



# **STAR Conference Investor Presentation**

*Milan, March 2018*

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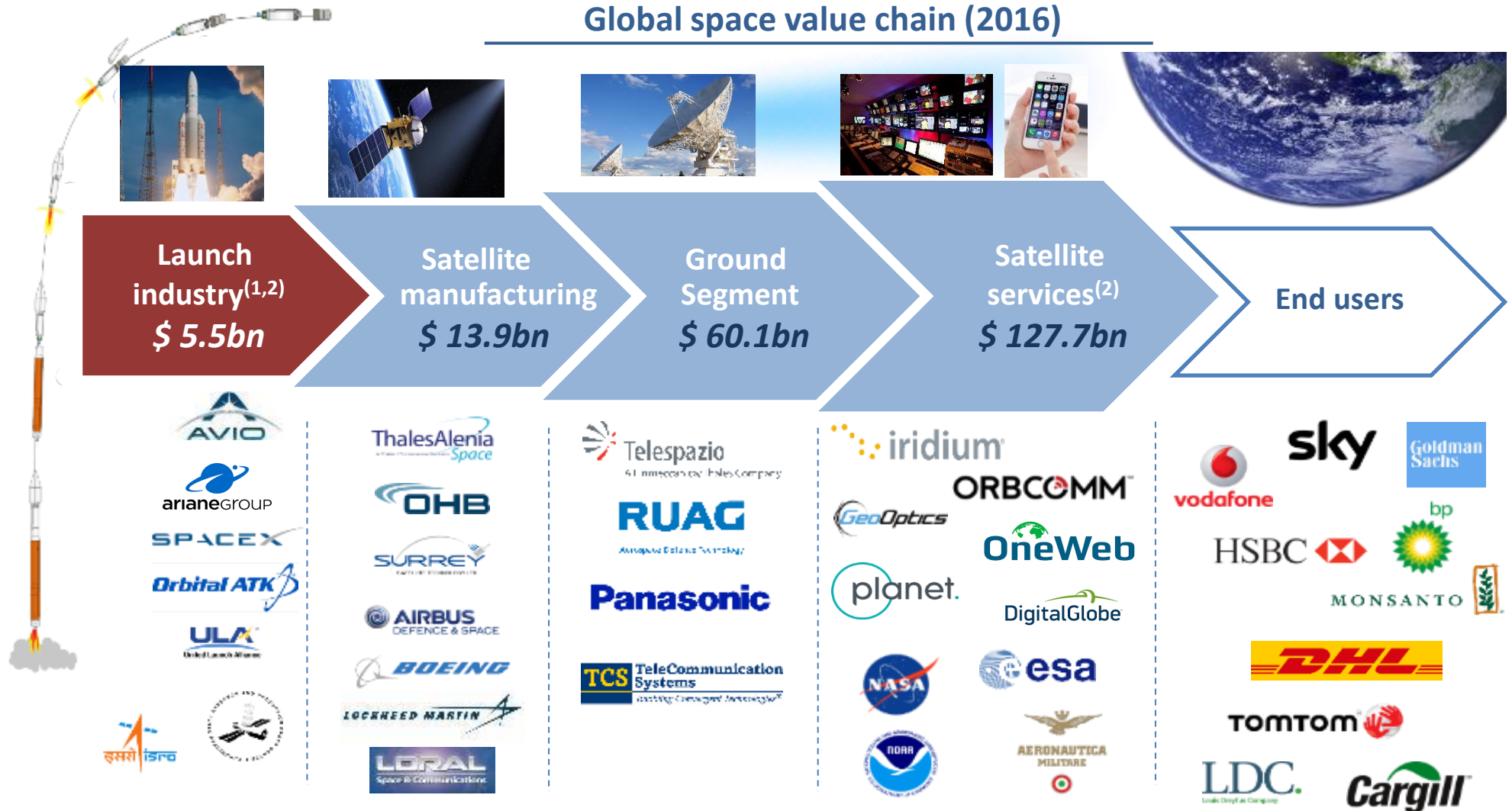
# Avio : a European leader in Space Launch



- 50 years in Space Launchers
- Prime Contractor of *Vega* (light launcher)
- Partner to *Ariane* (heavy launcher)
- 850 employees, 340 M€ revenues
- 350M€ Market Cap (AVIO.MI)
- 63% free float, no controlling shareholder
- Management invested with 4% share

# Launchers represent the gateway to the Space economy

## Global space value chain (2016)



(1): Includes launcher manufacturing and launch service activities

(2): Commercial services revenues only

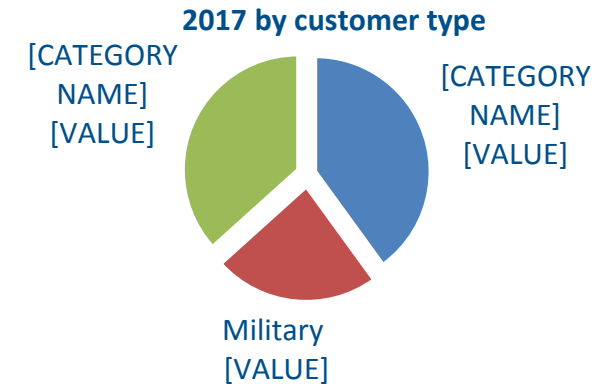
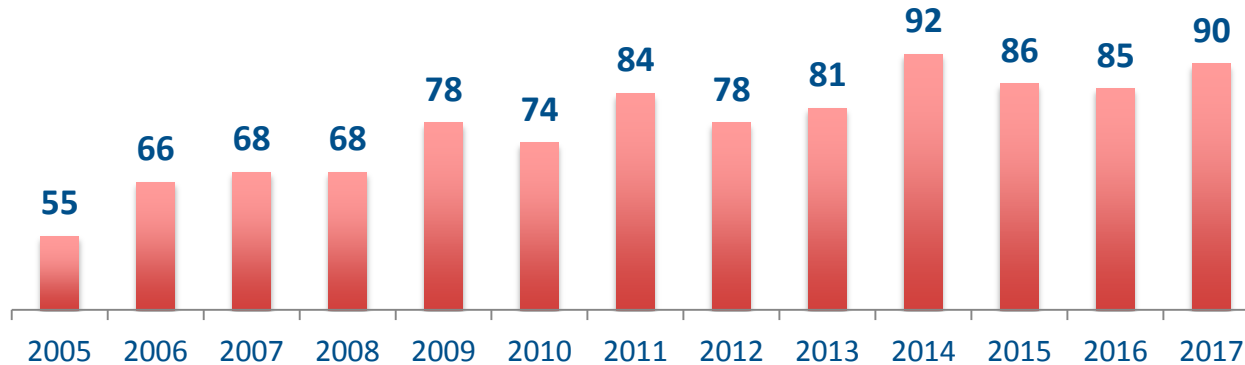
Sources: Satellite Industry Association (2016)



