



Avio 2017 Full Year Results

Colleferro, 16 March 2018

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Agenda

- ☐ **2017 Highlights – Giulio Ranzo (CEO)**
- ☐ **FY 2017 Financials – Alessandro Agosti (CFO)**

Key highlights of 2017 results

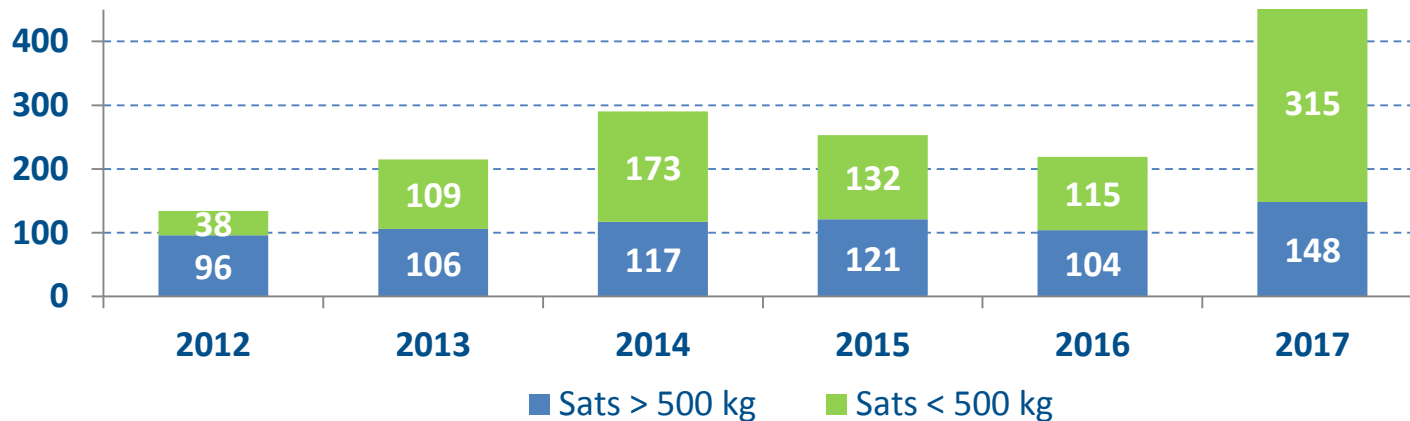


- **Record high Net Order backlog : €952M (up 23% vs 2016)**
 - New contracts for over €500M - 3 year visibility
- **Net Revenues : €343.8M (up 18% vs 2016)**
 - A6/Vega C development at full speed
 - Vega production growing steadily
- **Adjusted EBITDA : €46.5M (up 27% vs 2016)**
 - Fixed costs base stable on growing revenues
 - Development costs structurally improved through R&D tax credit
- **Adjusted EBIT : €32.3M (up 20% vs 2016) - Reported EBIT : €25.0M (up 89% vs 2016)**
 - Non-recurring costs decreased (down 24% vs 2016)
- **Net income : €21.8M (€3.1M in 2016)**
 - Lower impact of interest costs (new debt structure)
- **Net Financial Position at €42M (-€18.6M in 2016)**

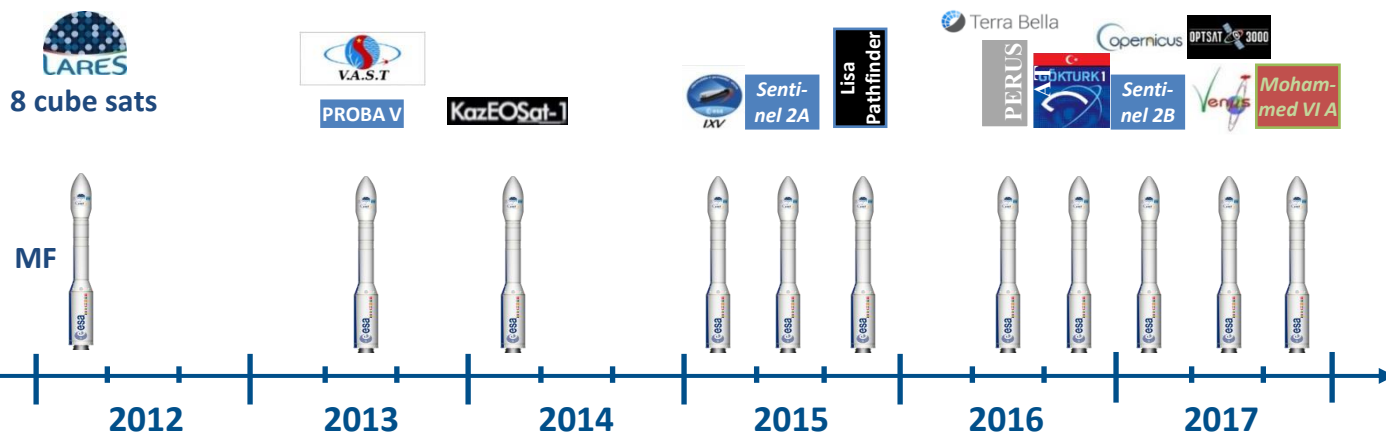
2017 marks the rapid growth of the small sat business... ...while Vega grows in annual flight rate



