Share of profit of Associates totalled 2.9 M€,

essentially reflecting the final distribution of Escrow Funds from the sale of US Floors (2.3 M€);

**Net Income fell to 18.6 M€**, a decrease of 1.1% (1Q18: 18.8 M€);

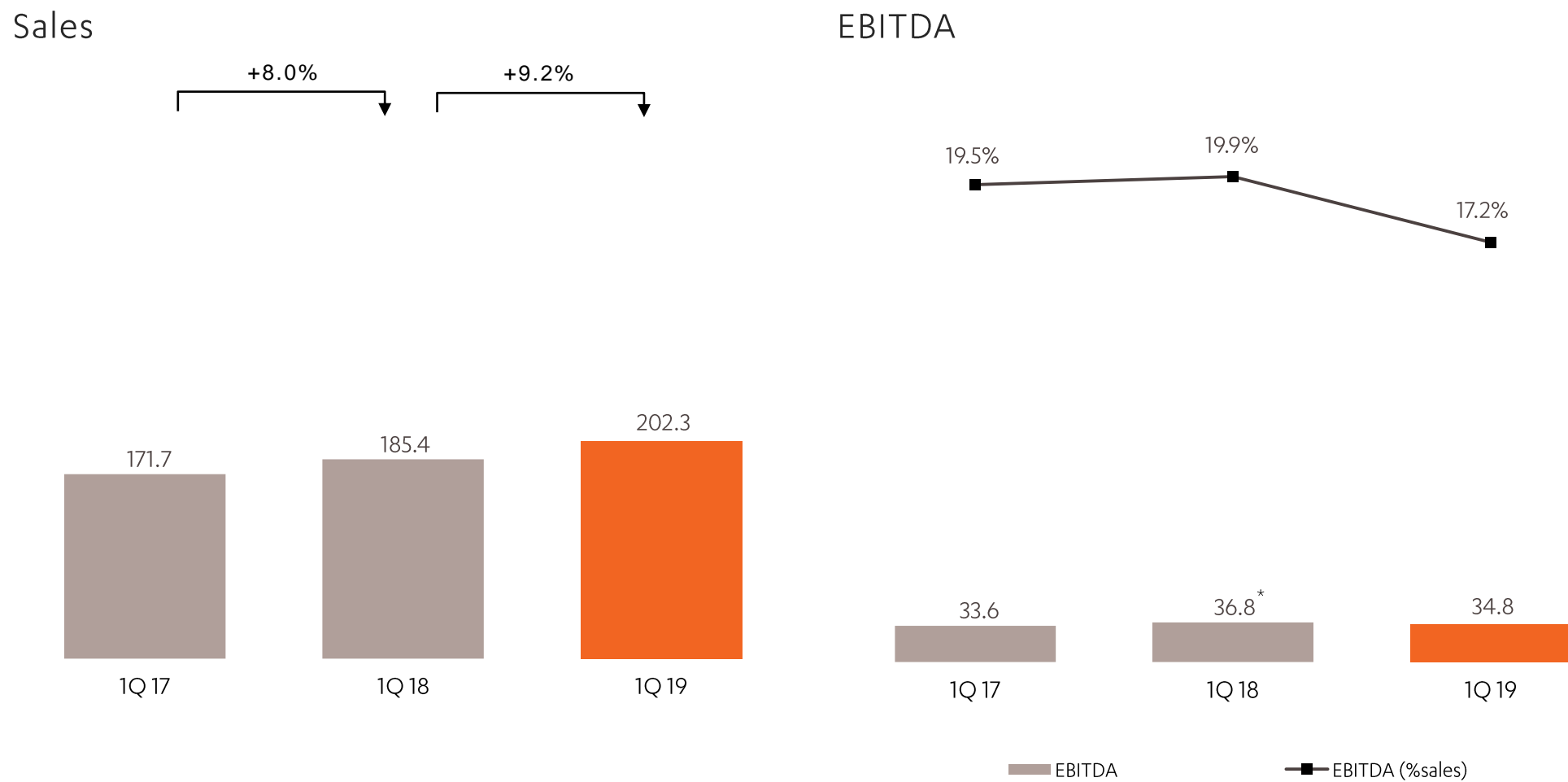
**Application of IFRS 16** resulted in increases of EBITDA (+0.5 M€), depreciations (+0.4M€) and net debt (+7.6 M€), as of March 31. Historical figures were not restated according to this accounting standard.

## Net debt of 141.7 M€ (FY18: 139.0 M€):

- increased NWC needs (18.3 M€),
- capex (11.6 M€),
- adoption of IFRS 16 (excluding this impact, net debt would have decreased to 134.1 M€);

**Dividends:** the Shareholders General Meeting (April 12) approved the distribution of a gross dividend of € 0.185 per share.