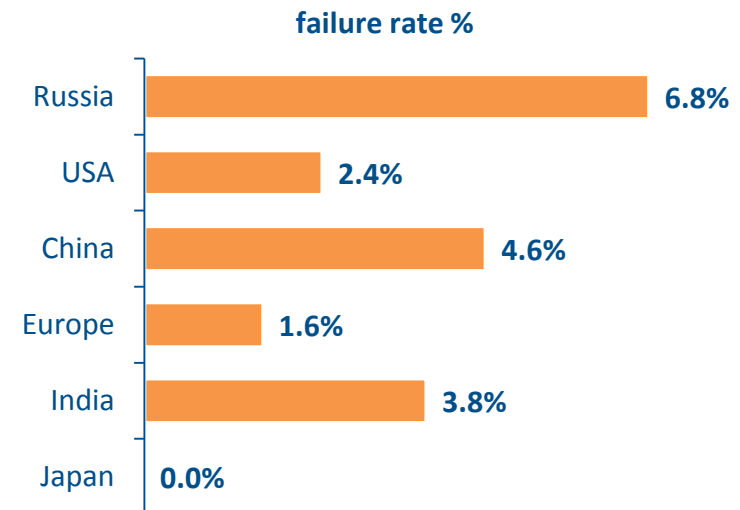
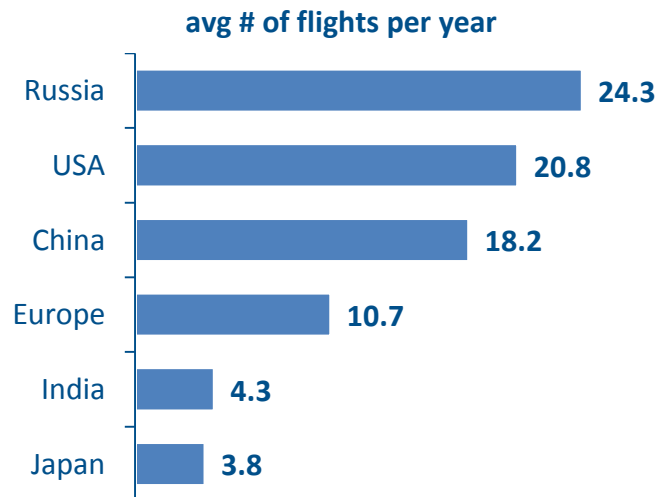
# Space launch demand grows at 5% CAGR globally - Launch offering concentrated in only 6 countries worldwide



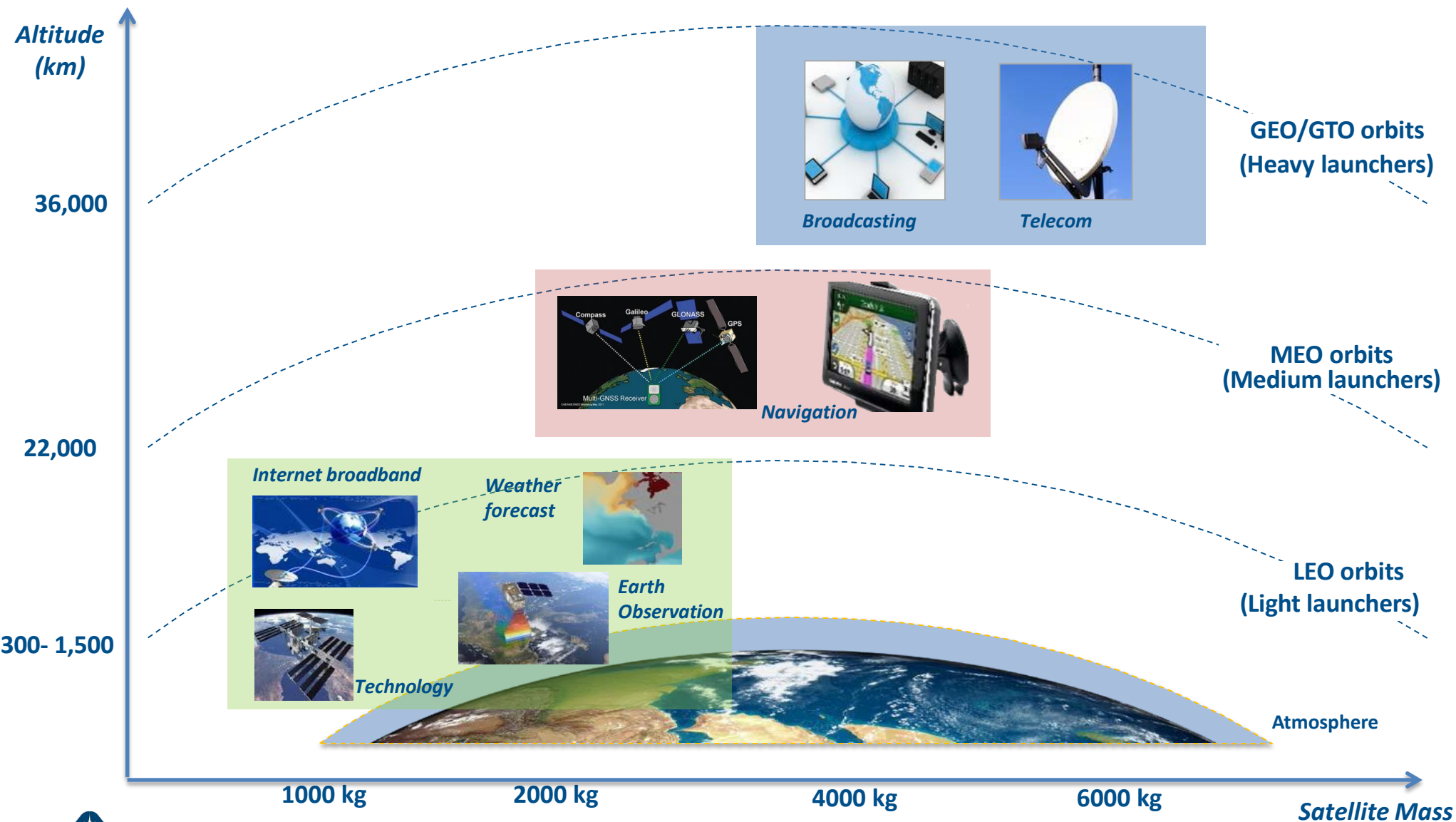
2005-2017 Total # of Space Launches Worldwide - CAGR 5%



