

# Corticeira Amorim 1Q2017

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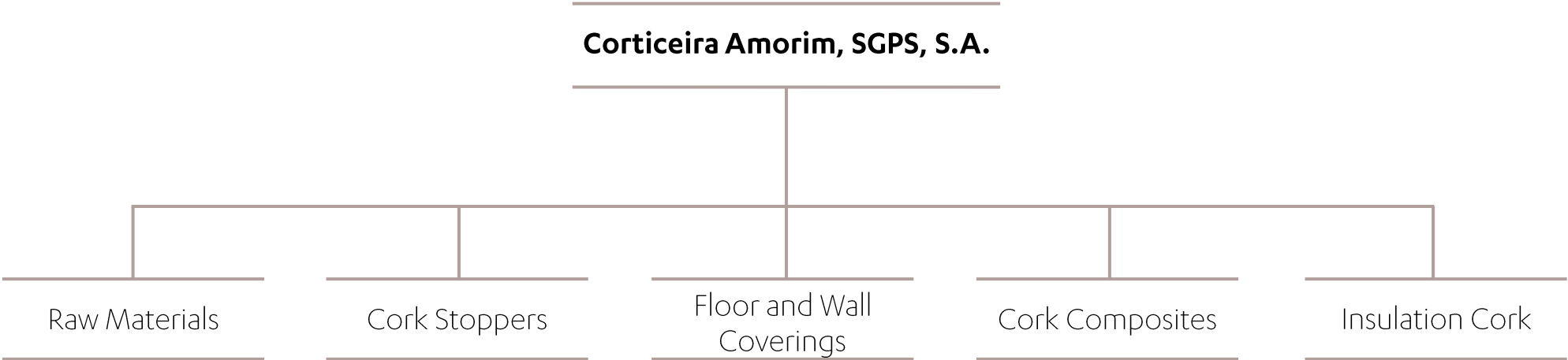


# Consolidated Results

# Integral Verticalization



Corticeira Amorim, SGPS, S.A.



# Key Facts & Figures

**Sales reached 172 million euros** (M€) an increase of 15 M€ (+ 9.6%);

## Sales growth at all major BUs:

- Cork Stoppers (+ 10.3%);
- Floor & Wall Coverings (+ 9.2%);
- Cork Composites (+ 5.9%);

**Sales growth** mainly reflected the volume effect (70%);

**The exchange rate effect** had a positive impact of 2,1 M€ on sales;

1Q2017 benefited from **higher number of working days in Portugal (+2 days)**;

Consolidated sales for April 2017 negatively affected by less four working days (Portugal);

**Every cork stopper segment** (wine, sparkling and spirits) registered strong sales growth (above 9%);

**NDtech®** with sales of 4 million stoppers in the quarter;

**Hydrocork®** sales (4.7 M€) continue to grow;

**Increased impairments (2.3 M€)** caused by:

- The reassessment of intangible assets from development projects;
- The recoverable amount from an industrial site that will be relocated;



# Key Facts & Figures

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**EBITDA increased by 21.6% (33.6 M€ vs. 27.6 M€);**

**EBITDA/Sales 1Q17: 19.5%** (1Q16: 17.6% | 2016FY: 19.1%):

- Increased sales with a more favorable mix;
- Gains on gross margin;

**Financial operations** continue to benefit from lower net debt and lower interest rates;

**Net debt decreased by 24 M€** from the end of 2016, to 12 M€;

**Net Income of 17.2 M€ (+23.7%);**

**Total Assets reached 741.4 M€ (2016FY: 726.9 M€);**

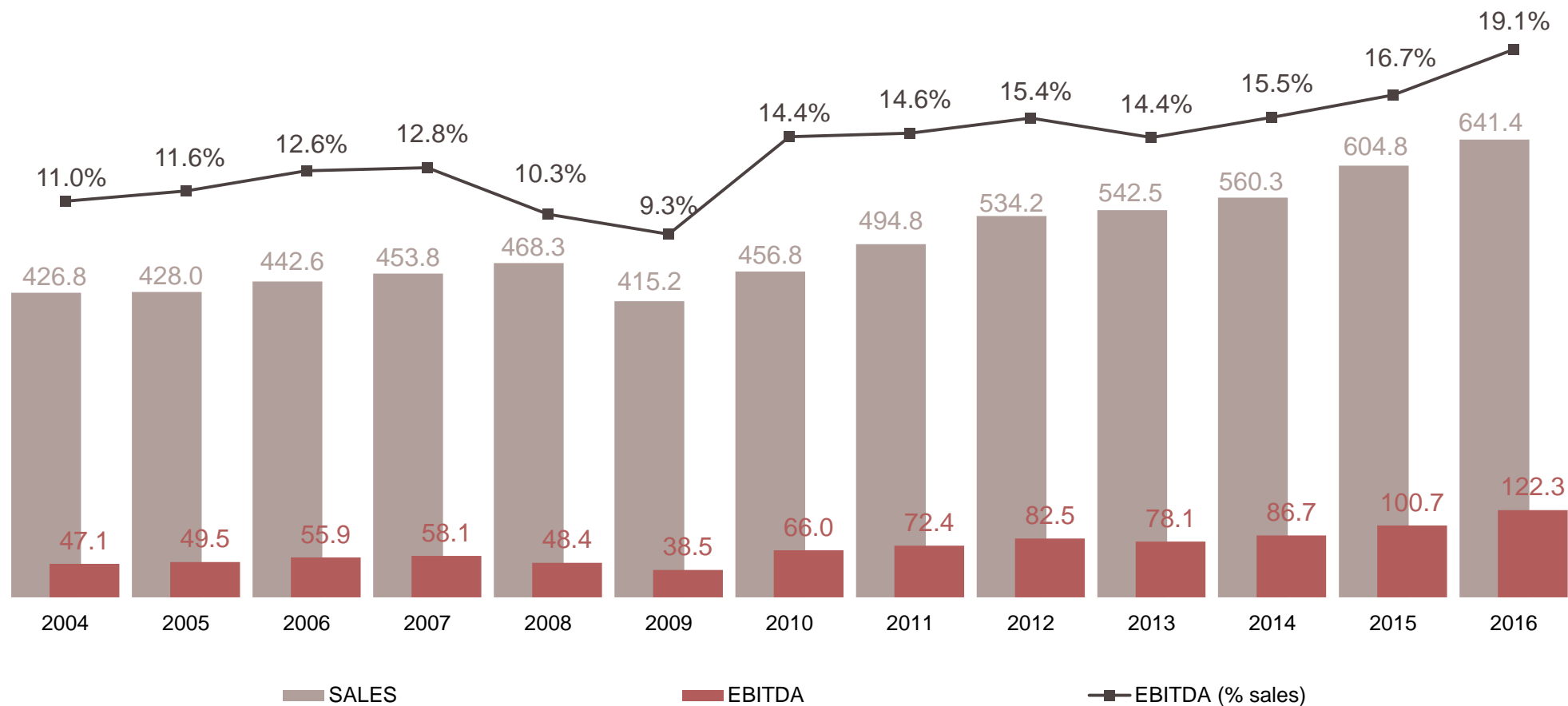
**Dividends distributed in 2017: € 0.18 per share (April);**

- Total cash out of 23.9 M€.