Total nr. of satellites launched into Space worldwide



Vega flight record since 2012 Maiden Flight : 11 successes in-a-row



Source: Space Launch Report

5 flights in the last 14 months

New facilities and technologies getting ready for ramp up



New filament winding and automatic tape layup machine



MIRA firing test

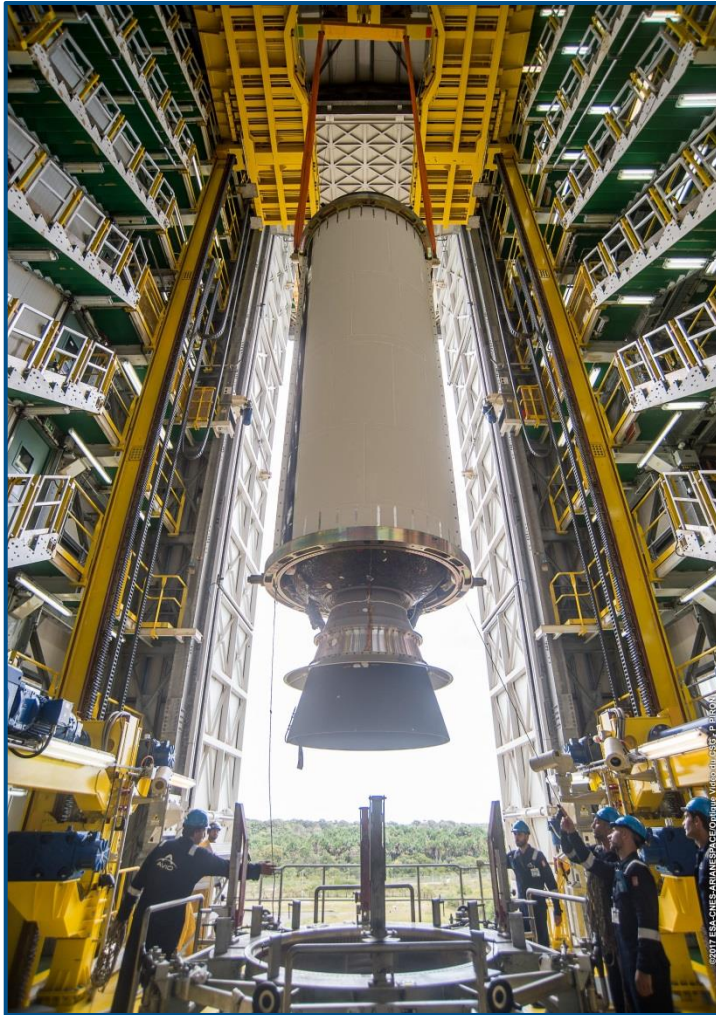


P120 production plant completed



Automated nozzle integration

Broader perimeter of activity on the launch pad

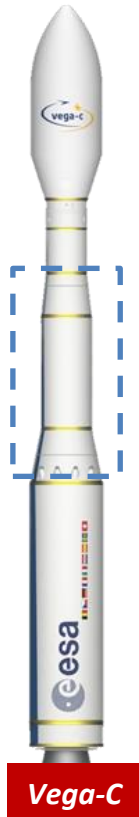


Vega Launcher integration in Kourou



Modification of the Vega Mobile Gantry for Vega C

Concrete progress on development : Z40 static firing test



Successful firing test of new Z40 on 7 March (Sardinia facilities)

Strong year for flight activities and new orders



6 successful launches in 2017 and 82 consecutive successful flights



Full flight activity as planned in spite of 6 week strike in March/April

Ariane new orders

- Ariane 5 batch PC (2018-2022), last 10 flight units before Ariane 6 (February 2018)

3 successful launches in 2017 (5 in 14 months), 11 in-a-row



Vega new orders

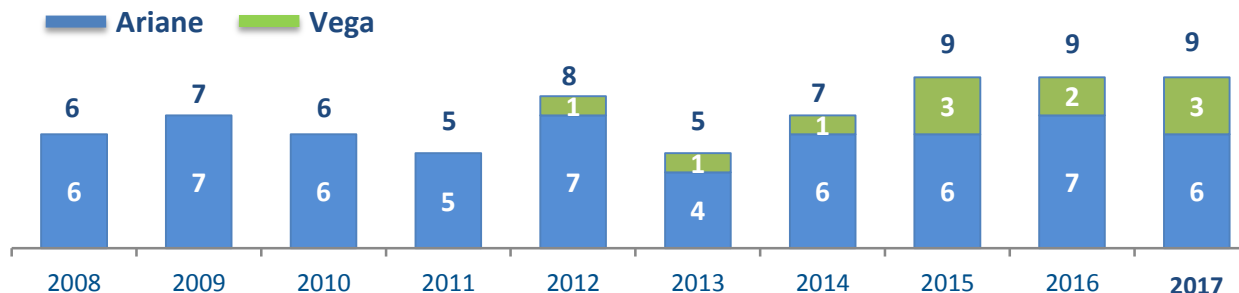
- Vega batch 3 (2019 – 2021) 10 launchers
- Broader launch pad operations
- Vega E initial development
- SSMS
- Space Rider