# Sales | EBITDA

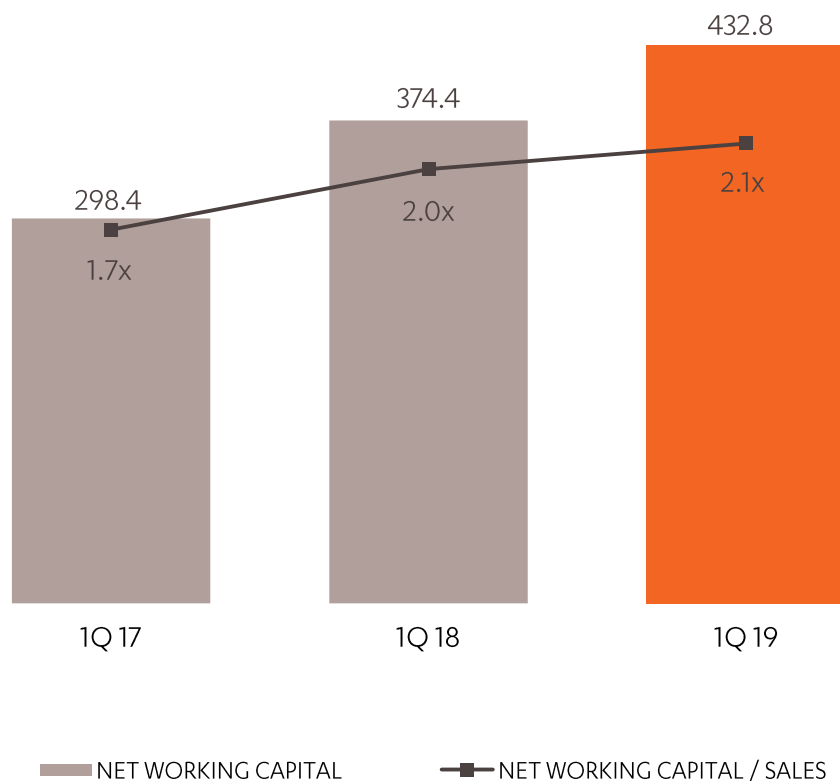


\* excludes 0.1 M€: non-recurrent costs

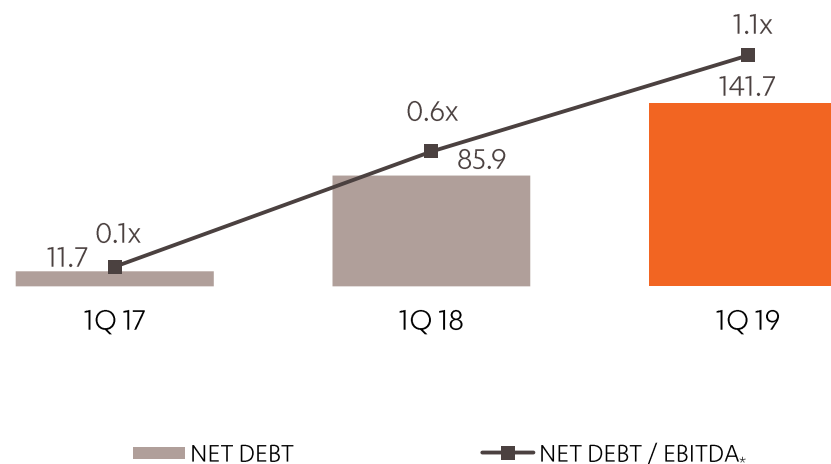


# Net Working Capital | Net Debt

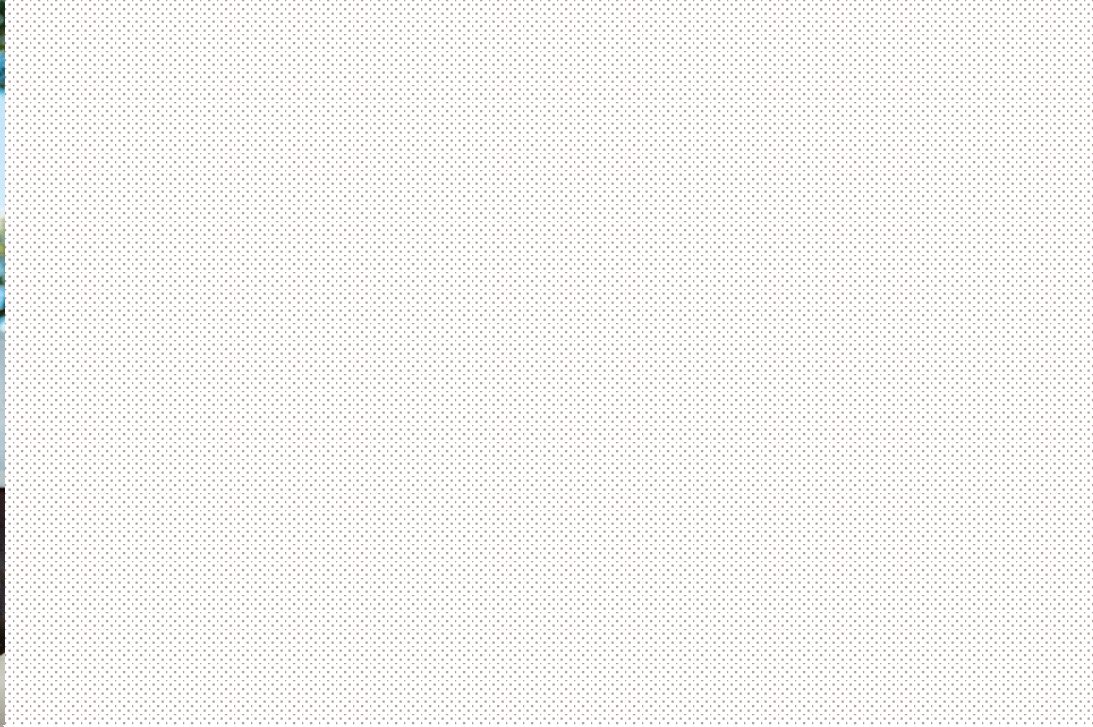
Net Working Capital



Net Debt



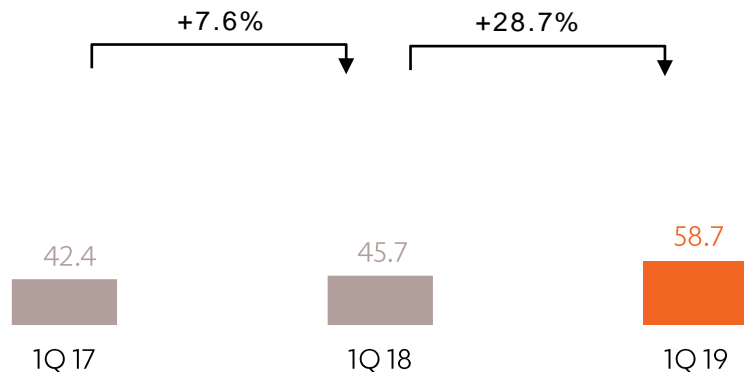
\* Current EBITDA of the last four quarters



# Business Units

# Raw Materials

## Sales



## Sales increased by 28.7% to 58.7 M€

Sales growth driven by:

- Increased activity levels,
- Higher selling prices (cork),
- Improved mix (preparation);

EBITDA margin decreased on:

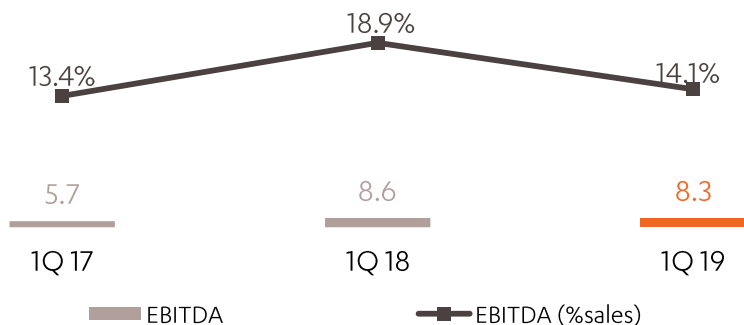
- Consumption of cork purchased at higher prices,
- Higher operational costs;

Profitability should remain under pressure throughout the year as cork from the 2018 harvest is incorporated in production;

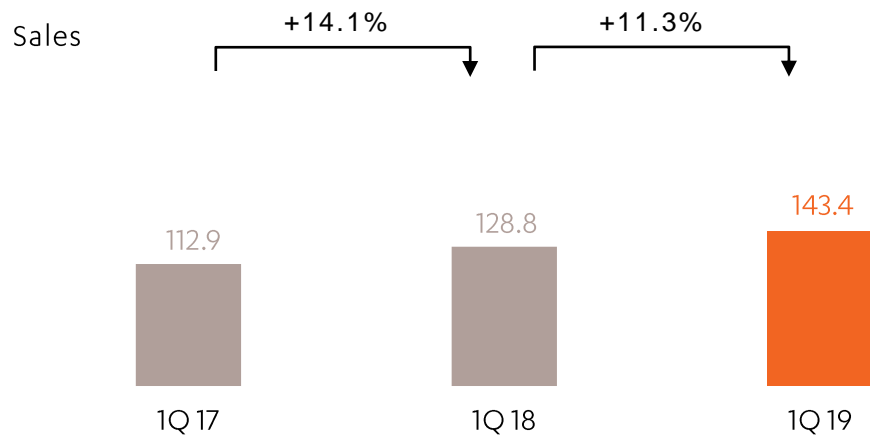
Cork prices unlikely to increase further, but should remain at high levels; cork campaign of 2019 expected to be generous and should ease inflationary pressures;

Encouraging signals from projects to increase automation (selection and preparation) and to improve sensorial quality throughout the process.