# Sales & EBITDA

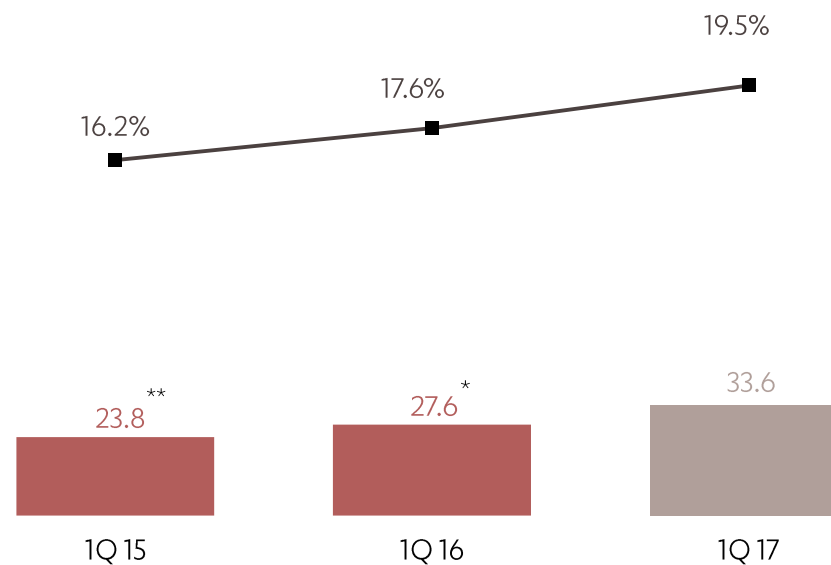
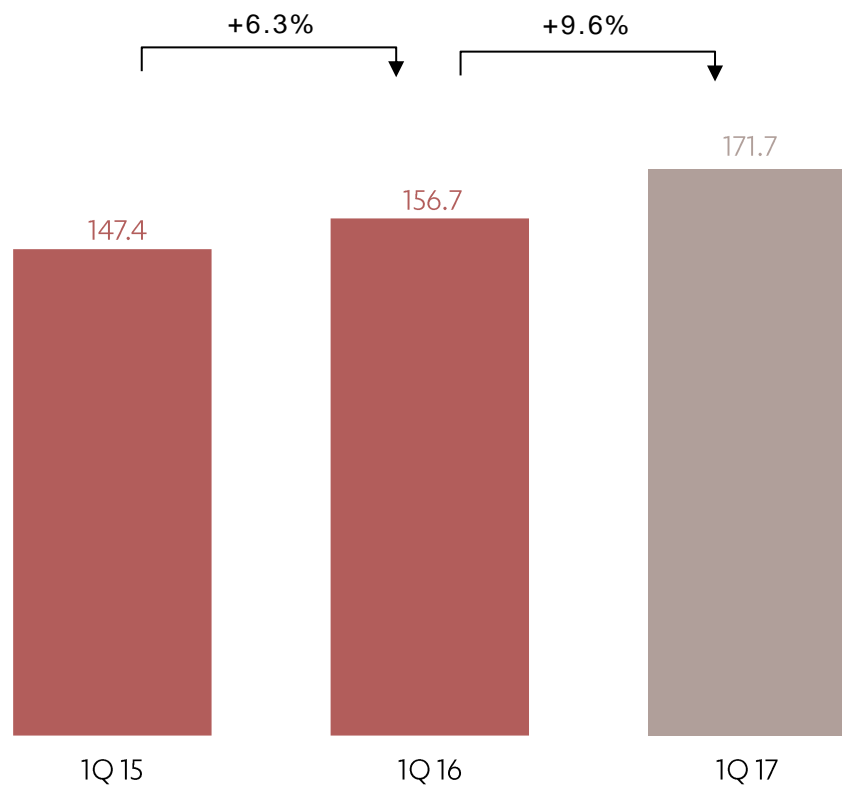


# Sales | EBITDA



Sales <sup>(a)</sup>

EBITDA



■ EBITDA

■ EBITDA (%sales)

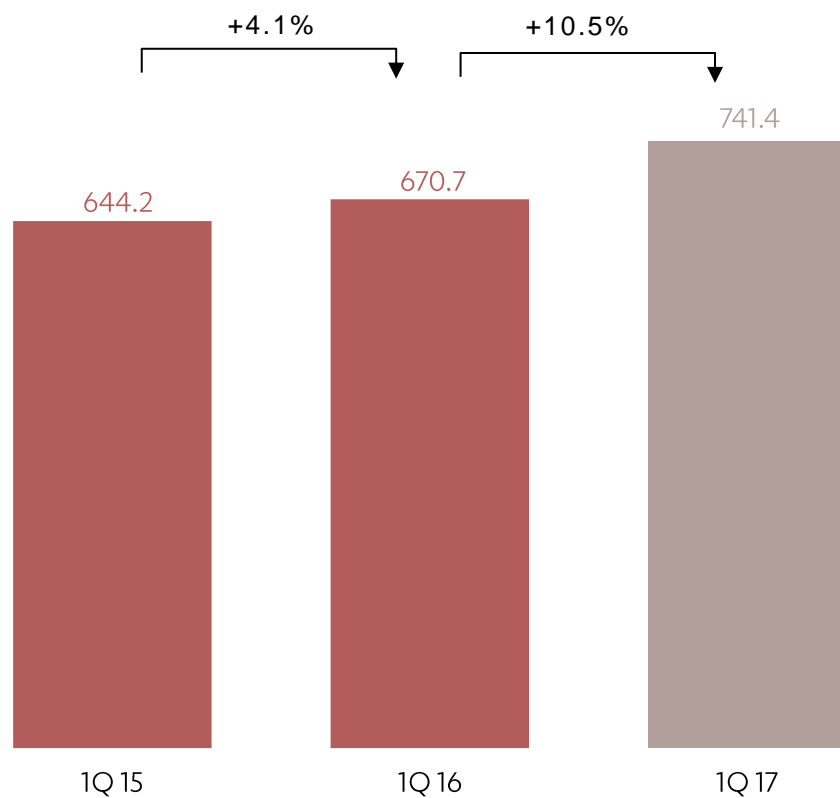
\* excludes 1.7 M€: non-recurrent costs  
\*\* excludes 2.9 M€: Goodwill impairment

Values in million euros.

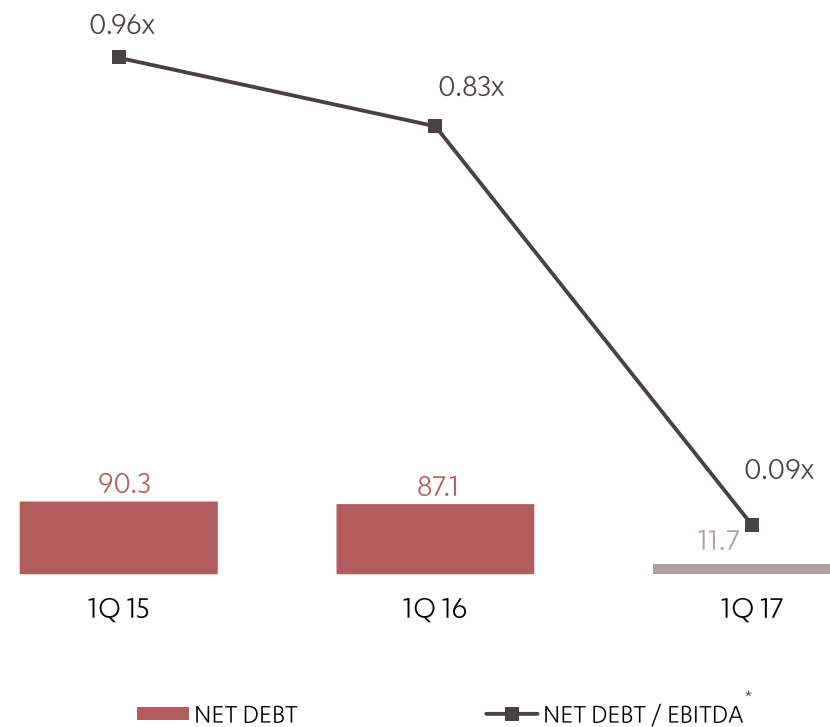
<sup>(a)</sup> Consolidated sales – excludes sales between Corticeira Amorim's Business Units.