2012-2017 Launch activity by geography and by failure rate



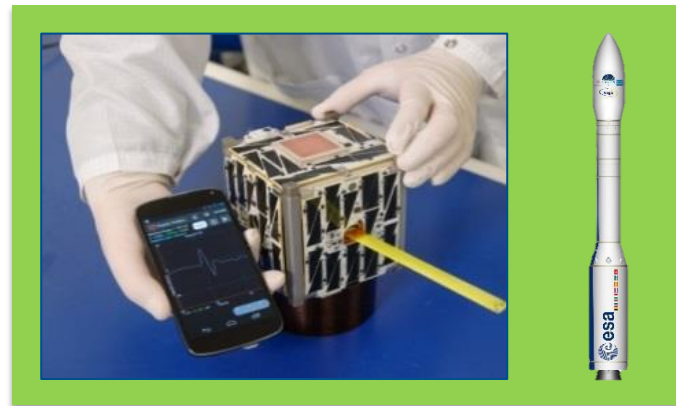
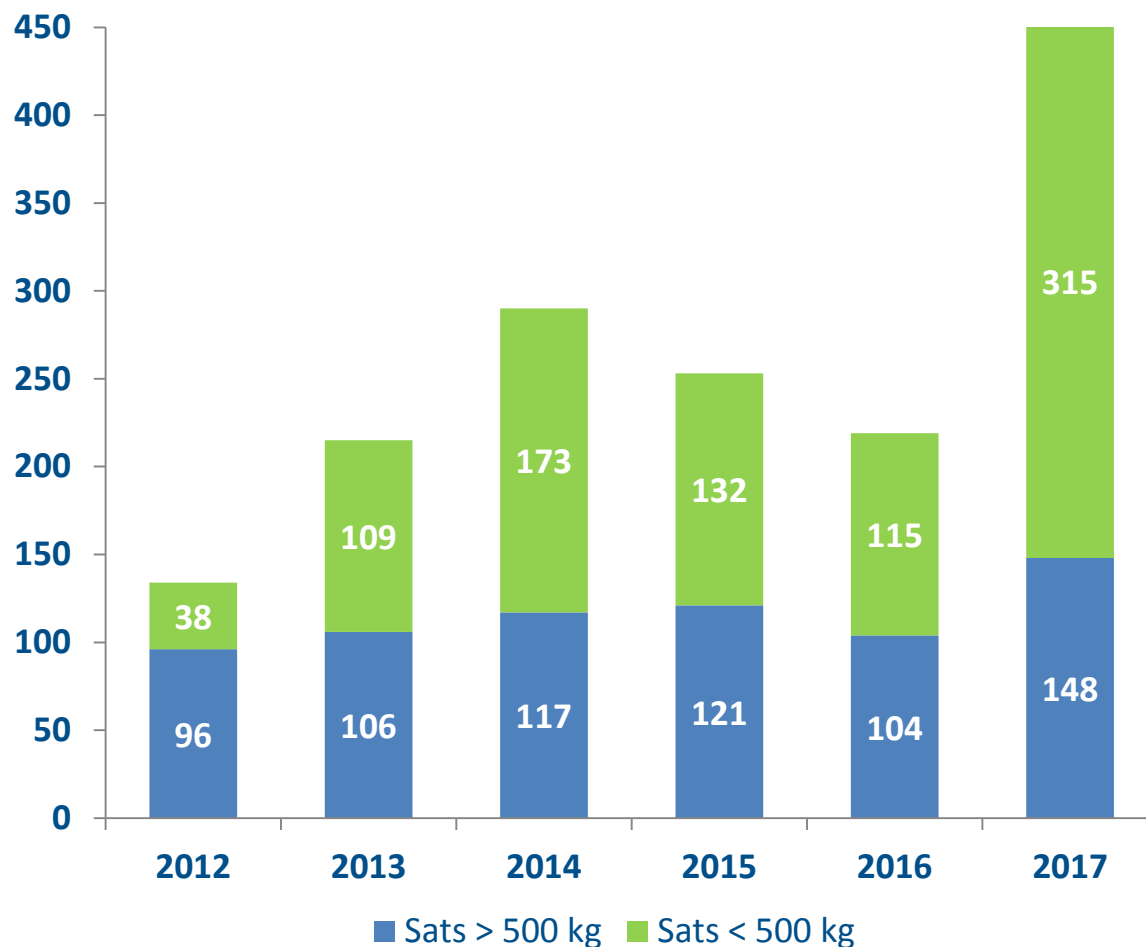
# Space launch activity is segmented by satellite mass and orbit



# Demand growth is increasingly driven by small satellites, requiring small and flexible launchers



Total nr. of satellites launched into Space worldwide

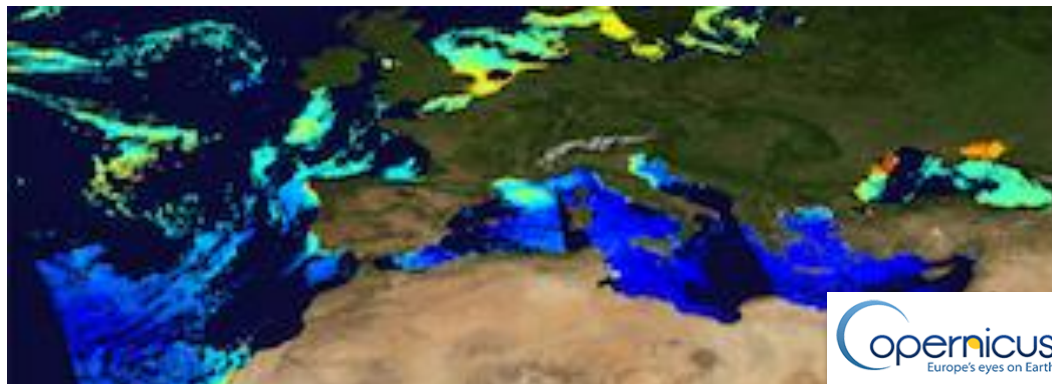
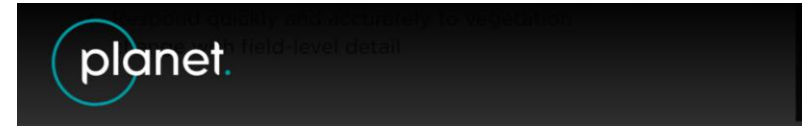