10 years growth trend in review



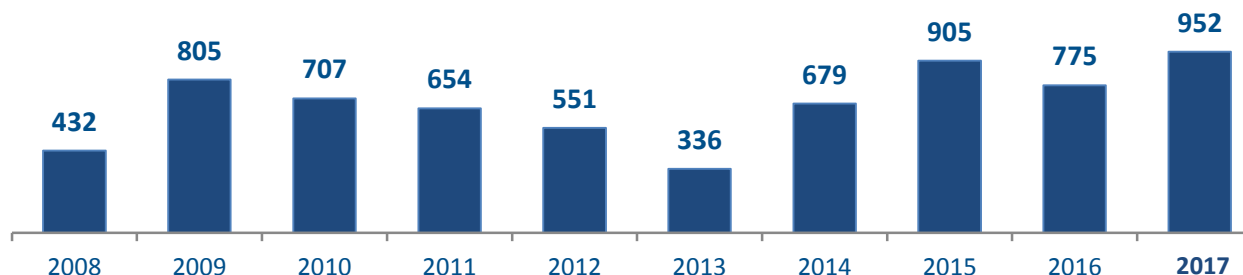
Comments

Flights



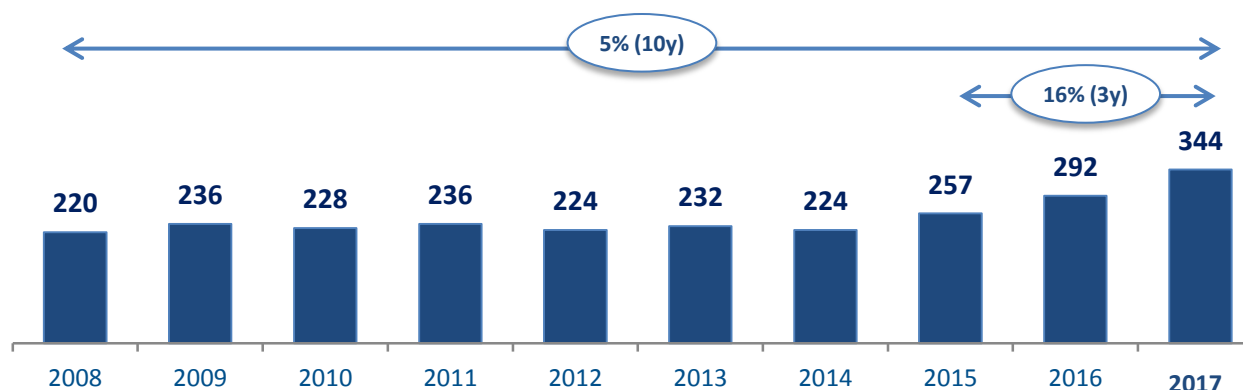
Consolidating growth in flight rates

Net Order Backlog (M€)