## EBITDA



# Cork Stoppers



## Sales increased by 11.3% to 143.4 M€

Strong sales growth, reflecting:

- Higher volumes,
- Price increases,
- Product mix changes,
- Supportive FX;

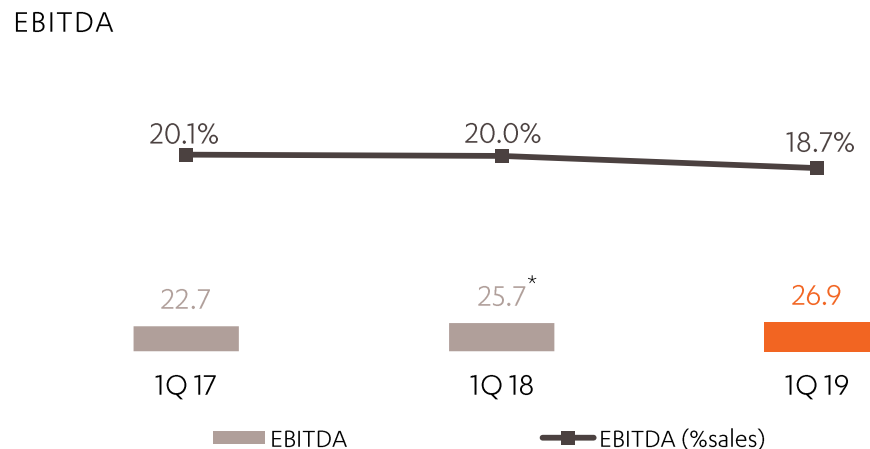
Positive performance in all business segments: spirits (+17%), still wines (+11%) and sparkling wines (+10%);

Balanced growth in geographical terms, namely in the US, Spain and Italy; sales in France reflect a weak 2017 wine harvest, particularly in Bordeaux;

NDtech® sales of 14 million stoppers (1Q18: 10 million);

Better raw materials yields and efficiency gains not enough to offset pressure on EBITDA margin, mostly due to:

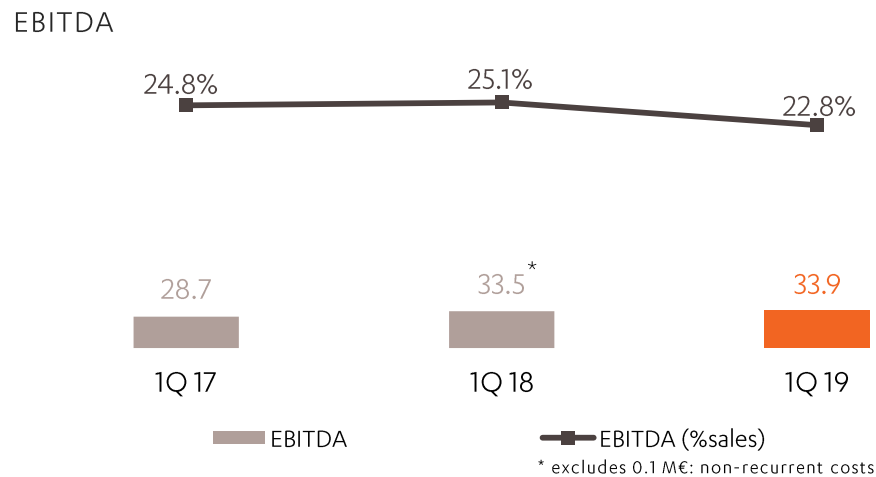
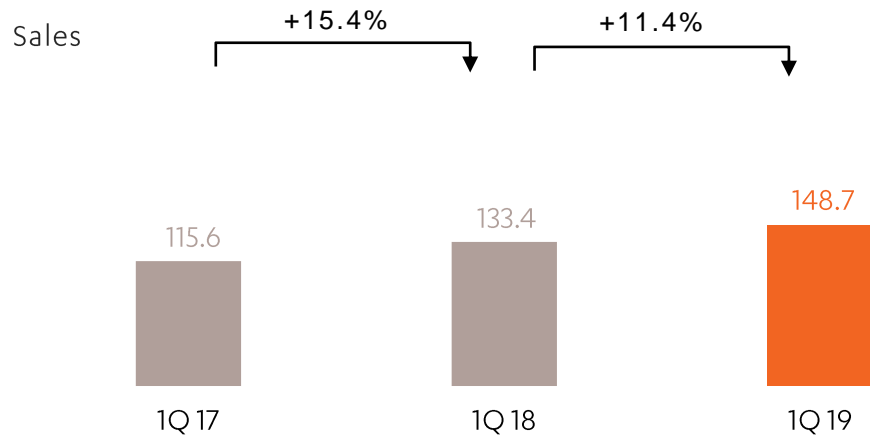
- Higher cork prices,
- Increased operational costs.



\* excludes 0.1 M€: non-recurrent costs

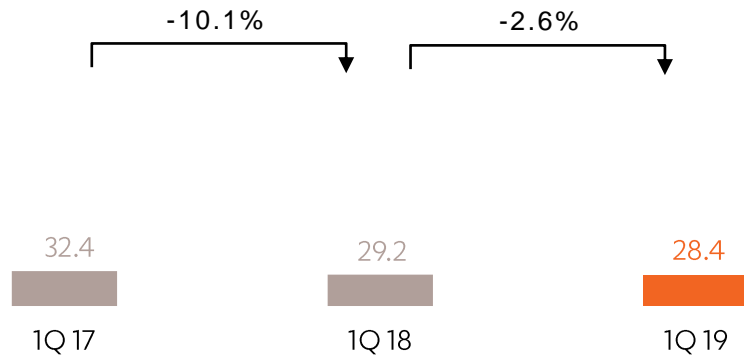


# Raw Materials + Cork Stoppers



# Floor & Wall Coverings

## Sales



## Sales decreased by 2.6% to 28.4 M€

Successful launch of WISE by Amorim at Domotex in January 2019, but sales not yet meaningful;

Poor sales performance in the US, Russia and China; robust growth in Scandinavia and Italy (from a low base);

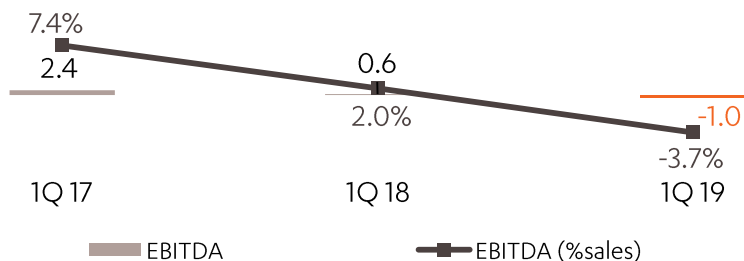
Despite stable operational costs, EBITDA margin declined further on:

- Lower production levels,
- Higher cork prices,
- Increased marketing and development costs (mainly associated with WISE);

Turn-around of business to be driven by:

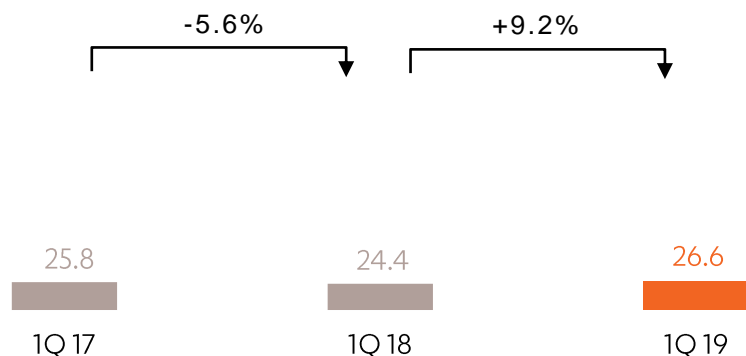
- Increased operational efficiencies (industrial revamping, improved logistics),
- Product development and rationalisation of product portfolio,
- Brand repositioning and reliable service.