# Smallsat growing demand is fueled by the increasing need for advanced telecom and remote sensing services



Satellite telephone communication



Mediterranean Sea temperature monitoring



Crop vitality monitoring



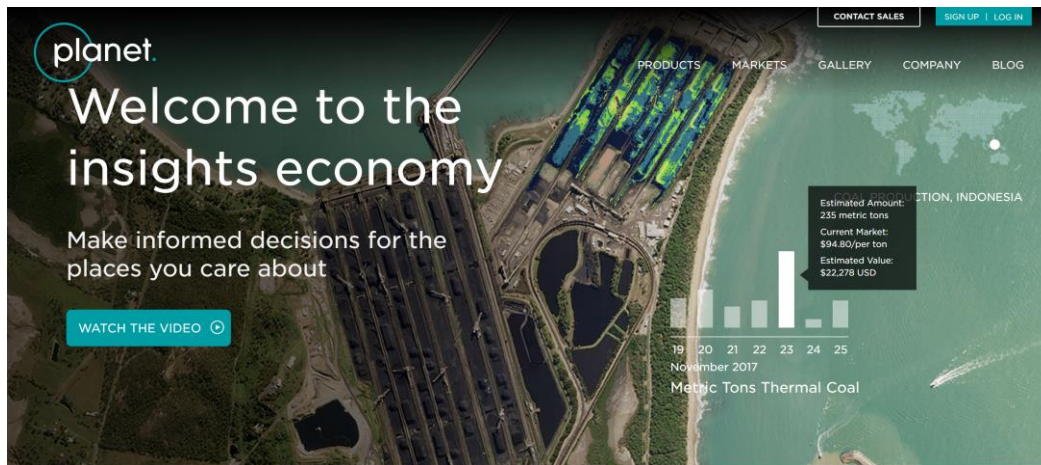
# Satellite imaging is creating a new «insights economy» to support civil, military and commercial needs



**Military Airfield monitoring**



**Damage assessment : Pre-earthquake view**



**Coal production monitoring**



**Damage assessment : Post-earthquake view**



# Avio operates both in heavy and small launchers, working on production and development activities



## Avio activity by main product lines

Ariane 5 - Heavy launcher  
(Industrial partner)  
44% of Revenues\*

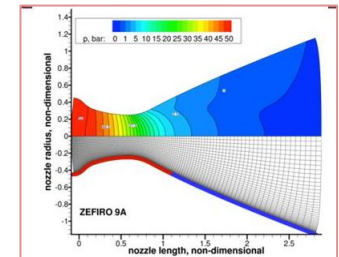
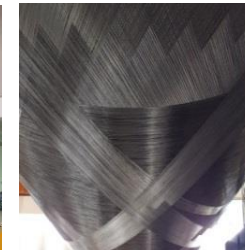
Vega - Light launcher  
(Prime Contractor)  
51% of Revenues\*



## Avio activity by type of business

Production  
70% of Revenues

Development  
29% of Revenues



\* 4% of Revenues generated by tactical line of business

# 2017 launch activity was intense with Ariane 5 and Vega



## Flight&Production activity

*6 successful launches in 2017 and 82 consecutive successful flights*



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

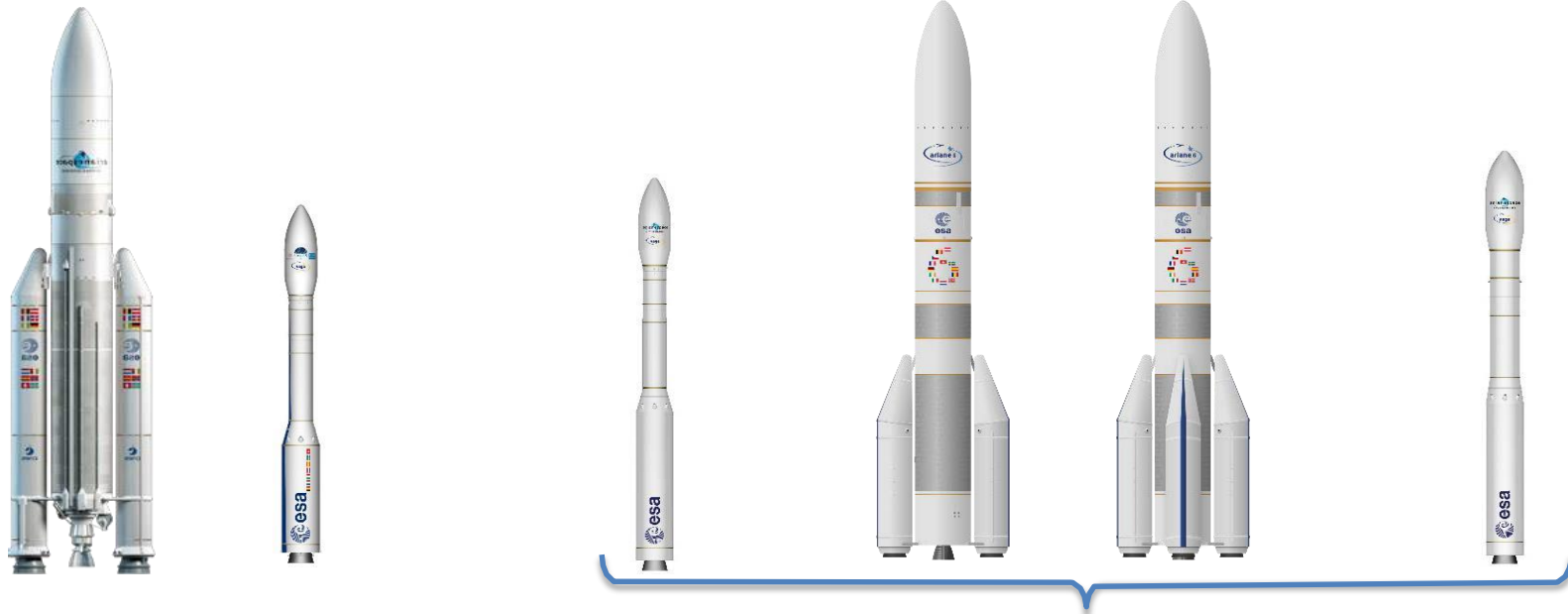




# Robust product development roadmap for the future



Perf	10.5 tons in GTO	1.5 tons in LEO	2.3 tons in LEO	6 tons in GTO	11 tons in GTO	3.0 tons in LEO
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*Common first stage – P120 C*