# Assets | Net Debt

## Assets

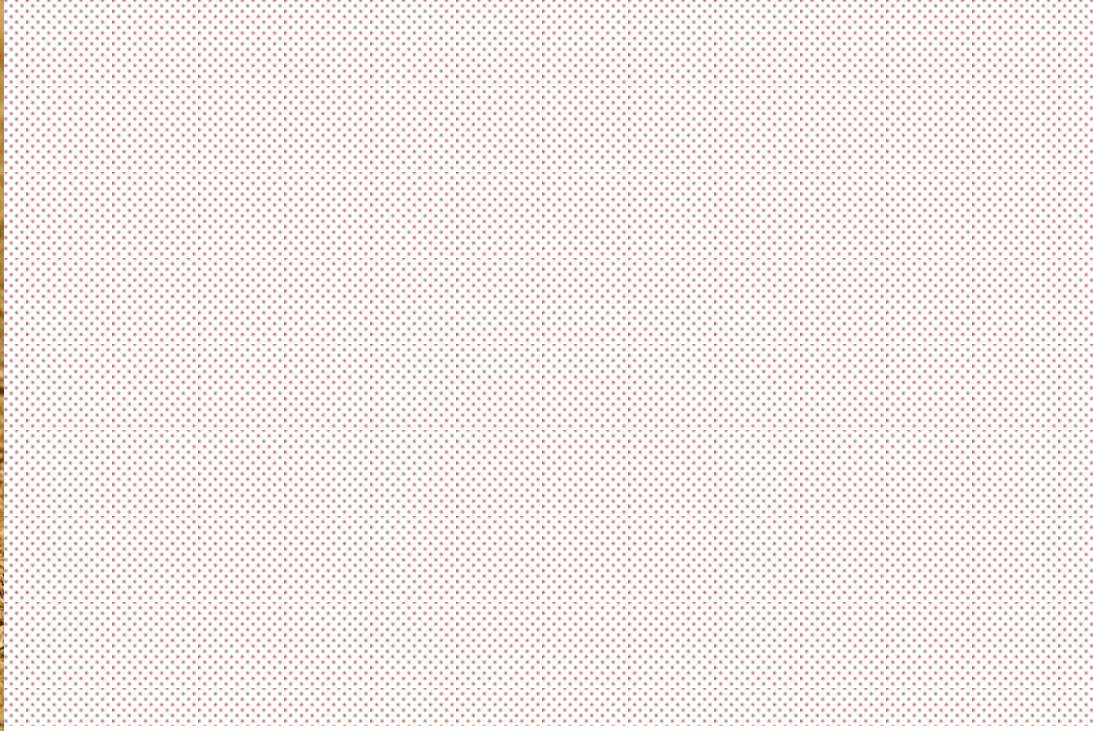


## Net Debt



\* Current EBITDA of the last four quarters

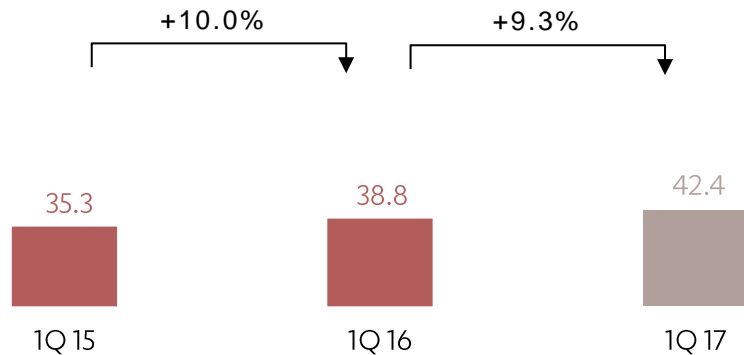




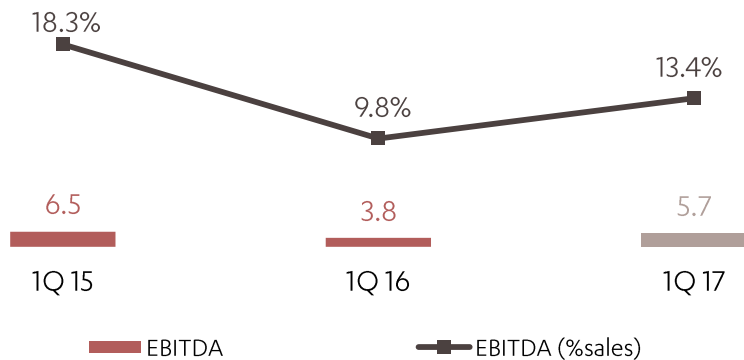
# Business Units

# Raw Materials

## Sales



## EBITDA



## Sales increased by 9.3%, to 42.4 M€

Keeping pace with activity growth in the other BUs;

EBITDA reached 5.7 M€, an increase on 1Q16 (3.8 M€):

- Increased business activity;
- Better margins in cork preparation;
- Reduction in operating costs;

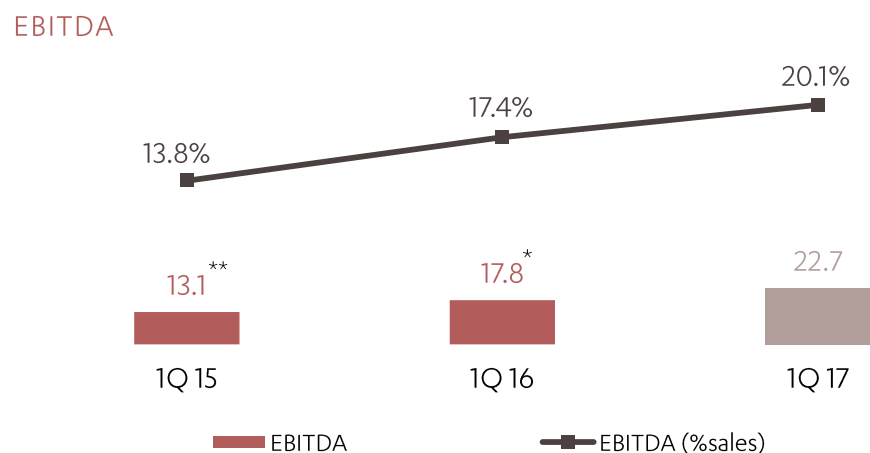
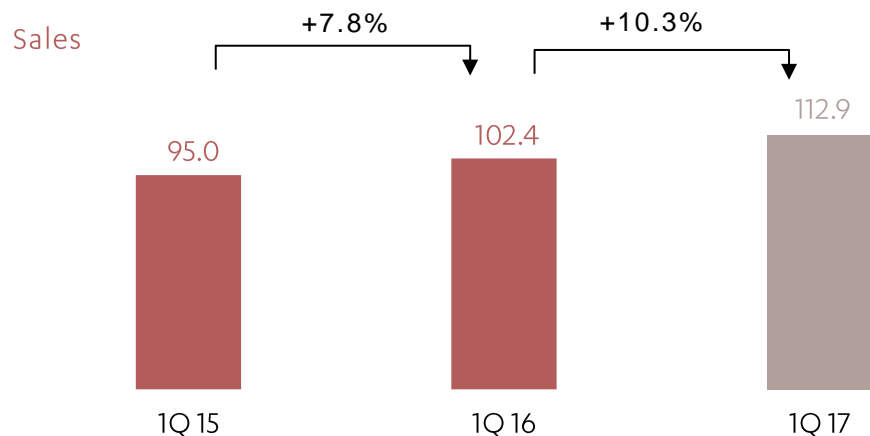
Cork purchasing campaign held as planned;

Ongoing projects to improve internal processes (Kaizen) and automation (selection, tracing) to improve quality and efficiency;

Research into shortening the first cork extraction cycle continues; the next step: enlarge partnerships with forest owners.