## EBITDA



# Composite Cork

## Sales



## Sales increased by 9.2% to 26.6 M€

Strong sales momentum driven by:

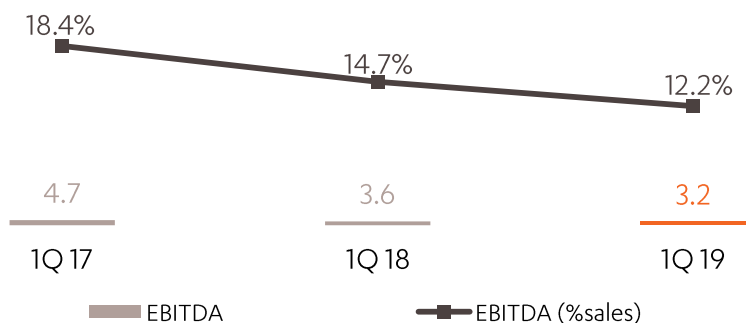
- Price increases,
- Higher activity levels,
- Favourable product mix,
- Supportive USD (at constant exchange rates, sales increased by 6.4%);

Growth in all geographies, particularly in EMEA and Asia & RoW;

Major sales changes in the following segments:

- Increases: Resilient & Engineering Flooring Manufactures, Flooring Distributors, Panels & Composites,
- Decreases: Auto & Auto Parts, Home & Design Products, Power Industry;

## EBITDA



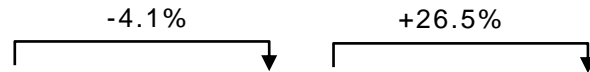
EBITDA margin declined on:

- Higher cork prices,
- Increased operating costs (labour, marketing and distribution costs).



# Insulation Cork

## Sales



## Sales increased by 26.5% to 3.4 M€

Strong sales growth supported by:

- Price increases,
- Higher volumes;

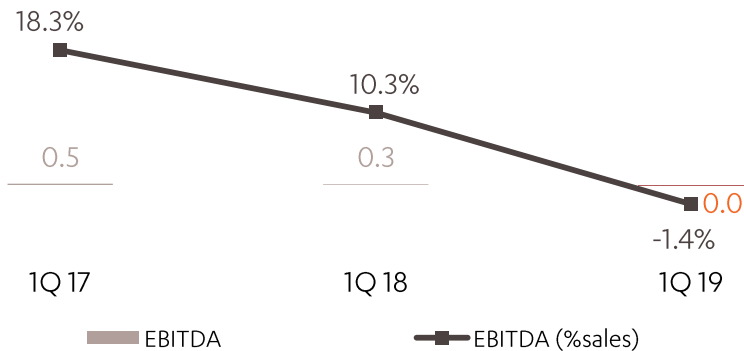
Positive sales performance in Italy and the Middle East;

Consumption of cork purchased at higher prices negatively impacted EBITDA margin, despite:

- Strict control of operating costs,
- Increased cork-use optimization;

Expanded insulation corkboard only uses cork as a raw material and is therefore highly sensitive to changes in the prices and yields of raw materials lots.