**Today**  
**Ariane 5 / Vega**

**2019**  
**Vega C**

**2020**  
**Ariane 62, Ariane 64**

**2024**  
**Vega E**

# New facilities and technologies for next generation launchers



**New filament winding and automatic tape layup machine**



**MIRA upper stage engine firing test**



**P120 production plant completed**



**Automated nozzle integration (Europropulsion)**



# Growing customer confidence on the new Vega C while its development achieves concrete progress in 2017



## Commercial achievements



- 2 Vega C launches (2020 and 2021) to carry 4 hi-resolution optical satellite



- 1 Vega C launch in 2021 for the COSMO SkyMed satellite

## Technological achievements



Z40 Static Firing Test



Vega C



## Industrial achievements



P120 new plant - Colleferro



Z40 IMC



Z40 nozzle assembled



P120 IMC



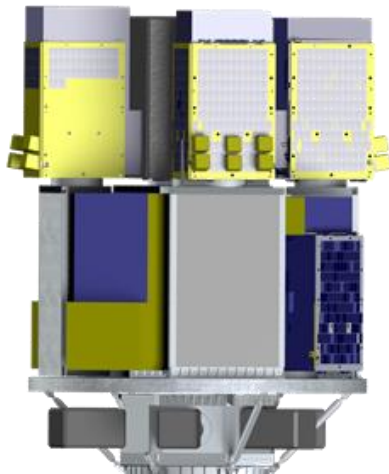
P120 casting (LMC)



# Vega offering complemented by orbital modules for satellite deployment and re-entry



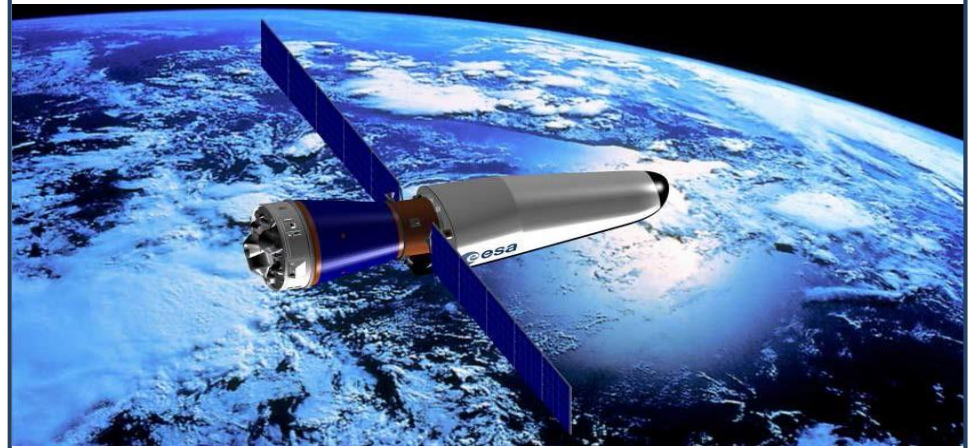
## SSMS – "Small Satellite Mission Service"



- P/L deployment in multiple orbital planes
- PoC flight in 2019



## Space Rider – Launch, orbiting and re-entry



- Download and retrieval
- Follow up of IXV experience (2015)
- Flight 2020



# Avio is part of the EU critical space infrastructures also through partnership with Ariane Group



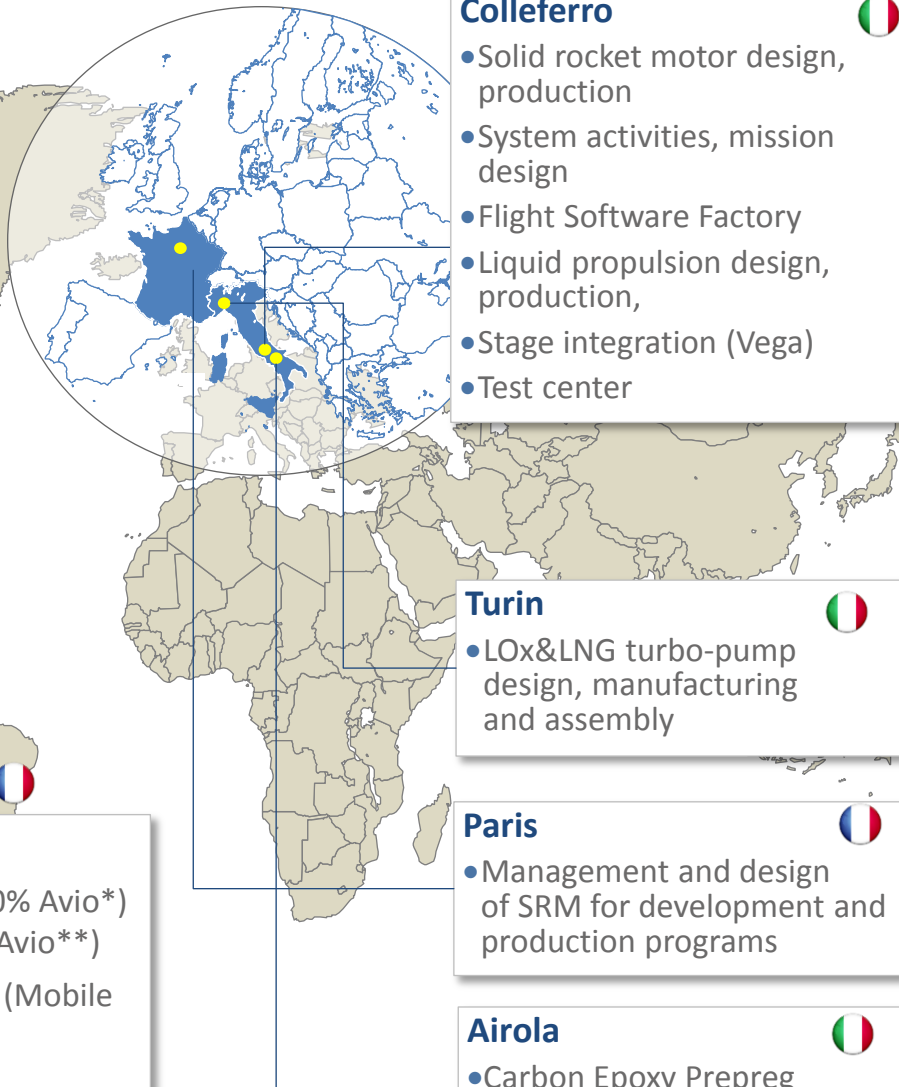
## Kourou European Spaceport (CSG)