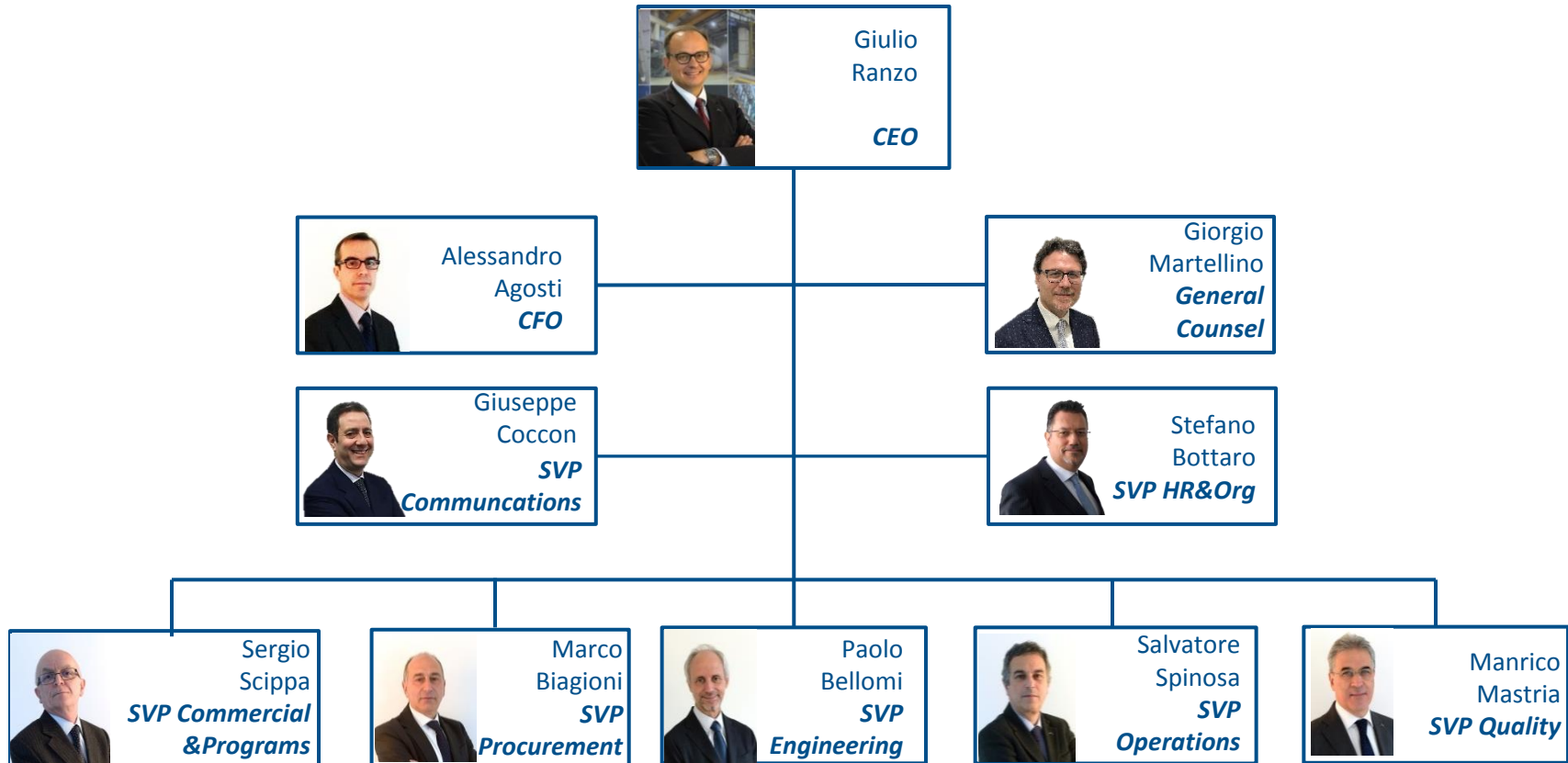
Record high order backlog

Net revenues (M€)



Accelerating revenue growth

New Organization and Corporate Structure



- Merged Propulsion and Launcher system activities of Avio and ELV : One Company
- Strengthened staff functions to support business lines
- Increased management investment in Avio capital, now 50 share owners through inOrbit

Agenda

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Economic Highlights FY 2017



MAIN ECONOMICS	FY 2016	FY 2017*	DELTA	
€ - M	€ - M	€ - M	%	Comments
NET ORDER BACKLOG	775.1	952.1	+ 23%	+€500M new order acquisitions
NET REVENUES	292.0	343.8	+ 18%	Higher production volumes and more development activities
EBITDA REPORTED	26.9	39.2	+ 46%	Better absorption of fixed costs
% on net revenues	9.2%	11.4%		Program costs lowered by R&D tax credit effect Non-recurring costs decreasing
EBITDA ADJUSTED	36.5	46.5	+ 27%	
% on net revenues	12.5%	13.5%		
EBIT REPORTED	13.2	25.0	+89%	Driven by EBITDA reported
% on net revenues	4.5%	7.3%		
EBIT ADJUSTED	26.9	32.3	+ 20%	EBIT Adjusted impacted by new Customer Relationship Amortization considered recurring non cash item starting from 2017
% on net revenues	9.2%	9.4%		
NET INCOME	3.1	21.8	+ 603%	Lower financial expenses (new debt structure)
% on net revenues	1.1%	6.3%		Positive impact of deferred tax assets

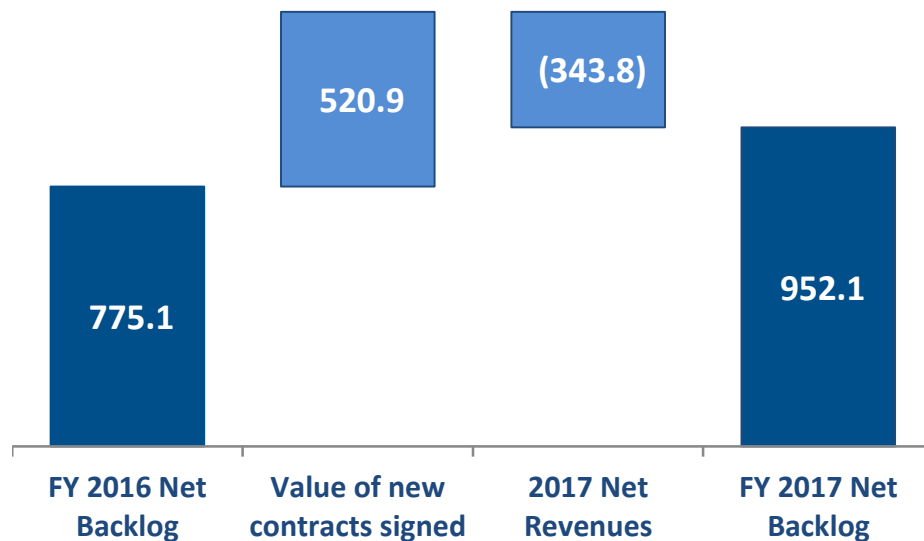
* Pro-Forma figures to compare on a "like-for-like" basis the 2016 and 2017 financials in light of the business combination