# Cork Stoppers



\* excludes 1.6 M€: non-recurrent costs

\*\* excludes 2.9 M€: Goodwill impairment

## Sales increased by 10.3% to 112.9 M€

Growth was balanced between products and markets;

Every segment (wine, sparkling and spirits) registered growth above 9%;

Good performance in natural cork stoppers, champagne and Neutrocork®;

NDtech® with sales of 4 million stoppers in the quarter;

Strong performance in traditional markets (France, Italy and Spain) and the US:

- Premium market expansion;
- Growth in large customers;

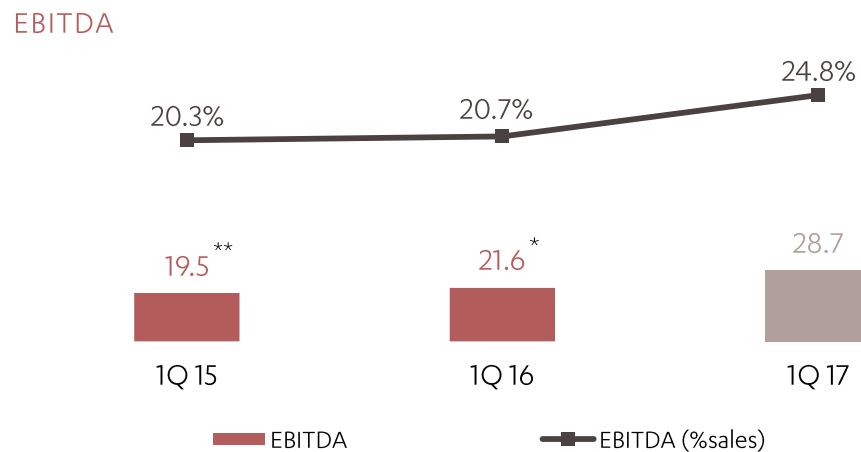
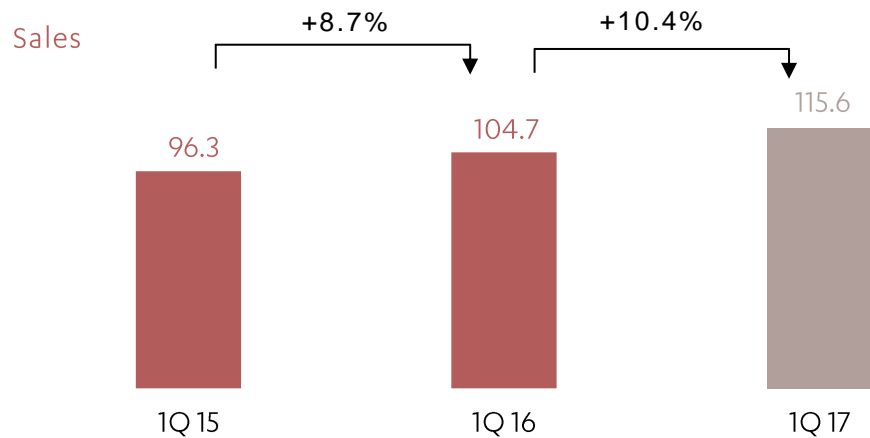
Robust EBITDA growth (+27%) and EBITDA/Sales (+2.7 pp):

- Increased business activity;
- Better sales mix ;
- Several ongoing projects to improve operating activity.





# Raw Materials + Cork Stoppers

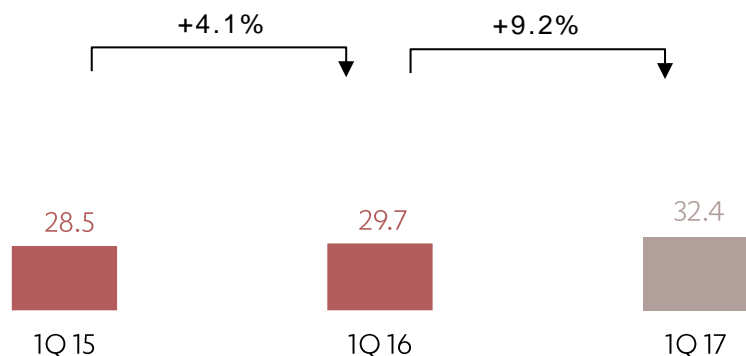


\* excludes 1.7 M€: non-recurrent costs  
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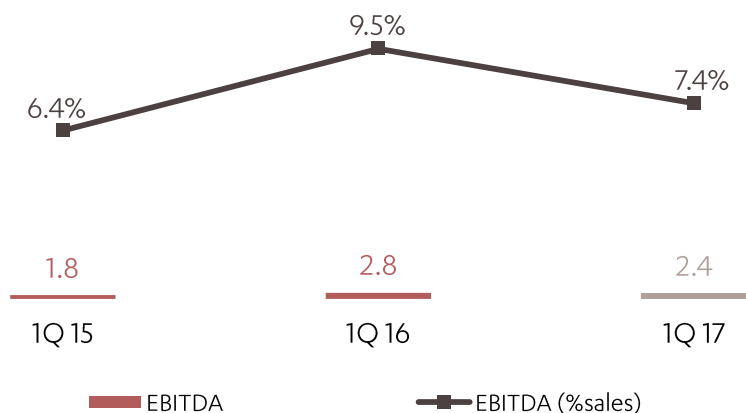


# Floor & Wall Coverings

## Sales



## EBITDA



## Sales increased by 9.2% to 32.4 M€

The BU succeeded in maintaining its positive sales trend;

Increased Hydrocork® sales (+1.1 M€, + 31.6%) with a growing weight in the BU's total sales;

Significant Authentica® sales growth (+1.2 M€);

Market trends:

- Significant commercial effort to increase sales globally;
- Sales to Russia at the same level as last year (1,2 M€);

EBITDA decreased to 2.4 M€ (-14.5%) due to increased commercial costs:

- Enlargement of commercial teams in target markets, considering the future production capacity increase;
- Establishment of the UK operation;
- Marketing costs at Amorim Flooring North America;

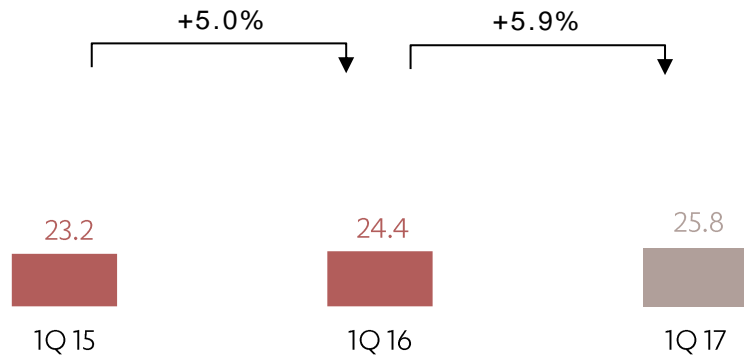
Plans to increase the BU's profitability:

- Assessment and analysis of efficiency measures: reviewing processes, reengineering and reorganization;
- Profitability increase on sales units;
- Sales increase related to commercial presence reinforcement.