## EBITDA

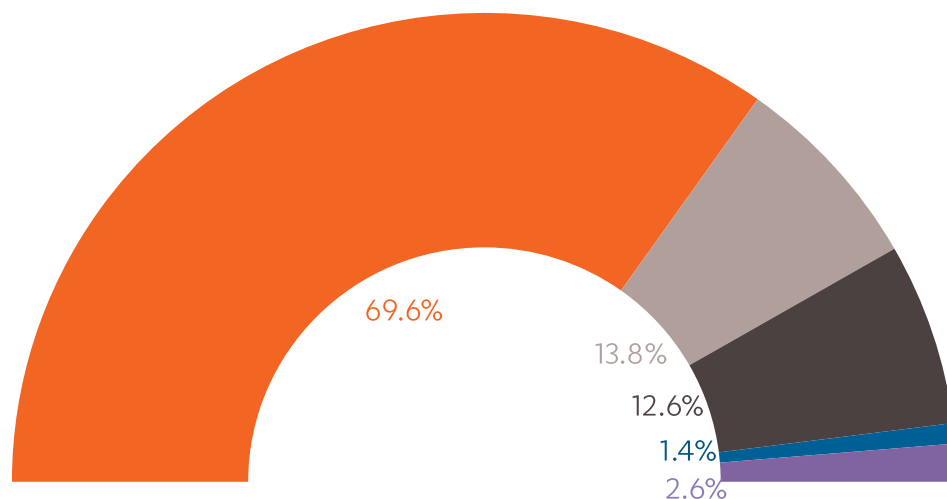






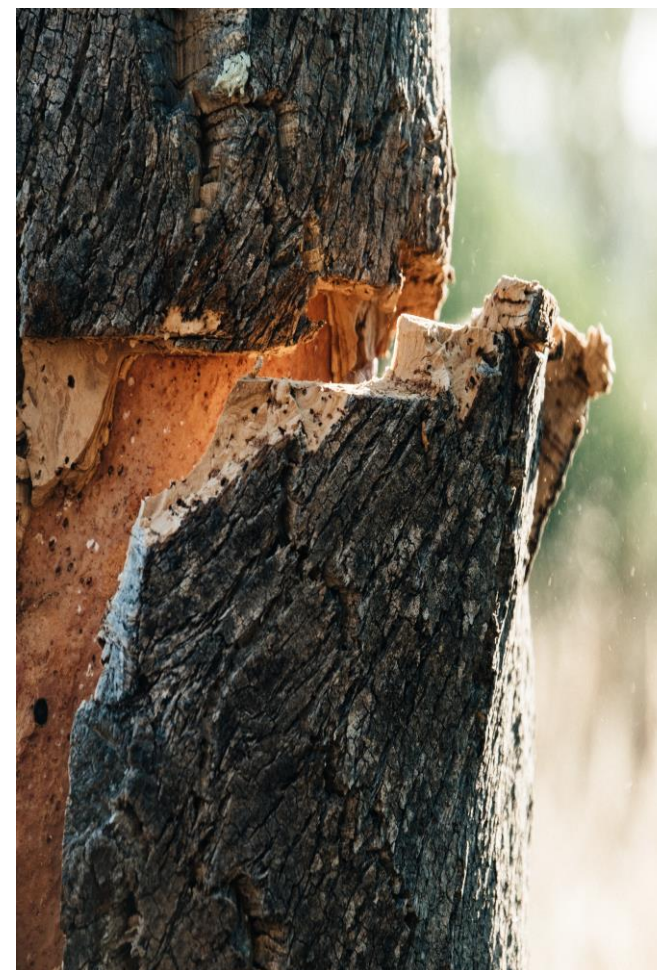
# Key Financials

# Sales by Business Unit

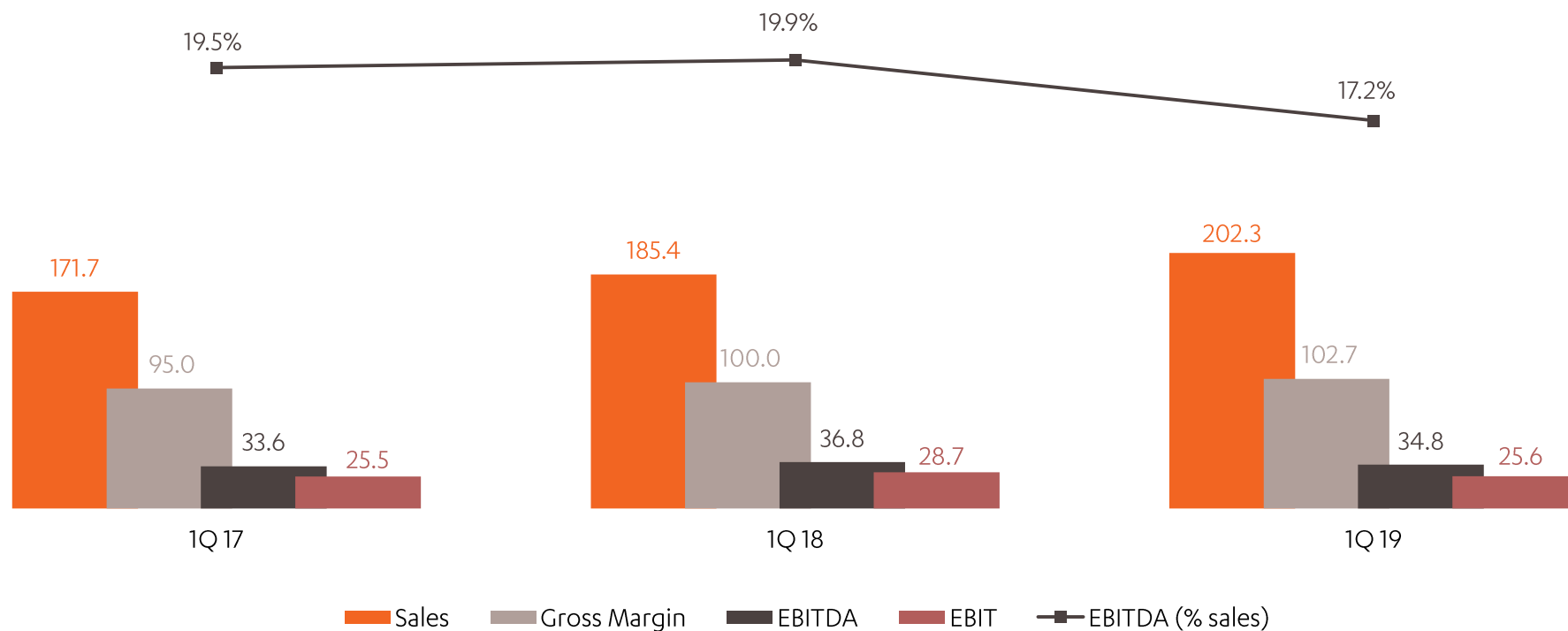


■ Cork Stoppers 
 ■ Floor and Wall Coverings 
 ■ Composite Cork 
 ■ Insulation Cork 
 ■ Raw Materials

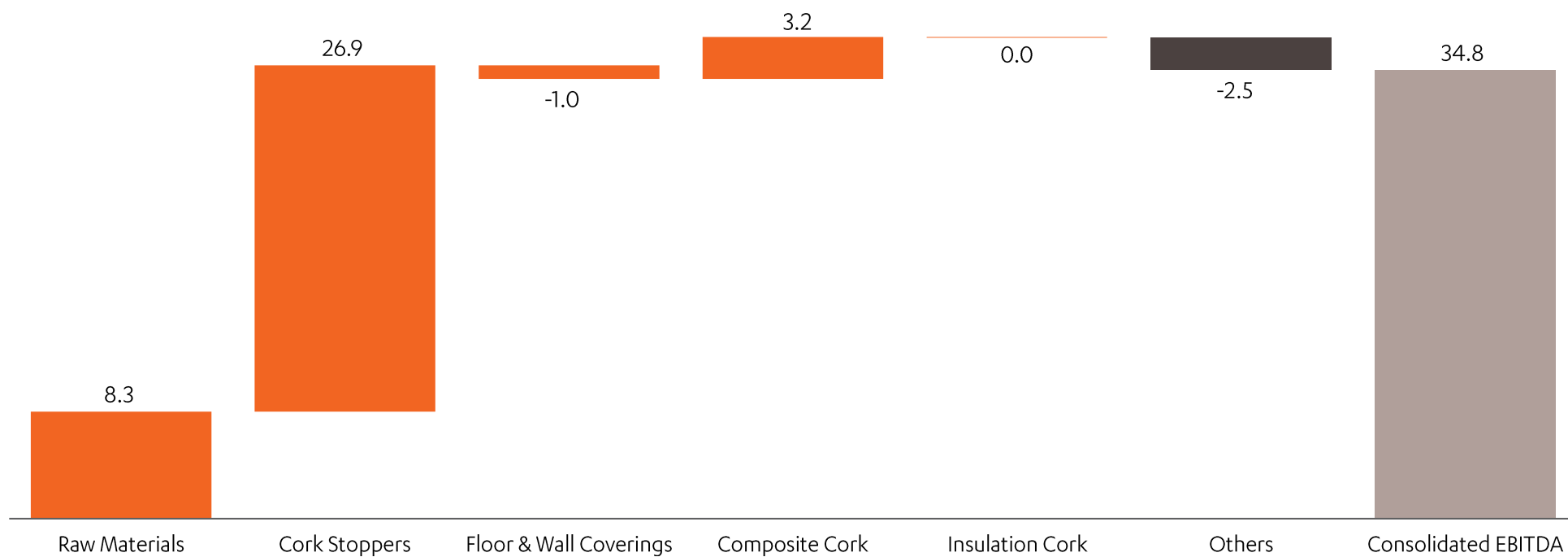
	1Q 17	1Q 18	1Q 19
Raw Materials + Cork Stoppers	66.5%	70.9%	<b>72.2%</b>
Floor and Wall Coverings	18.4%	15.3%	<b>13.8%</b>
Composite Cork	13.6%	12.6%	<b>12.6%</b>
Insulation Cork	1.5%	1.3%	<b>1.4%</b>
	<b>100%</b>	<b>100%</b>	<b>100%</b>