Net Order Backlog



Net Order Backlog evolution (€ - M)

Comments



+€500 M of new contracts signed in 2017, including:

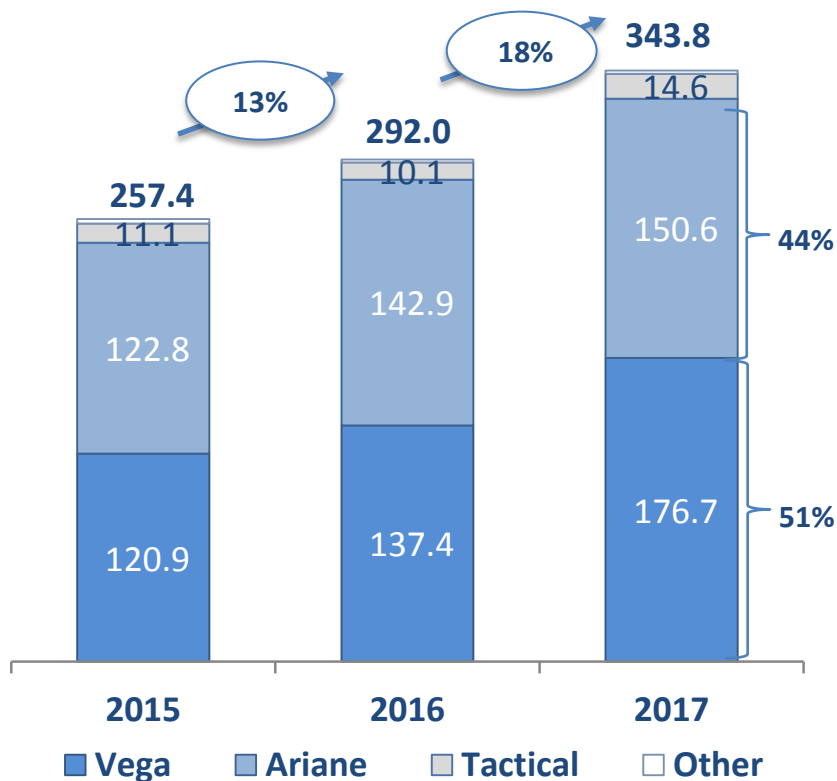
- Vega Batch 3 (10 launchers for 2019 – 2021)
- Vega new activities for launcher integration up to lift-off
- Vega C+ development (last tranche)
- Aster development

In February 2018, signed Ariane 5 PC batch (10 launches for 2018 – 2022)

Net Revenues

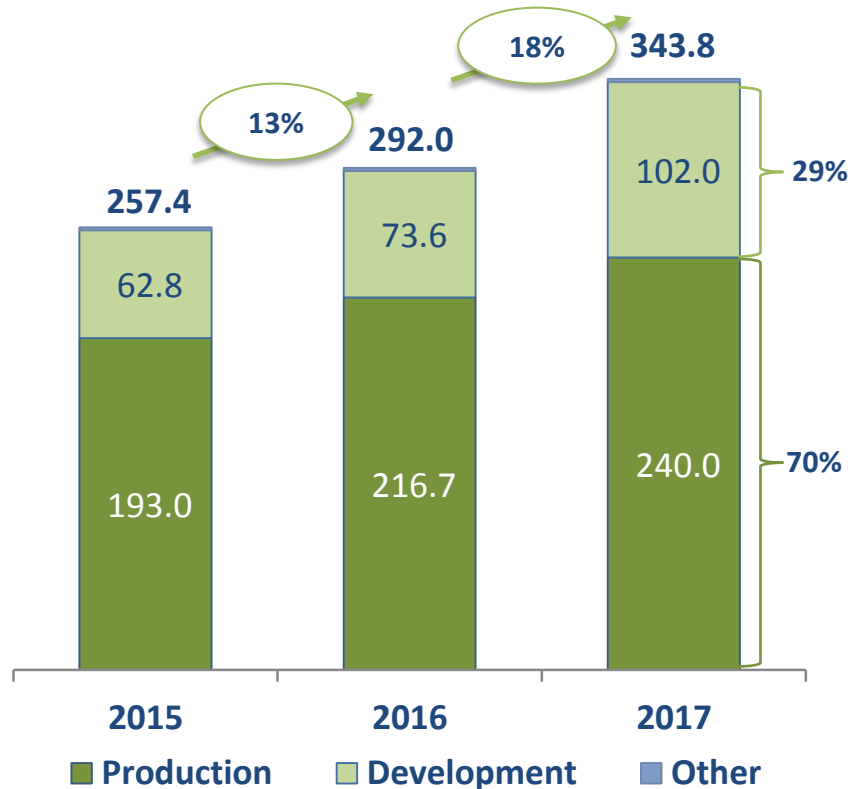


by Line of Business (€ - M)