# Cork Composites

## Sales



## Sales increased by 5.9% to 25.8 M€

Major contributions to the increase:

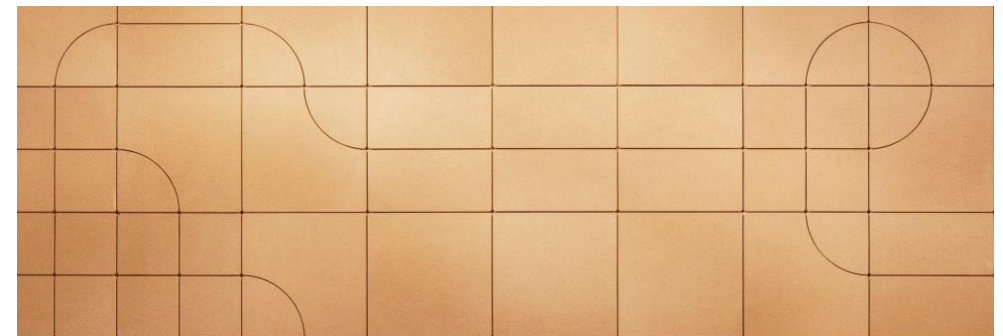
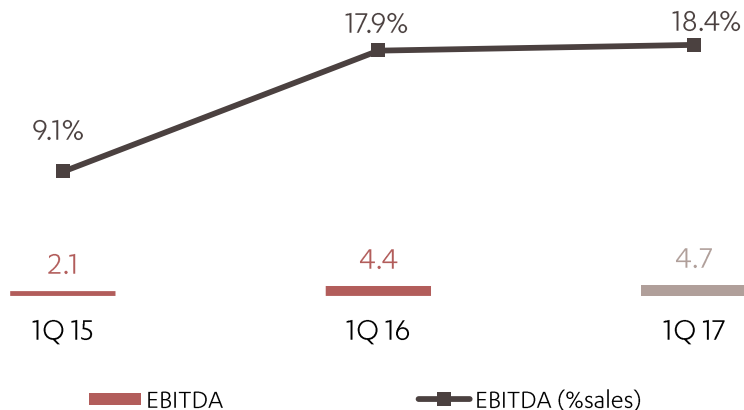
- *Resilient & Engineered Flooring Factories and Construction* segments;
- The supply of Hydrocork inlays for the of Floor and Wall coverings BU;
- Other major contributors: *Seals & Gaskets* and *Footwear*;

*Furnishing* sales decreased, a consequence of the extraordinary growth observed in the previous year; ongoing new projects with significant players;

Significant growth in sales to China (+0.5 M€);

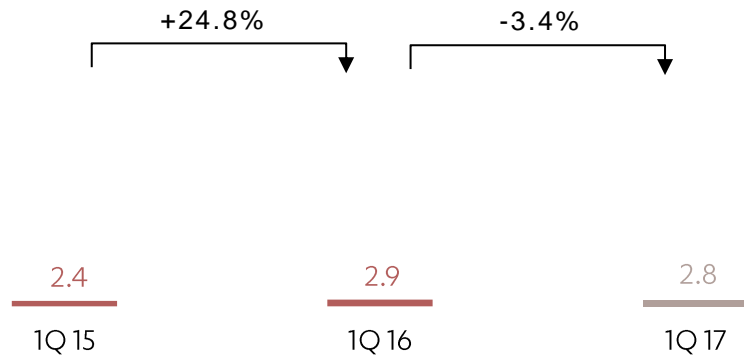
EBITDA for the quarter reached 4.7 M€, an increase of 8.3%, reflecting improvements in the gross margin and in the industrial margin.

## EBITDA



# Insulation Cork

## Sales



## Sales decreased by 3.4% to 2.8 M€

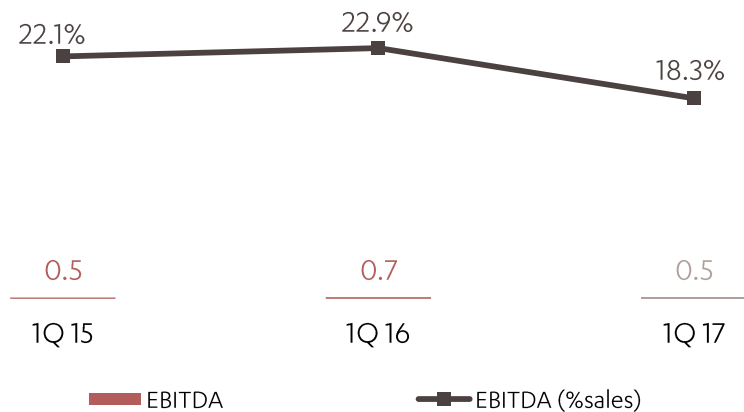
Excluding the effect of granulated cork sales to the Cork Composites BU, sales increased by 296 thousand euros, +12%;

No supplies of granulated cork to the Cork Composites BU;

Increase in specialty sales, mainly MDFachada® and re-granulated cork for football stadiums;

EBITDA reached 0.5 M€ (-22.7%): a lower gross margin due to a higher average price of specific raw materials manufactured explains the variation.