# Sales | Gross Margin | EBITDA | EBIT

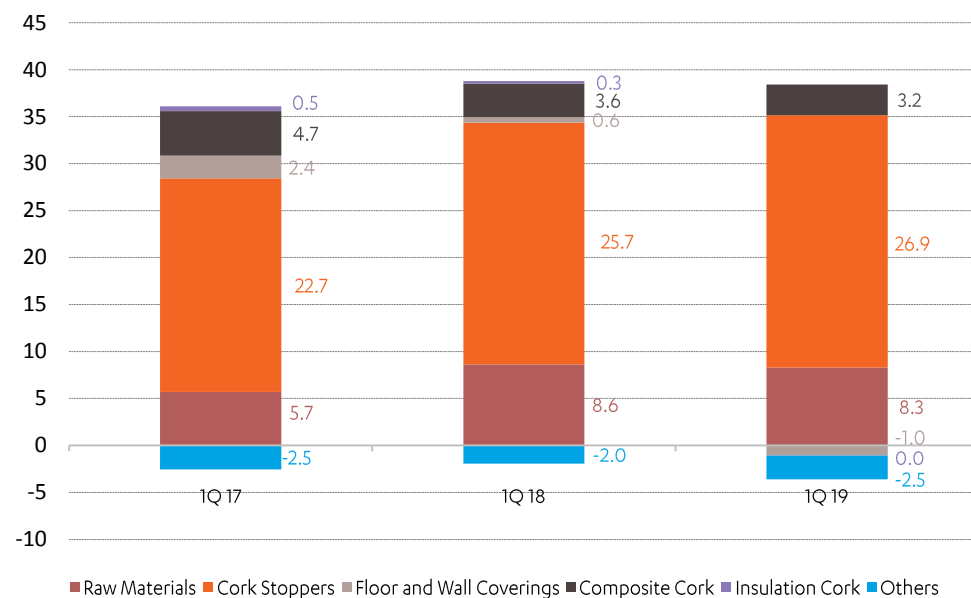


# EBITDA by BU



# EBITDA by BU

EBITDA by BU (value)



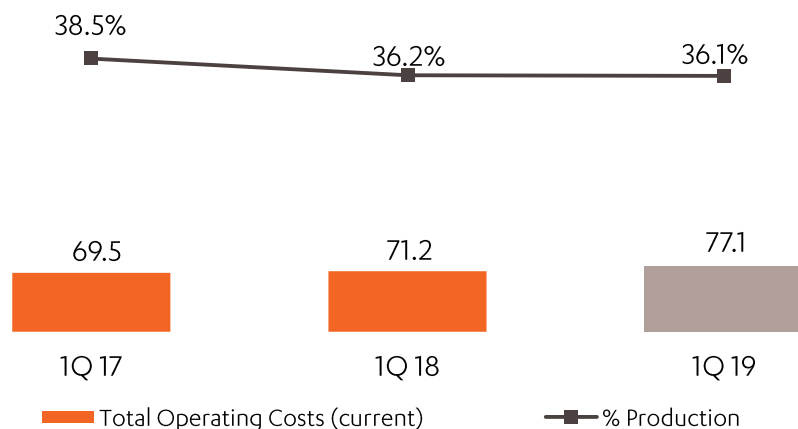
EBITDA/Sales (%)	1Q 17	1Q 18	1Q 19
Raw Materials + Cork Stoppers	24.8%	25.1%	<b>22.8%</b>
Floor and Wall Coverings	7.4%	2.0%	<b>-3.7%</b>
Composite Cork	18.4%	14.7%	<b>12.2%</b>
Insulation Cork	18.3%	10.3%	<b>-1.4%</b>
Consolidated	19.5%	19.9%	<b>17.2%</b>



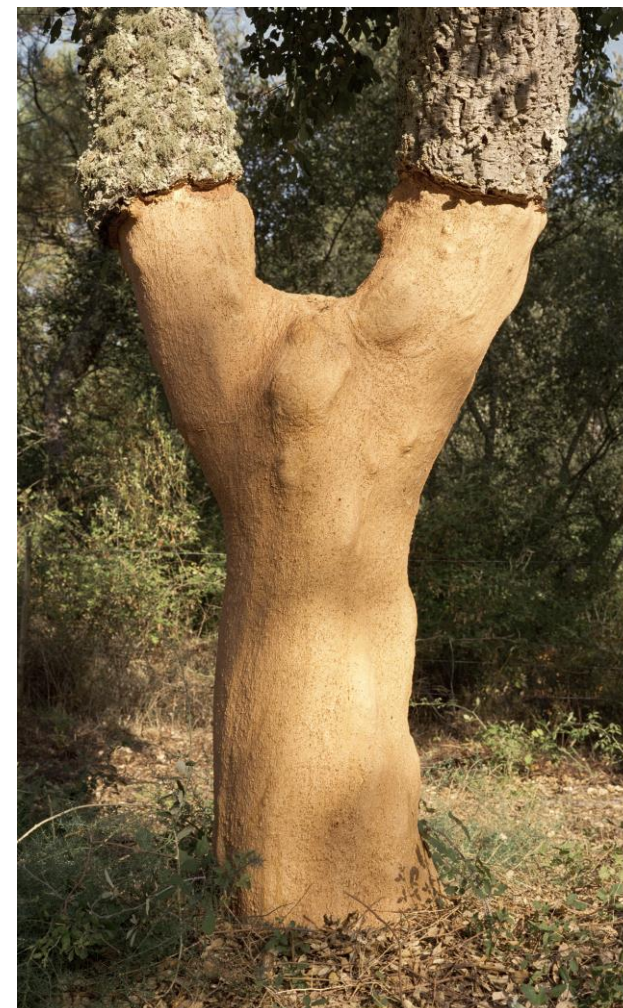


# Operating Figures

## Operating costs

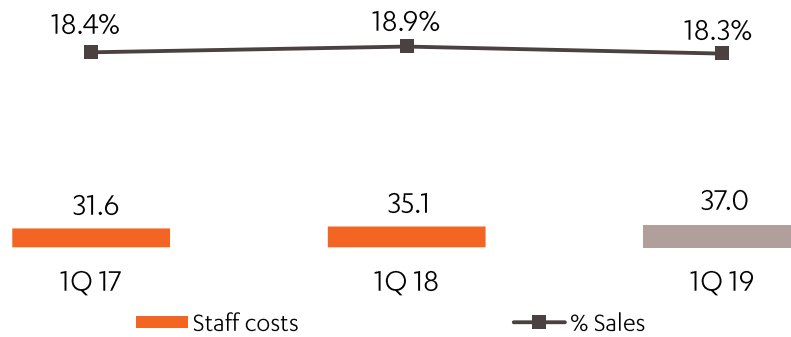


	1Q 17	1Q 18	1Q 19	qoq
External supplies	27.9	29.8	<b>31.7</b>	6.4%
Transports	5.5	6.4	<b>6.8</b>	7.0%
Energy	3.4	3.7	<b>3.7</b>	-1.8%
Staff costs	31.6	35.1	<b>37.0</b>	5.4%
Depreciation	8.1	8.1	<b>9.2</b>	13.2%
Impairments	2.3	0.1	<b>-0.5</b>	n.m.
Others	-0.4	-1.9	<b>-0.3</b>	-86.1%
<b>Total Operating Costs (current)</b>	<b>69.5</b>	<b>71.2</b>	<b>77.1</b>	<b>8.3%</b>