- Solid rocket motor casting (Regulus – 60% Avio\*) and integration (Europropulsion – 50% Avio\*\*)
- Vega integration and launch operations (Mobile Gantry)



\* 40% Ariane Group, \*\* 50% Ariane Group

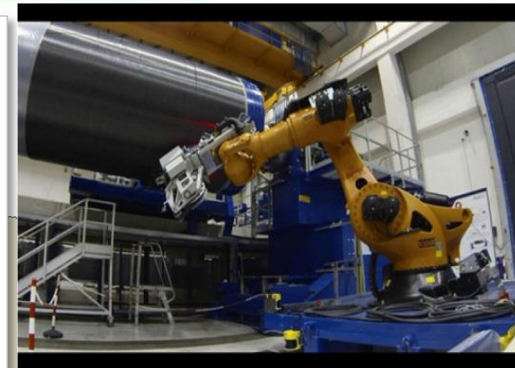
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## Colleferro



- Solid rocket motor design, production
- System activities, mission design
- Flight Software Factory
- Liquid propulsion design, production,
- Stage integration (Vega)
- Test center



## Turin



- LOx&LNG turbo-pump design, manufacturing and assembly



## Paris



- Management and design of SRM for development and production programs



## Airola



- Carbon Epoxy Prepreg manufacturing and testing

Source: Company information



# Economic Highlights FY 2017



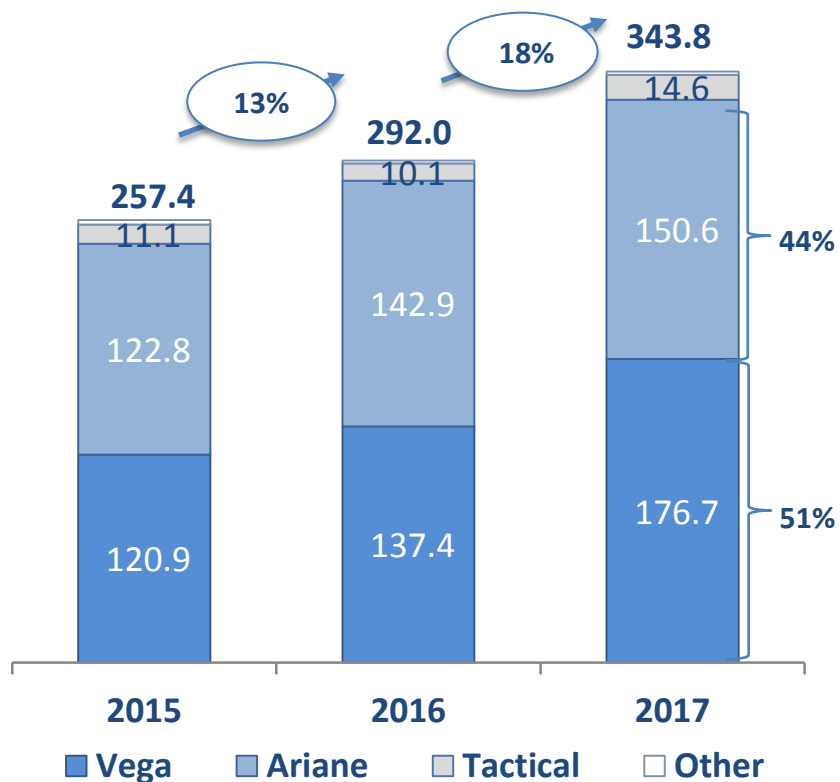
MAIN ECONOMICS	FY 2016	FY 2017*	DELTA	
€ - M	€ - M	€ - M	%	Comments
NET ORDER BACKLOG	775.1	952.1	+ 23%	+€500M new order acquisitions
NET REVENUES	292.0	343.8	+ 18%	Higher production volumes and more development activities
EBITDA REPORTED <i>% on net revenues</i>	26.9 9.2%	39.2 11.4%	+ 46%	Better absorption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



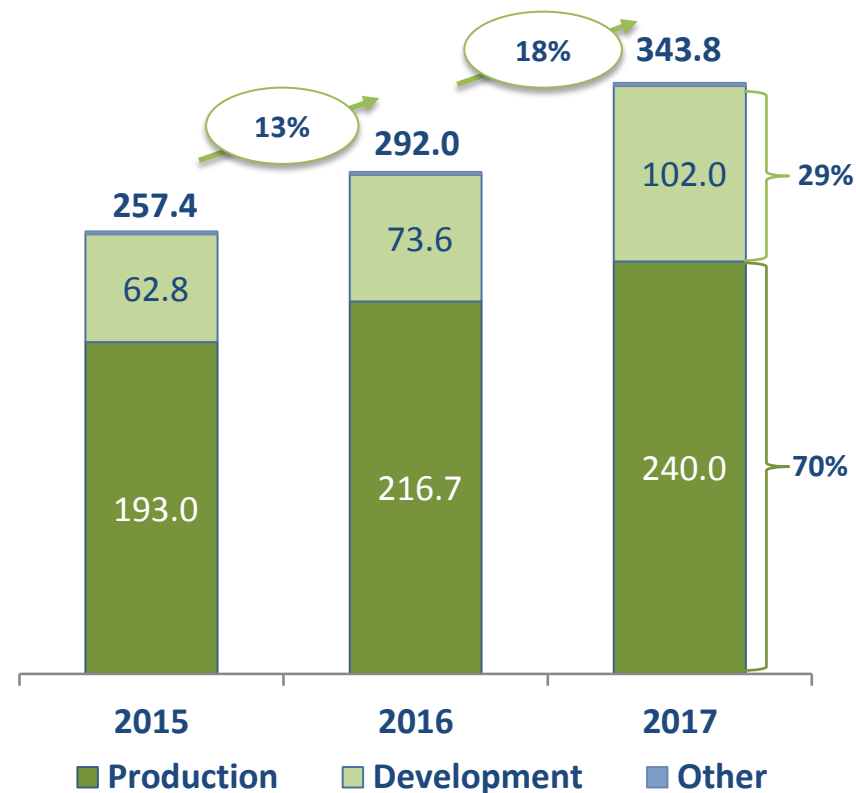
# Net Revenues

by Line of Business (€ - M)