## EBITDA

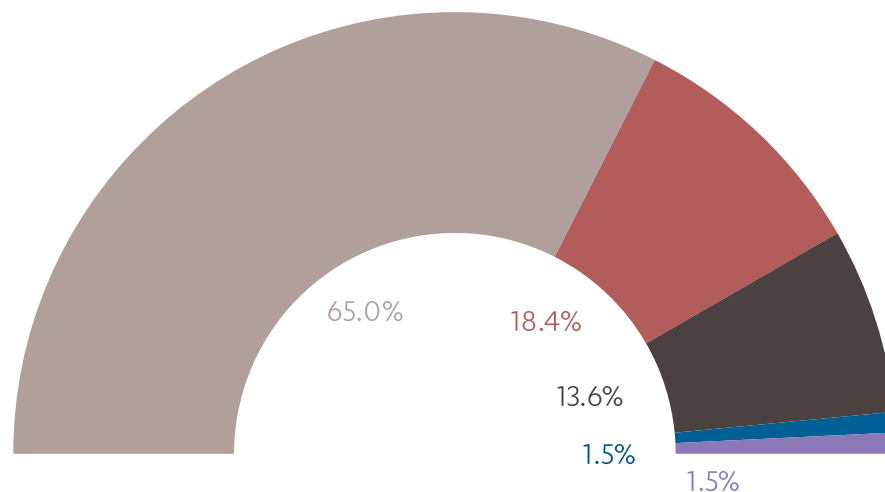






# Key Financials

# Sales by Business Unit

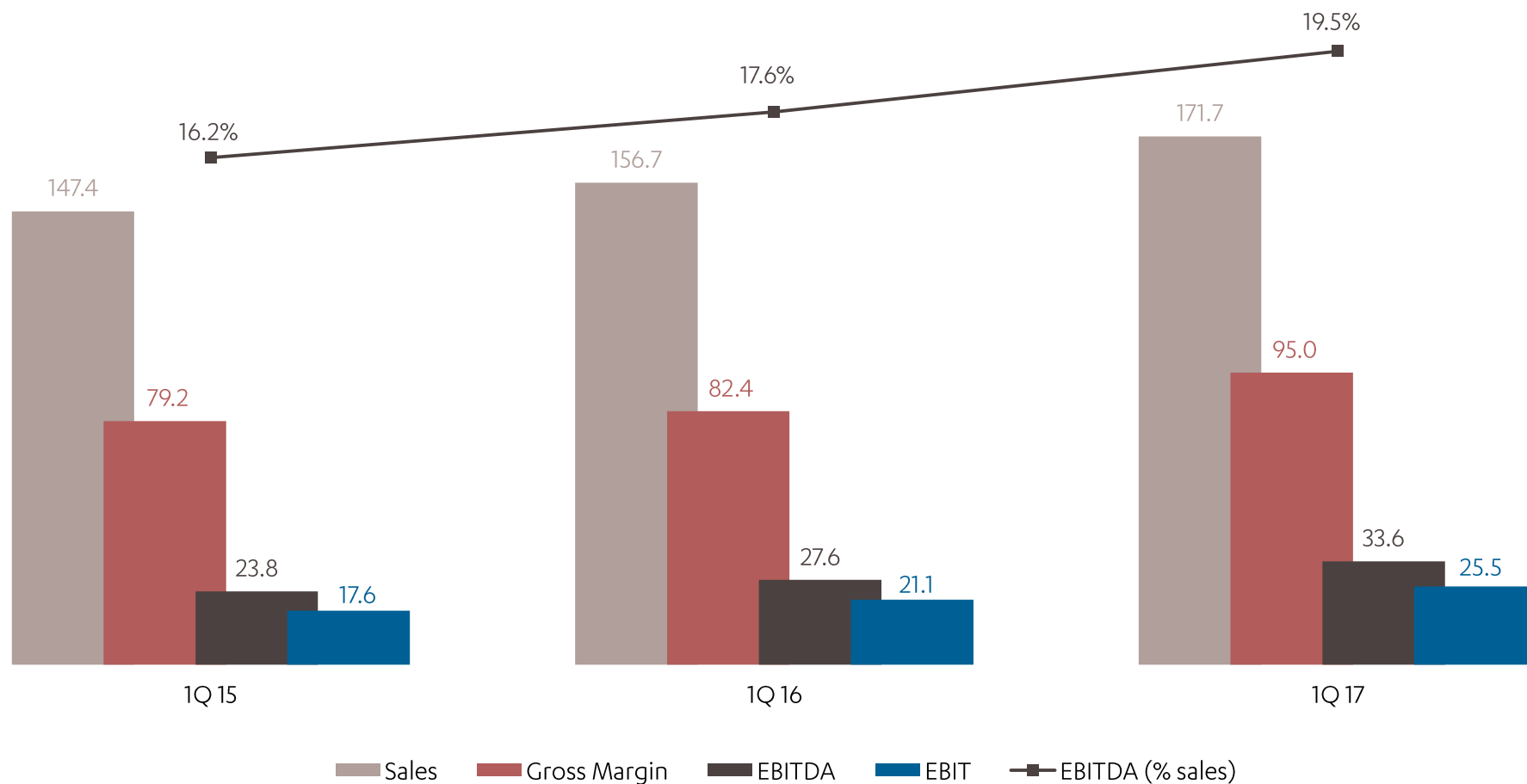


■ Cork Stoppers ■ Floor and Wall Coverings ■ Cork Composites ■ Insulation Cork ■ Raw Materials

	1Q 15	1Q 16	1Q 17
Cork Stoppers	63.6%	64.5%	<b>65.0%</b>
Floor and Wall Coverings	19.0%	18.3%	<b>18.4%</b>
Cork Composites	15.1%	14.2%	<b>13.6%</b>
Insulation Cork	1.4%	1.4%	<b>1.5%</b>
Raw Materials	0.9%	1.5%	<b>1.5%</b>
	<b>100%</b>	<b>100%</b>	<b>100%</b>

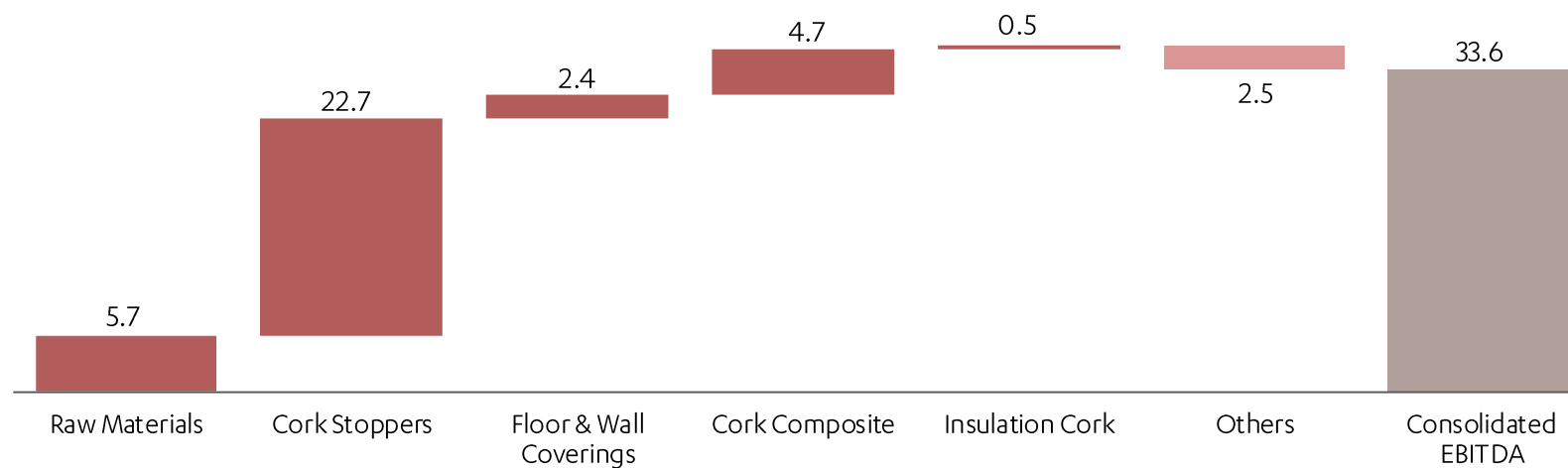


# Sales | Gross Margin | EBITDA | EBIT



# EBITDA by BU

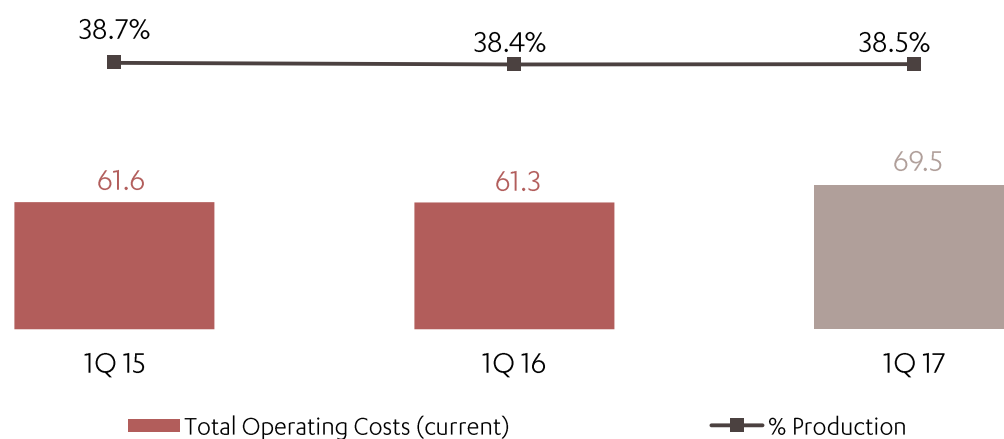
EBITDA by BU (value)



