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# Sales increase 10% to €584 million

*Highlights:*

- *EBITDA totalled €108.4 million, an increase of 2.9%*
- *Net profit increased 4.0% to €58.6 million*
- *Proposal to distribute a dividend of €0.085 per share from reserves*

Corticeira Amorim registered a net profit of €58.6 million for the first nine months of 2018, up 4% on the same period of 2017 (€56.4 million).

Sales totalled €583.8 million, an increase of 9.8% compared with the same period of last year.

The change in the consolidation perimeter resulting from the acquisition of the Bourrassé Group (Bourrassé), whose activities began to be consolidated into Corticeira Amorim's accounts from June 30, 2017, had no impact in the third quarter of 2018. Over the first nine months, the change in the perimeter more than offset the impact of the depreciation of the US dollar. Excluding both these effects, sales would have increased 4.9%.

US dollar depreciation had almost zero impact in the third quarter, unlike in the first half, when it had a negative effect on Corticeira Amorim's sales and profitability.

All the Group's business units (BUs) recorded sales growth in the first nine months, with the exception of the Floor and Wall Coverings BU. A notable performance by the Composite Cork BU succeeded in reversing the fall in sales it registered in the first half. In cumulative terms, the Cork Stopper BU recorded sales growth of 12.8%, the Raw Materials BU 15.2%, the Insulation BU 8.9% and the Composite Cork BU 3.8%.

EBITDA rose to €108.4 million, an increase of 2.9% compared with the same period of 2017. The EBITDA/sales ratio fell year-on-year (from 19.8% to 18.6%), mainly due to pressure on the gross margin caused by higher raw material prices. Gains in operating efficiency, tight cost controls and reduced impairments made important contributions to offsetting this reduction. Taking into account the price evolution of raw materials used in production, the downward trend in the ratio is expected to continue until the end of the year.

At the end of September, net interest-bearing debt totalled €104.7 million (compared with €92.8 million at the end of 2017). In a context of low interest rates, total financial charges increased slightly as a result of an increase in average indebtedness, which resulted mainly from the Group's recent acquisitions (Bourassé, Sodiliège and Elfverson) and an increase in capital investment and working capital.

Financial autonomy fell to 51% (compared with 53% at the end of 2017).

## Performance by Business Unit

The **Raw Materials BU** posted sales of €134.8 million, an increase of 15.2% on the same period of 2017. EBITDA totalled €24.2 million, up 53% (9M17: €15.8 million). This increase was due to an improvement in the gross margin resulting from positive contributions from industrial preparation as well as disc and granulate production operations. As expected, the BU's profitability decreased in the third quarter due to the consumption of cork extracted in 2017, which was acquired at higher prices. The acquisition of Herdade da Baliza in October marked an important step in implementing the BU's Forest Intervention Project, which will increase the productivity of cork oak plantations and guarantee the production of quality cork.

Sales by the **Cork Stopper BU** totalled €410.2 million, an increase of 12.8% on the same period in 2017. At constant exchange rates and excluding the change in the consolidation perimeter, sales growth would have been 4.7%. Sales growth was positive in almost every region (particularly in France, Italy, Spain and Portugal) and in every business segment (still wines, sparkling wines and spirits). Sales and profitability targets set for the recently acquired subsidiaries (Bourrassé and Elfverson) remained on track.

EBITDA increased 3.0% to €76.1 million, positively influenced by the consolidation of the acquired companies. However, the BU's profitability decreased due to higher prices paid for raw materials and the depreciation of the US dollar.

Sales by the **Floor and Wall Coverings BU** totalled €84.1 million, a decrease of 7.7% compared with the same period of 2017 and a continuation of the downward first-half trend. Profitability was affected by a reduction in sales, customer impairments and price pressure on the BU's main raw material (cork). The BU's new management team is focused on improving productivity and providing the best solutions for its customers through launching a new range of sustainable products, an initiative made possible by investments in innovative technologies related to the unit's new press. In the first nine months, non-recurring expenses of €0.9 million were recorded for additional restructuring measures.

The BU's EBITDA fell to €2.7 million. The measures referred to above are expected to see the BU return to growth in business volume and profitability next year.

The **Composite Cork BU** recorded sales of €77.1 million, an increase of 3.8% over the same period last year. Sales growth in the third quarter (+ 15.5%) led to a reversal of the downward trend registered in the first half. Other positive impacts included an increase in sales prices, a more favourable sales mix and an increase in volume sales. Excluding the exchange rate effect, the BU would have achieved sales growth of 6.8%.

EBITDA for the first nine months was €8.2 million (9M17: €11.7 million), influenced by higher raw material prices and an unfavourable exchange rate effect. Excluding the exchange rate effect, the EBITDA/sales ratio would have been 12.4% (9M2017: 15.8%).

Sales by the **Insulation BU** totalled €8.9 million, an increase of 8.9% over the same period in 2017. EBITDA reached €0.9 million The BU's profitability was negatively affected by the consumption of more expensive raw materials.

## Dividend proposal

The Board of Directors decided to propose to the Shareholders' General Meeting, to be held on December 3, the distribution of an additional dividend of €0.085 per share.

## Main indicators

| | | 9M17 | 9M18 | yoy | 3Q17 | 3Q18 | yoy |
|---|---|---|---|---|---|---|---|
| Sales | | 531,470 | **583,758** | 9.8% | 176,708 | **183,893** | 4.1% |
| Gross Margin – Value | | 284,432 | **297,666** | 4.7% | 92,311 | **90,689** | -1.8% |
| | 1) | 53.3% | **49.2%** | -4.1 p.p. | 53.3% | **47.1%** | -6.21 p.p. |
| Operating Costs - current | | 200,827 | **212,857** | 6.0% | 63,538 | **66,823** | 5.2% |
| EBITDA - current | | 105,352 | **108,419** | 2.9% | 34,730 | **30,995** | -10.8% |
| EBITDA/Sales | | 19.8% | **18.6%** | -1.3 p.p. | 19.7% | **16.9%** | -2.8 p.p. |
| EBIT - current | | 83,605 | **84,809** | 1.4% | 28,773 | **23,866** | -17.1% |
| Non-current results | 2) | 1,572 | **681** | N/A | 1,572 | **0** | N/A |
| Net Income | | 56,363 | **58,590** | 4.0% | 18,605 | **17,375** | -6.6% |
| Earnings per share | | 0.424 | **0.441** | 4.0% | 0.140 | **0.138** | -1.1% |
| Net Bank Debt | | 75,779 | **104,702** | 28,923 | - | **-** | - |
| Net Bank Debt/EBITDA (x) | 3) | 0.57 | **0.77** | 0.19 x | - | **-** | - |
| EBITDA/Net Interest (x) | 4) | 173.3 | **123.5** | -49.75 x | 115.2 | **99.6** | -15.62 x |
| Equity/Net Assets | | 51.1% | **50.7%** | -0.38 p.p. | - | **-** | - |

1) Related to Production

2) Figures refer to the reversal of provisions for Amorim Argentina, Amorim Revestimentos restructuring and transaction costs for subsidiaries acquisition (9M18) and transaction costs of Bourrassé and Sodiliège and to Floor and Wall Coverings BU restructuring costs (9M17)

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)