Vega production increasing

by Activity (€ - M)



Development activity increasing

# 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

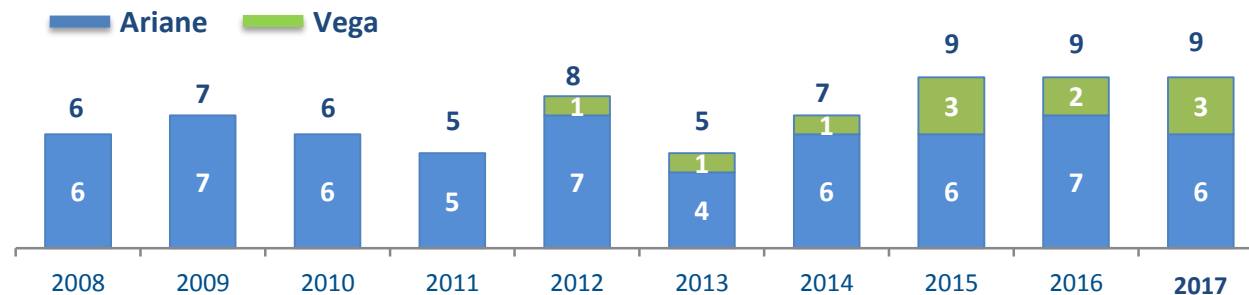


# 10 years growth trend in review



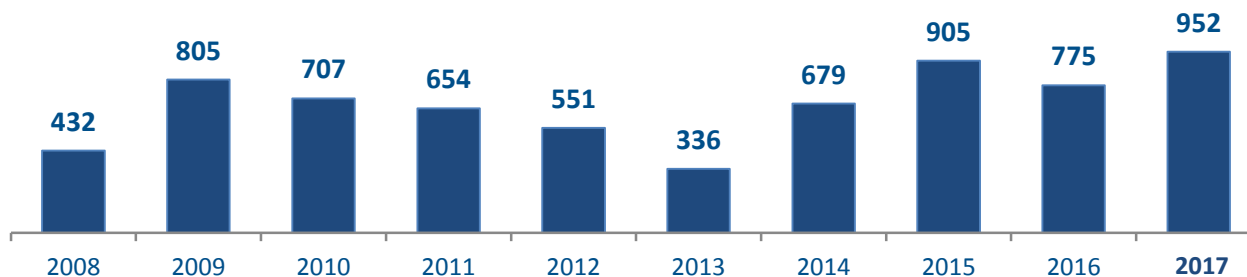
## Comments

### Flights



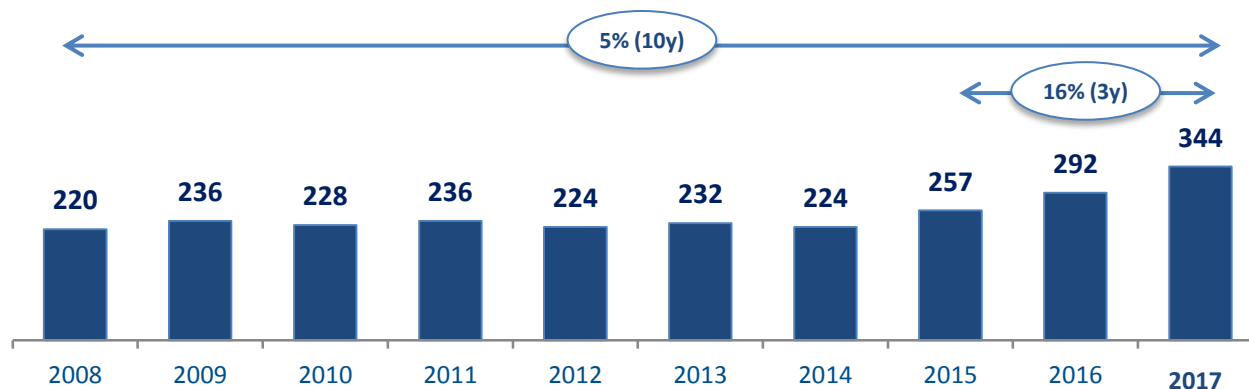
Consolidating growth in flight rates