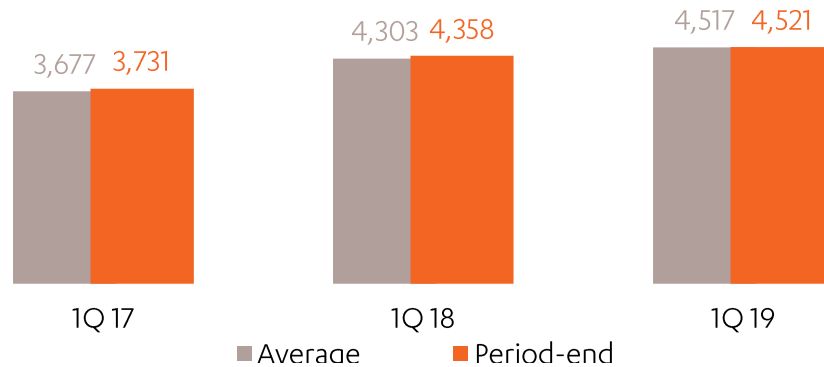
# Staff

## Value and % (sales)



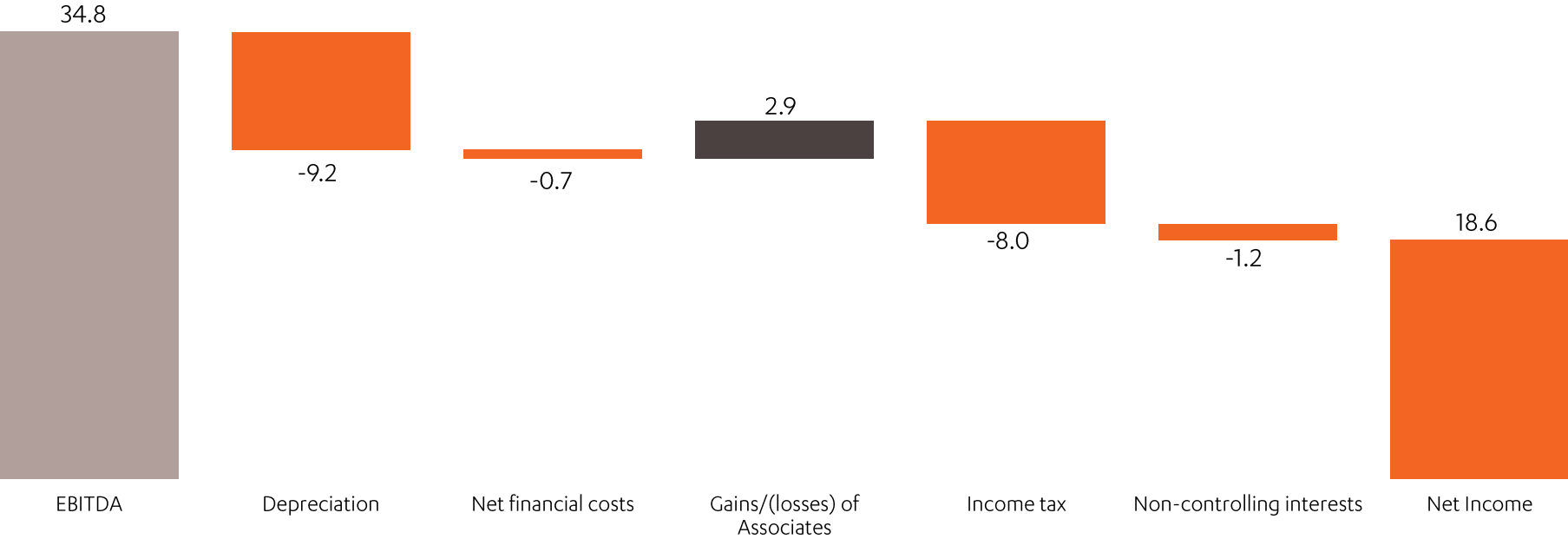
Values in million euros.

## Number of employees





# Net Income



Values in million euros.

# Financial Position



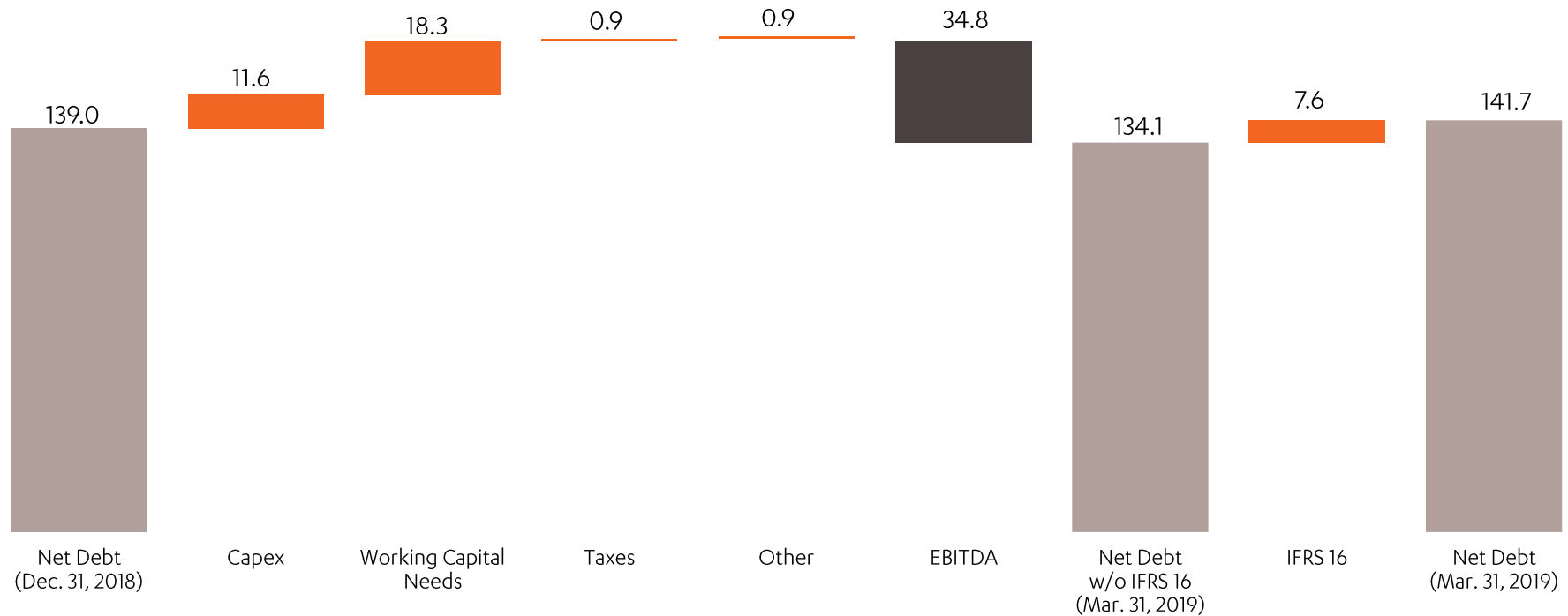
	March 31, 2017	December 31, 2017	March 31, 2018	December 31, 2018	March 31, 2019	March 31, 2019 w/o IFRS 16	IFRS 16
Net Goodwill	0.0	9.8	14.4	14.0	<b>13.9</b>	<b>13.9</b>	-
Net Fixed Assets / Right of use	195.1	227.9	223.3	259.6	<b>270.4</b>	<b>262.8</b>	7.6
Net Working Capital *	298.4	359.0	374.4	414.5	<b>432.8</b>	<b>432.8</b>	-
Other **	20.6	21.9	27.9	21.4	<b>23.3</b>	<b>23.3</b>	-
<b>Invested Capital</b>	514.1	618.7	640.0	709.4	<b>740.4</b>	<b>732.8</b>	7.6
<b>Net Debt</b>	11.7	92.8	85.9	139.0	<b>141.7</b>	<b>134.1</b>	7.6
Share Capital	133.0	133.0	133.0	133.0	<b>133.0</b>	<b>133.0</b>	-
Reserves and Retained Earnings	294.5	297.5	314.9	333.4	<b>353.2</b>	<b>353.2</b>	-
Non Controlling Interests	16.8	29.5	31.5	31.9	<b>33.5</b>	<b>33.5</b>	-
Agreement to acquire non-controlling interests	-	19.0	19.0	20.4	<b>20.5</b>	<b>20.5</b>	-
Taxes and Deferred Taxes	5.0	-17.0	-8.5	-12.6	<b>-5.3</b>	<b>-5.3</b>	-
Provisions	31.0	41.2	41.9	43.4	<b>43.2</b>	<b>43.2</b>	-
Grants ***	22.2	22.6	22.3	21.3	<b>20.5</b>	<b>20.5</b>	-
<b>Equity and other sources</b>	502.4	525.8	554.1	570.7	<b>598.7</b>	<b>598.7</b>	-