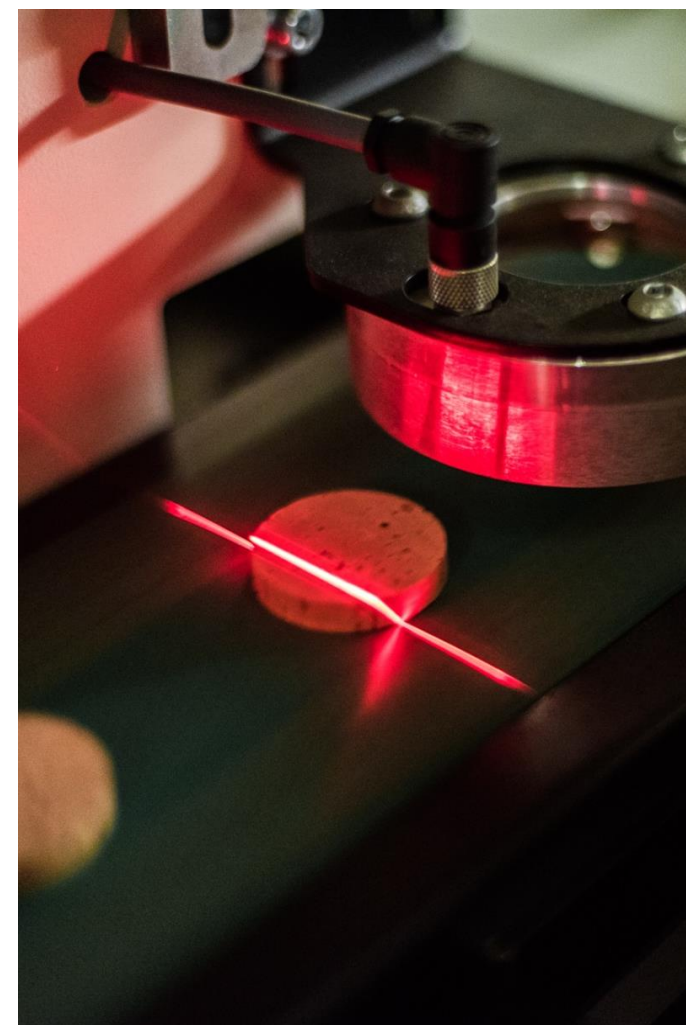
EBITDA/Sales (%)	1Q 15	1Q 16	1Q 17
Raw Materials + Cork Stoppers	20.3%	20.7%	<b>24.8%</b>
Floor and Wall Coverings	6.4%	9.5%	<b>7.4%</b>
Cork Composite	9.1%	17.9%	<b>18.4%</b>
Insulation Cork	22.1%	22.9%	<b>18.3%</b>
Consolidated	16.2%	17.6%	<b>19.5%</b>

# Operating Figures

## Operating costs



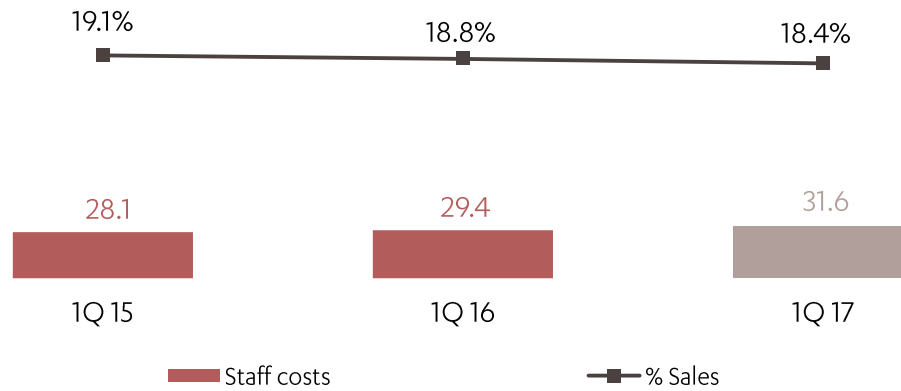
	1Q 15	1Q 16	1Q 17	yoy
External supplies	24.4	24.8	<b>27.9</b>	12.4%
Transports	5.2	5.4	<b>5.5</b>	2.4%
Energy	3.1	3.3	<b>3.4</b>	3.8%
Staff costs	28.1	29.4	<b>31.6</b>	7.4%
Depreciation	6.2	6.5	<b>8.1</b>	24.8%
Impairments	0.6	-0.04	<b>2.3</b>	-
Others	2.2	0.6	<b>-0.4</b>	-
<b>Total Operating Costs (current)</b>	<b>61.6</b>	<b>61.3</b>	<b>69.5</b>	<b>13.4%</b>





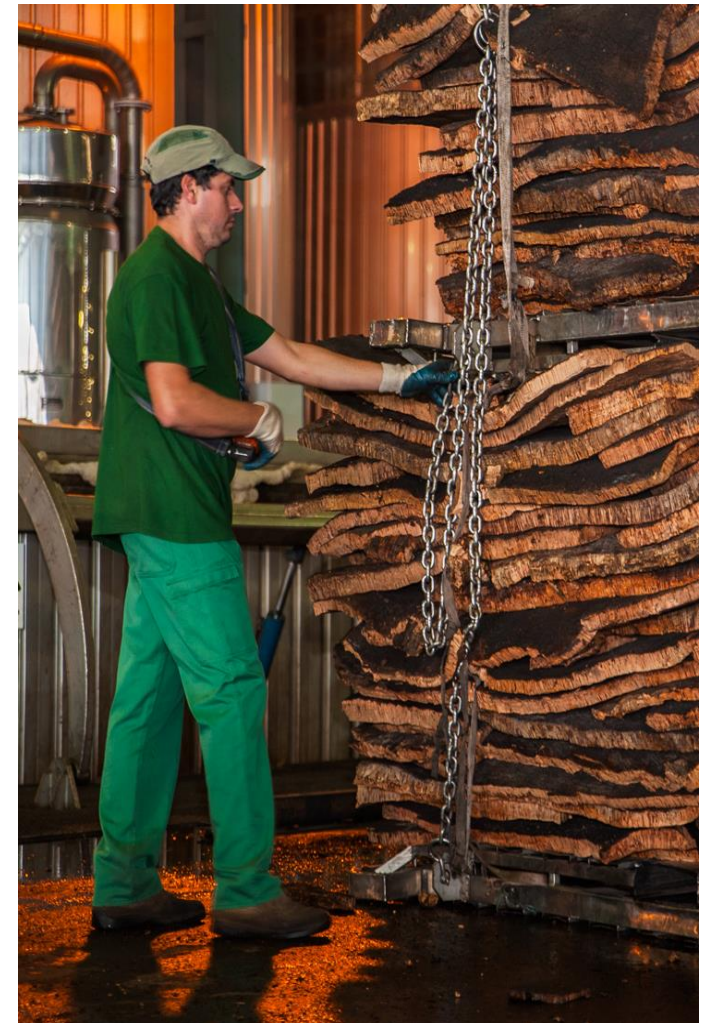
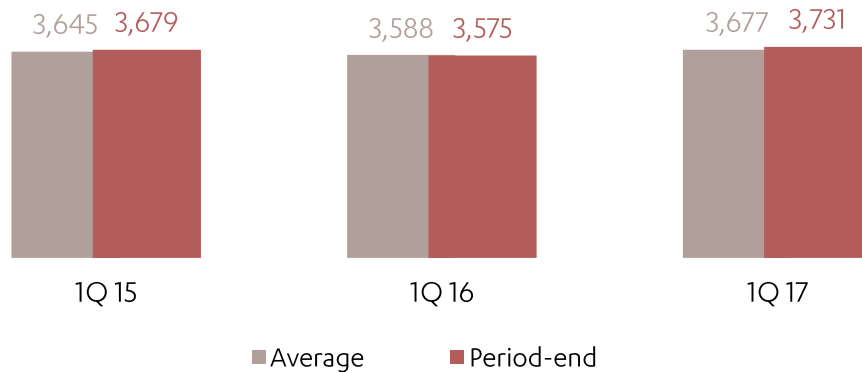
# Staff

## Value and % (sales)

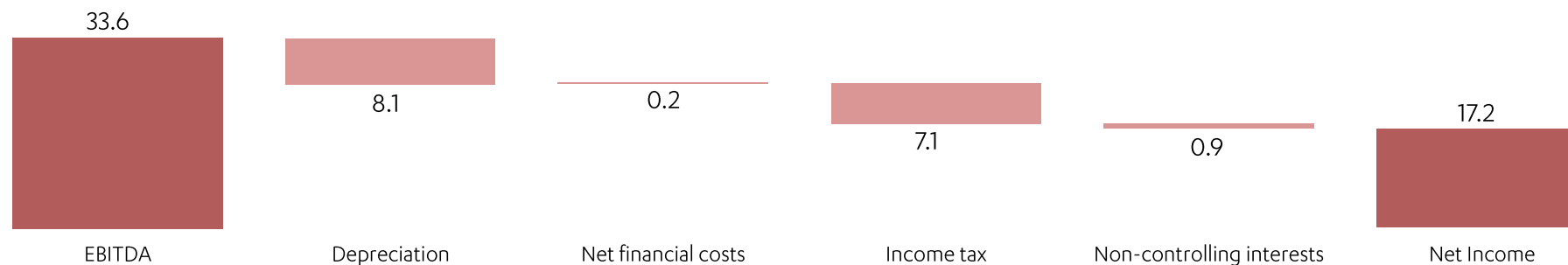


Values in million euros.