Vega production increasing

by Activity (€ - M)



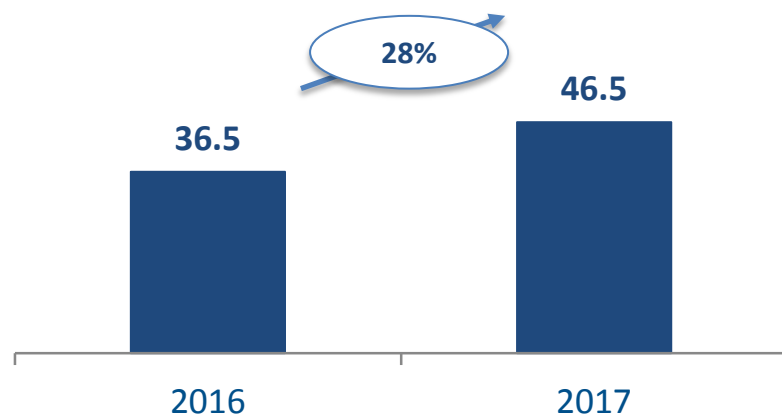
Development activity increasing

Adjusted EBITDA and Adjusted EBIT evolution



Adjusted EBITDA (€ - M)

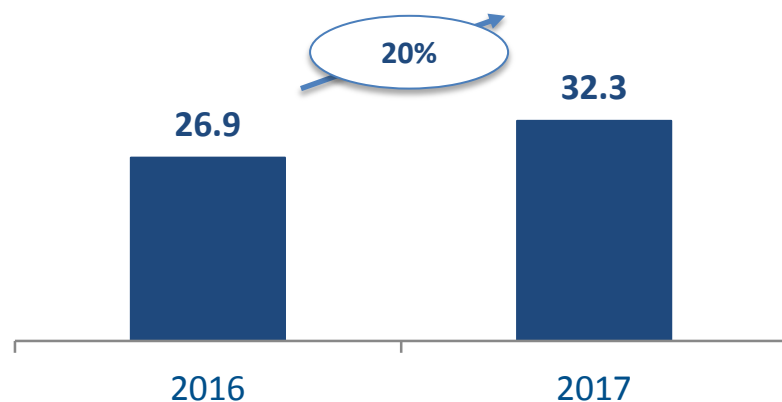
Comments



EBITDA structural improvement driven by:

- G&A and other fixed expenses remaining flat on growing revenues (ca. €4M)
- Program costs structurally lowered by the implementation of the new R&D tax credit scheme (€6M) effective from 2017 (*)

Adjusted EBIT (€ - M)



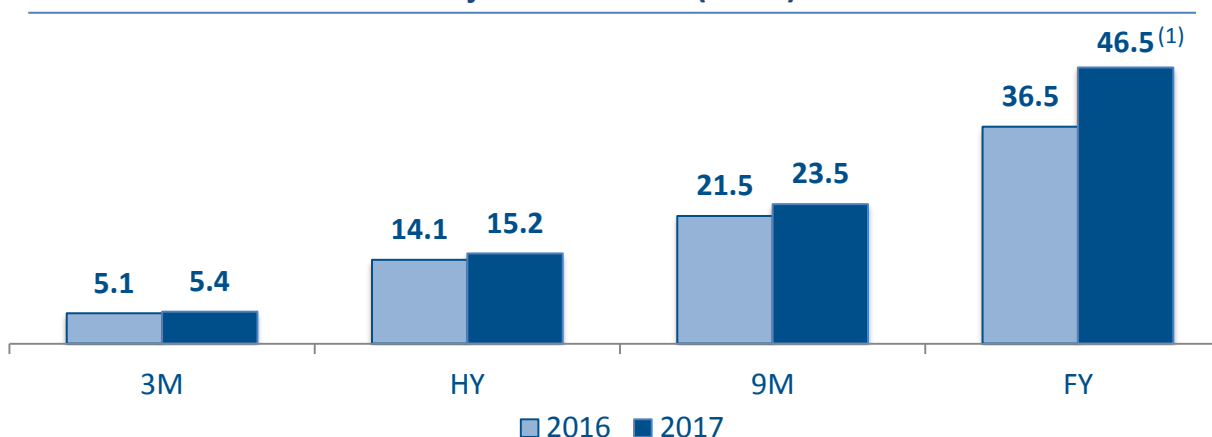
EBIT now including €3M of Customer Relationship Amortization (considered a recurring non-cash item from 2017)