\* Inventories + accounts receivables - accounts payables + other operating assets/(liabilities)

\*\* Investment property + Investments in associates + Intangible assets + Other non-operating assets/(liabilities)

\*\*\* Non interest bearing grants (reimbursable and non-reimbursable)

# Net Debt



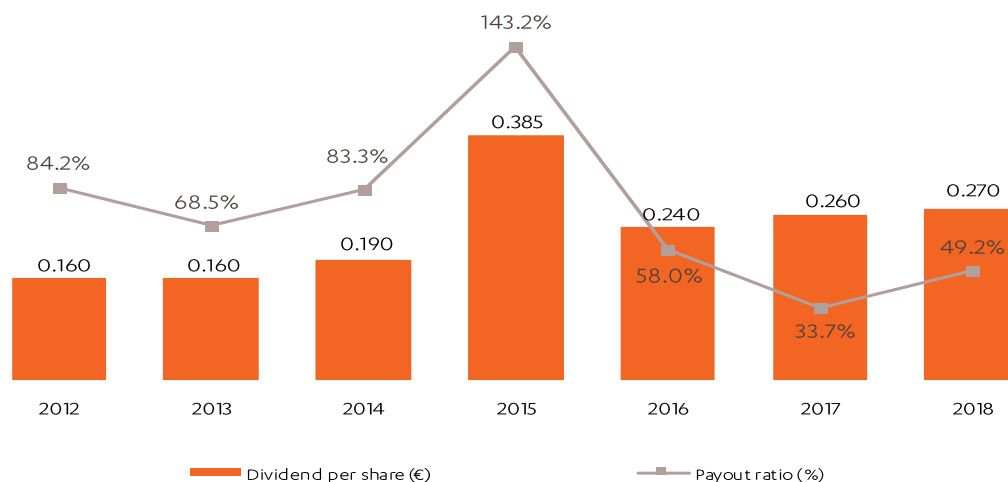
# Ratios



	1Q 17	2017	1Q 18	2018	1Q 19
Net Debt / EBITDA *	0.09	0.69	0.63	1.04	<b>1.07</b>
EBITDA / Net Interest	238.0	135.9	128.2	108.0	<b>92.3</b>
Gearing	2.6%	20.2%	17.9%	27.9%	<b>27.3%</b>
NWC / Market capitalization	23.0%	26.4%	27.2%	34.6%	<b>30.6%</b>
NWC / Sales x 360	160.1	179.5	182.0	195.5	<b>192.5</b>
Free cash flow (FCF)	17.2	34.0	9.7	11.2	<b>4.0</b>
Capex	5.7	43.7	8.7	57.9	<b>11.6</b>
Return on invested capital (ROIC) pre-tax	22.6%	20.5%	20.2%	16.4%	<b>15.6%</b>
Return on invested capital (ROIC)	16.5%	15.0%	14.7%	11.8%	<b>11.1%</b>
Average Cost of Debt	1.44%	1.67%	1.49%	1.09%	<b>1.23%</b>

\* Current EBITDA of the last four quarters  
 FCF = EBITDA – Non-current cash expenditures – Net financing expenses – Income tax – Capex – NWC variation  
 ROIC = Annualized NOPAT / Capital employed (average)

# Dividends



## Attractive Dividend Payment

11% Compound Annual Growth Rate in the last 5 years;

The Shareholders General Meeting (April 12, 2019) **approved** the distribution of a **gross dividend of € 0.185 per share**;

In 2018, a total of 35.9 M€ was paid out in dividends, an increase of 4% on 2017.

		2012	2013	2014	2015	2016	2017	2018
Issued shares	Qt.	133,000,000	133,000,000	133,000,000	133,000,000	133,000,000	133,000,000	133,000,000
Year-end close (N-1)	€	1.350	1.600	2.210	3.020	5.948	8.500	10.300
Earnings per share (N-1)	€	0.200	0.246	0.242	0.285	0.431	0.772	0.549
<b>Payout</b>	<b>%</b>	<b>84.2%</b>	<b>68.5%</b>	<b>83.3%</b>	<b>143.2%</b>	<b>58.0%</b>	<b>33.7%</b>	<b>49.2%</b>
Dividend per share	€	0.160	0.160	0.190	0.385	0.240	0.260	0.270
Total dividend	M€	20.2	20.1	23.9	50.2	31.9	34.6	35.9
<b>Dividend Yield</b>	<b>%</b>	<b>14.0%</b>	<b>11.3%</b>	<b>9.3%</b>	<b>13.5%</b>	<b>5.5%</b>	<b>3.6%</b>	<b>2.4%</b>

Dividend of year N-1 is paid in year N

Dividend yield = dividend per share/average share price (N-1)

2015: dividend of 0.385€ per share includes an additional dividend of 0.195€ per share (Nov. 2015) as an application of gains accrued in the ABB of treasury stock (5.62%)

# Stock Market | CORA.LS



	2013	2014	2015	2016	2017	2018	1Q 19
Qt. of shares traded	2,184,858	3,481,685	12,693,424	10,801,324	19,290,907	14,884,641	2,155,744
Share price (€):							
Maximum	2.400	3.650	6.290	9.899	13.300	12.000	11.020
Average	2.040	2.850	4.340	7.303	11.067	10.604	9.932
Minimum	1.560	2.200	2.990	5.200	8.180	8.370	8.710
Period-end	2.210	3.020	5.948	8.500	10.300	9.000	10.640
Trading Frequency	89.3%	96.1%	98.8%	100.0%	100.0%	100.0%	100.0%
<b>Stock market capitalisation at period-end (€)</b>	<b>293,930,000</b>	<b>401,660,000</b>	<b>791,084,000</b>	<b>1,130,500,000</b>	<b>1,369,900,000</b>	<b>1,197,000,000</b>	<b>1,415,120,000</b>

Source: Euronext|Corticeira Amorim

Qt. of shares traded in 2015 includes the ABB of 7,399,262 shares (17-09-2015)



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