## Number of employees



# Net Income



	1Q 15	1Q 16	1Q 17	yoy
EBITDA	23.8	27.6	<b>33.6</b>	21.6%
Depreciation	6.2	6.5	<b>8.1</b>	24.8%
Net financial costs	0.6	0.5	<b>0.2</b>	-58.1%
Non-current costs	2.9	1.7	<b>0.0</b>	-100.0%
Share of (loss)/profit of associates	0.4	0.1	<b>-0.02</b>	-
Profit before tax	14.4	19.1	<b>25.2</b>	32.4%
Income tax	5.8	4.7	<b>7.1</b>	50.5%
Non-controlling interest	0.2	0.4	<b>0.9</b>	119.9%
Net Income	8.4	13.9	<b>17.2</b>	23.7%



# Key Consolidated Indicators



## Sales up 9.6% to 171.7 M€;

Cork Stoppers and Floor and Wall Coverings had a major impact on growth;

Sales growth mainly due to the volume effect; the exchange rate accounted for 2.1 M€;

## EBITDA/Sales: 19.5%;

## Net income up by 23.7% to 17.2 M€;

Main applications of EBITDA + government grants (8 M€):

- 5.7 M€ Capex
- 3.7 M€ Working Capital Needs
- 24.2 M€ Net Debt Reduction
- 2.2 M€ Other

**The AGM held on April 7 approved a dividend of 0.18€ per share, paid on April 26.**

	1Q 15	1Q 16	1Q 17	yoY
Sales	147.4	156.7	<b>171.7</b>	9.6%
Gross Margin	79.2	82.4	<b>95.0</b>	15.3%
Gross Margin / Production	49.7%	51.7%	<b>52.6%</b>	+ 0.9 p.p.
Operating Costs	61.6	61.3	<b>69.5</b>	13.4%
EBITDA	23.8	27.6	<b>33.6</b>	21.6%
EBITDA / Sales	16.2%	17.6%	<b>19.5%</b>	+ 1.9 p.p.
EBIT	17.6	21.1	<b>25.5</b>	20.6%
Non-recurrent costs	2.9	1.7	<b>0.0</b>	-100.0%
Net Income	8.4	13.9	<b>17.2</b>	23.7%
Earnings per share (€)	0.067	0.105	<b>0.129</b>	23.7%

# Debt | Ratios

	1Q 15	2015	1Q 16	2016	1Q 17
Net Debt	90.3	83.9	87.1	35.9	<b>11.7</b>
Net Assets	644.2	667.2	670.7	726.9	<b>741.4</b>
Equity and Minority interests	328.0	354.1	368.5	426.9	<b>444.2</b>
Net Debt / EBITDA *	0.96	0.83	0.83	0.29	<b>0.09</b>
EBITDA / Net Interest	54.7	70.5	82.3	108.6	<b>238.0</b>
Equity / Net Assets	50.9%	53.1%	55.0%	58.7%	<b>59.9%</b>
Gearing	27.5%	23.7%	23.6%	8.4%	<b>2.6%</b>
Net working capital (NWC)	296.2	296.8	315.5	315.7	<b>305.5</b>
NWC / Market capitalization	55.0%	37.3%	35.4%	27.9%	<b>23.0%</b>
NWC / Sales x 360	180.9	176.7	181.2	177.2	<b>160.1</b>
Free cash flow (FCF)	-4.0	22.1	6.3	86.9	<b>17.2</b>
Capex	3.6	31.4	5.8	33.6	<b>5.7</b>
Return on invested capital (ROIC)	12.8%	14.3%	14.2%	16.9%	<b>16.5%</b>
Average Cost of Debt	2.7%	2.1%	1.7%	1.8%	<b>1.4%</b>

\* Current EBITDA of the last four quarters

NWC = Inventories + Trade receivables + Other operating assets – Trade payables – Other operating liabilities

FCF = EBITDA – Non-current cash expenditures – Net financing expenses – Income tax – Capex – NWC variation

ROIC = Annualized NOPAT / Capital employed (average)

# Balance Sheet

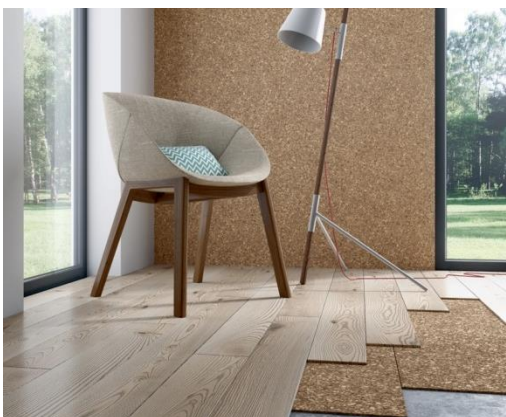


## Assets

	1Q 16	2016	1Q 17
<b>Total non-current assets</b>	<b>225.4</b>	<b>231.7</b>	<b>228.9</b>
Inventories	257.2	268.7	<b>262.4</b>
Raw materials (cork)	119.9	149.2	<b>122.0</b>
Finished products and WIP	126.5	109.1	<b>116.8</b>
Others	10.8	10.3	<b>23.7</b>
Trade receivables	147.7	141.9	<b>161.4</b>
Other current assets	40.3	84.6	<b>88.6</b>
Corporate Income Tax	2.5	4.2	<b>2.5</b>
Cash	8.6	51.1	<b>54.2</b>
VAT receivable	18.4	19.9	<b>19.2</b>
Others	10.9	9.3	<b>12.7</b>
<b>Total current assets</b>	<b>445.2</b>	<b>495.2</b>	<b>512.5</b>
<b>Total Assets</b>	<b>670.7</b>	<b>726.9</b>	<b>741.4</b>

## Liabilities & Equity

	1Q 16	2016	1Q 17
<b>Equity</b>	<b>368.5</b>	<b>426.9</b>	<b>444.2</b>
Bank borrowings	41.6	38.6	<b>37.8</b>
Provisions	32.8	30.7	<b>31.0</b>
Other non-current liabilities	17.5	16.9	<b>24.1</b>
<b>Total non-current liabilities</b>	<b>91.9</b>	<b>86.2</b>	<b>92.9</b>
Bank borrowings	54.2	48.4	<b>28.2</b>
Trade payables	98.6	110.0	<b>107.5</b>
Accrued costs	22.9	23.4	<b>26.8</b>
State and social security - withholding/VAT/others	20.0	16.0	<b>22.7</b>
Other current liabilities	14.5	16.0	<b>19.1</b>
<b>Total current liabilities</b>	<b>210.2</b>	<b>213.8</b>	<b>204.3</b>
<b>Total Liabilities and Equity</b>	<b>670.6</b>	<b>726.9</b>	<b>741.4</b>



AMORIM

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