* Tax credit eligible on increase of R&D annual costs over the period 2017-2020 compared to the average of 2012-2014 (Decree of 27 May 2015 of Ministry of Economic Development)

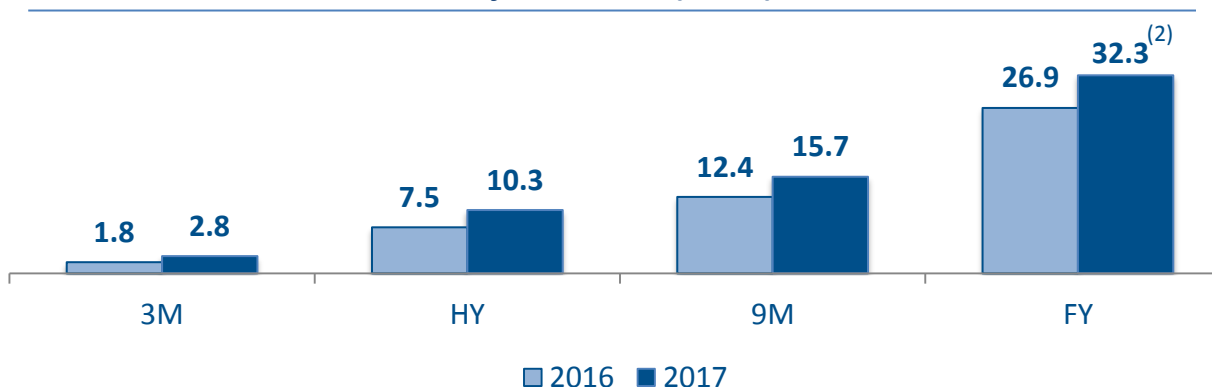
Adjusted EBIT and Adjusted EBITDA annual pattern



Adjusted EBITDA (€ - M)



Adjusted EBIT (€ - M)



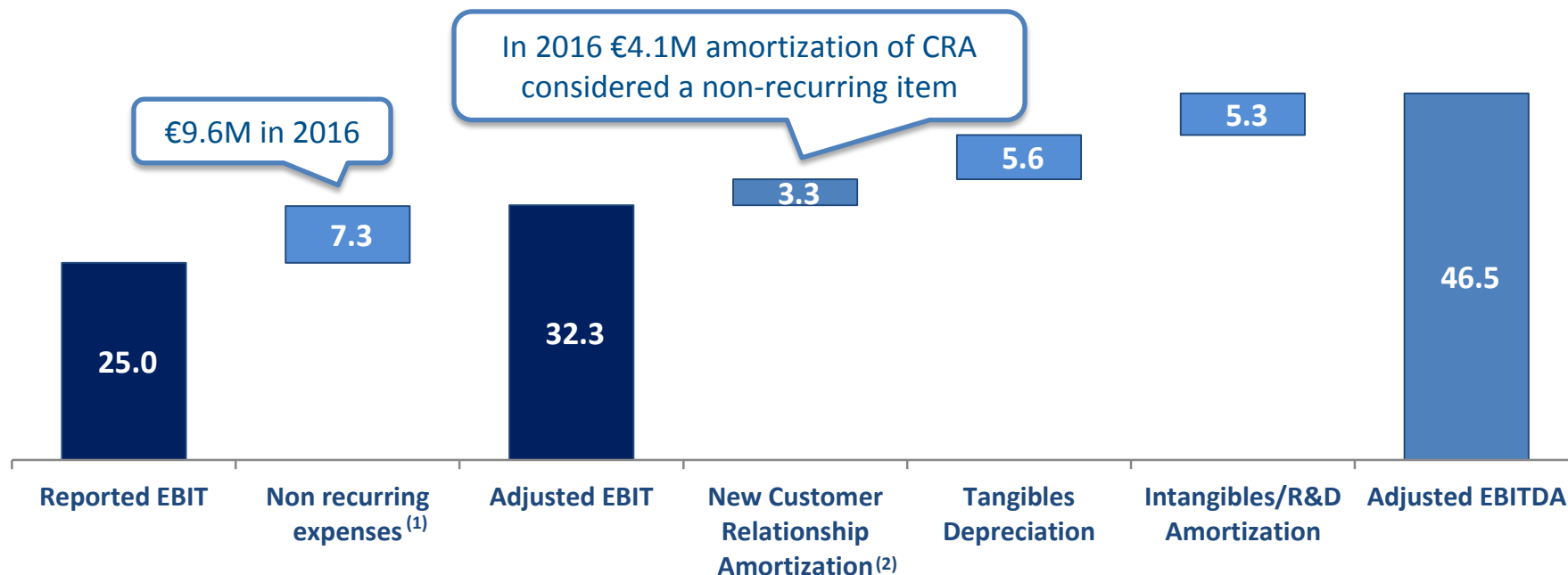
(1) 2017 yearly R&D tax credit fully recognised only in Q4

(2) -€3M of Customer Relationship Asset amortization considered as recurring non cash item, hence not included in Adjusted EBIT in Q4 for year 2017 (PPA completed towards year end)

EBIT/EBITDA adjustments for non recurring items



Adjusted EBIT and Adjusted EBITDA (€ - M)



- (1) It includes 2017 Space2-Avio listing, business combination costs, investor fees, fiscal and legal advisory expenses and one-off management incentive plan (**total value lowered from €9.6M in 2016**)
- (2) It represents the amortization of the intangibles deriving from the establishment of commercial relations with customers and partners, acquired under the implementation of production and development programs. As required by IFRS 3, within 12 months from 2017 business combination, the purchase price allocation has been completed and a new Customer Relationship Asset has been identified. The related amortization will last 15 years and will be over in 2032 (€3.0M; €3.3M in 2017 as a result of the weighted average taking into account the previous value in Q1 2017)

Net Income



MAIN ECONOMICS	FY 2016	FY 2017*	DELTA	
	€ - M	€ - M	€ - M	Comments
EBIT REPORTED	13.2	25.0	11.8	
<i>% on revenues</i>	<i>4.5%</i>	<i>7.3%</i>		
NET FINANCIAL EXPENSES	(6.9)	(3.6)	3.3	New debt structure in place since Q3 2017, reducing interest costs substantially
<i>% on revenues</i>	<i>-2.4%</i>	<i>-1.0%</i>		
TAXES	(3.1)	0.4	3.5	Higher benefit from deferred tax assets
<i>% on revenues</i>	<i>-1.1%</i>	<i>0.1%</i>		
NET INCOME	3.1	21.8	18.7	Proposed dividend per share of €0.38 equal to €10M
<i>% on revenues</i>	<i>1.1%</i>	<i>6.3%</i>		

* Pro-Forma figures to compare on a “like-for-like” basis the 2016 and 2017 financials in light of the business combination

Balance Sheet



MAIN SOURCE AND USES	FY 2016 PRO-FORMA*	FY 2017 ACTUAL	DELTA	Comments
	€ - M	€ - M	€ - M	
WORKING CAPITAL	(78.0)	(75.9)	2.1	Working capital structurally negative
DEFERRED TAX ASSETS	75.2	76.5	1.3	
PROVISIONS (EMPLOYEES' BENEFITS AND RISKS)	(35.8)	(27.2)	8.5	Liquidation of one-off incentive plan upon listing
GOODWILL	61.0	61.0	-	New goodwill defined post business combination
CUSTOMER RELATIONSHIP ASSET	45.8	42.5	(3.3)	New and higher value of CRA (+€20M) related to Ariane and Vega programs
FIXED ASSETS	137.8	156.1	18.3	Capex (€29M) mainly for production facilities and development of P120 and Z40
FINANCIAL RECEIVABLES	7.4	7.4	(0.0)	
NET INVESTED CAPITAL	213.5	240.5	27.0	
NET FINANCIAL POSITION (IFRS)	48.3	41.7	(6.6)	
EQUITY	(261.8)	(282.2)	(20.4)	Mainly for positive effect of 2017 Net Income
TOTAL SOURCES	(213.5)	(240.5)	(27.0)	

* Pro-Forma figures to compare on a “like-for-like” basis the 2016 and 2017 financials in light of the business combination

Net Financial Position



MAIN CASH ITEMS	FY 2016 ACTUAL € - M	FY 2017 ACTUAL € - M	Comments
NFP BOP	(35.0)	(18.6)	
REPORTED EBITDA	26.9	39.2	Higher 2017 results
CHANGE IN WORKING CAPITAL	28.2	(2.4)	Expected absorption of WC from cyclical trend of advances from customers and work in progress
CHANGE IN PROVISIONS	(2.5)	(8.5)	Liquidation of one-off incentive plan upon listing
CAPEX	(24.5)	(28.6)	Increase mainly for production facilities and development of P120 and Z40
OPERATING CASH FLOW	28.2	(0.3)	
NET FINANCIAL EXPENSES	(6.9)	(3.6)	Lower financial expenses for new debt structure
CURRENT TAXES	(2.3)	(1.0)	
OTHER CHANGES	(2.5)	(2.5)	
TOTAL BUSINESS CASH FLOW	16.4	(7.4)	
MAIN CHANGES FROM BUSINESS COMBINATION AND PPA*		67.7	Extra cash from business combination
NFP EOP	(18.6)	41.7	

* Include changes in Goodwill, Customer Relationship Assets and related deferred tax effect



- **Net Order Backlog : €700M – €775M**
- **Revenues : €345M - €365M**
- **EBITDA Margin : stable**
- **Non recurring costs reduced**
- **Interest costs reduced (new debt structure)**



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