### Net Order Backlog (M€)



Record high order backlog

### Net revenues (M€)

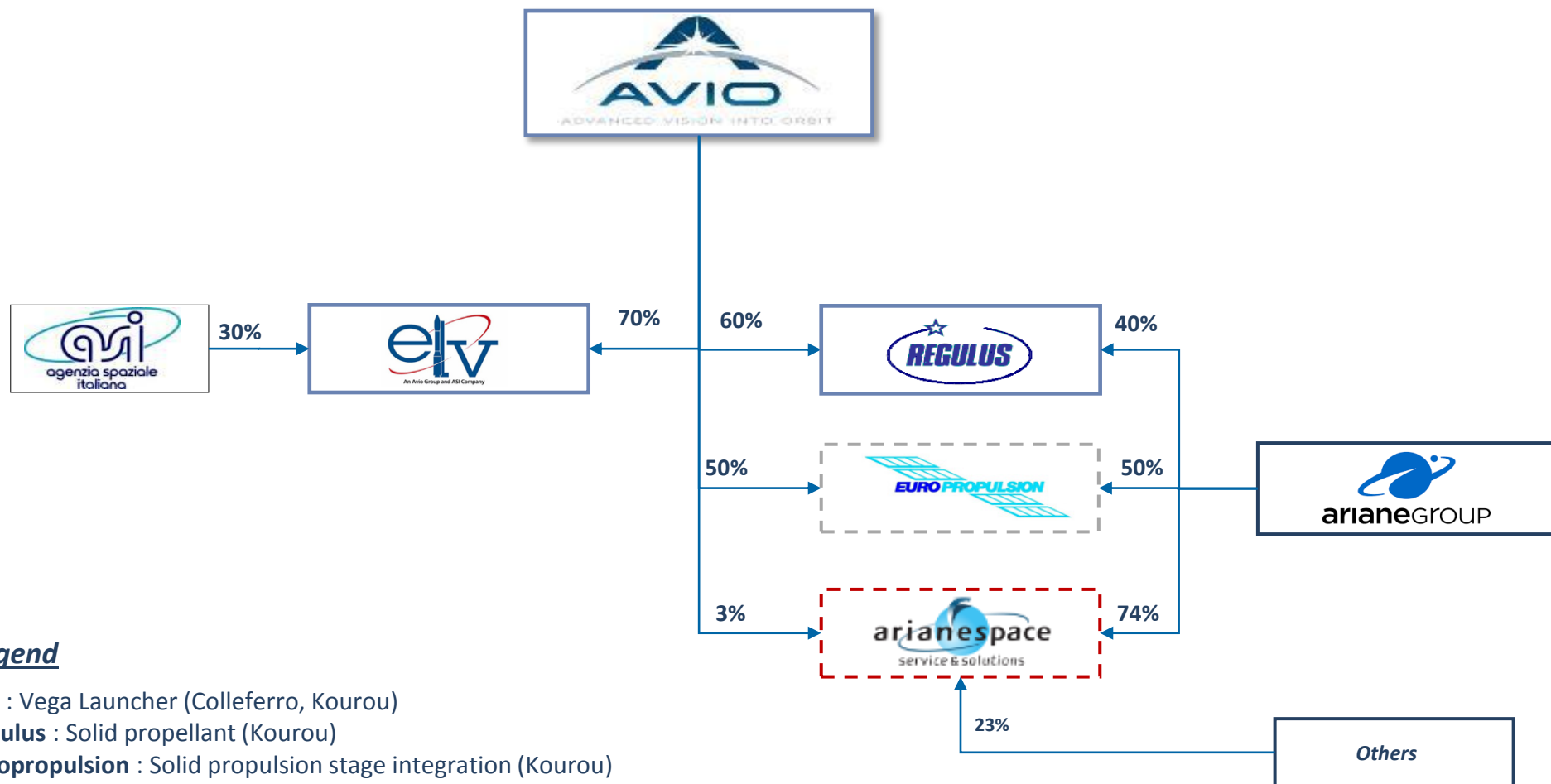


Accelerating revenue growth

# Appendix



# Avio : Group structure



Fully consolidated



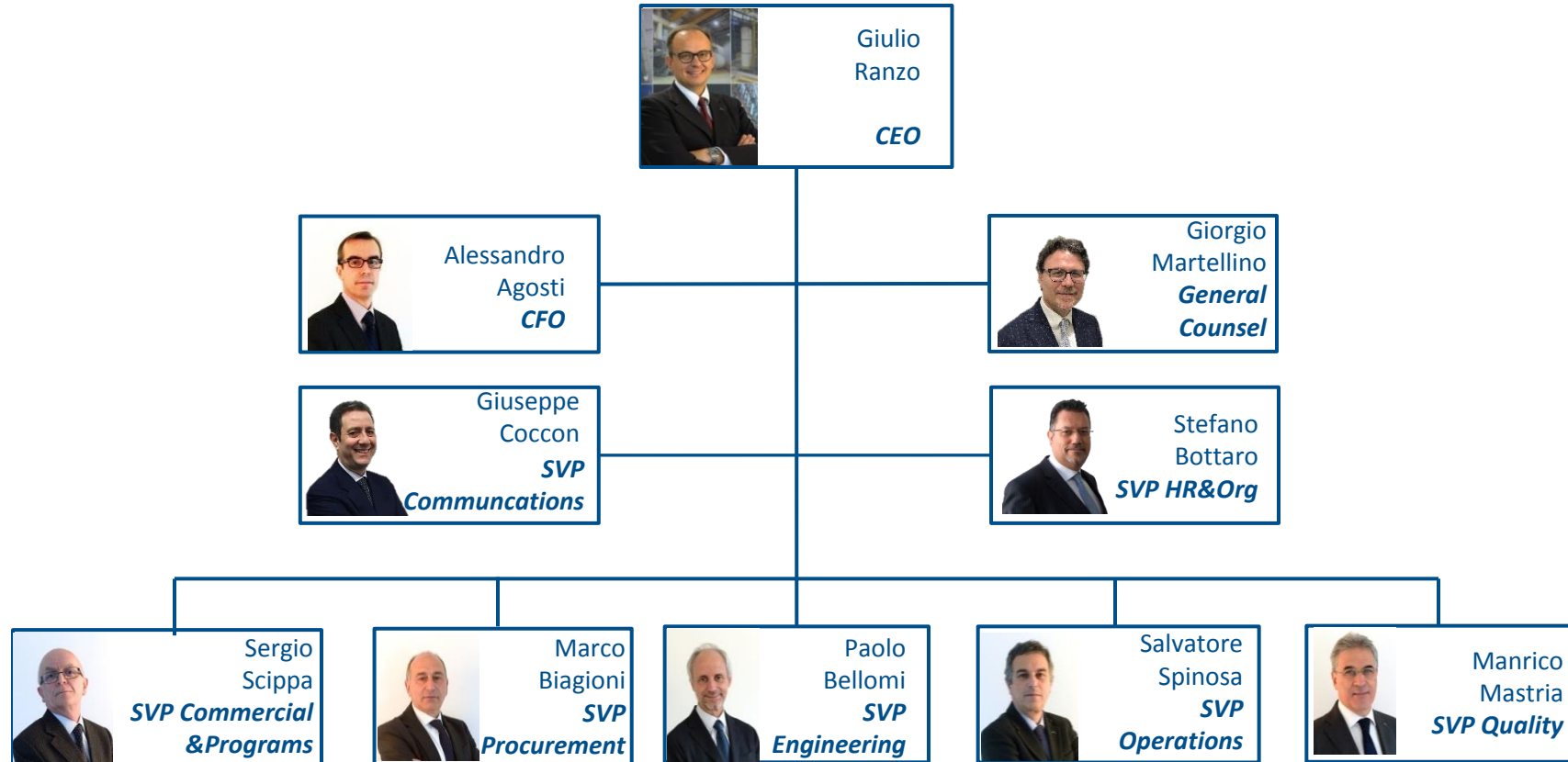
Non Consolidated company



Consolidated with equity method

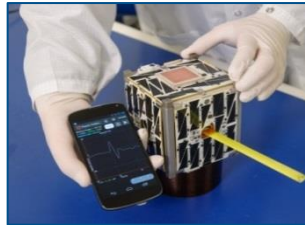


# A lean organization with management engaged in Avio's capital

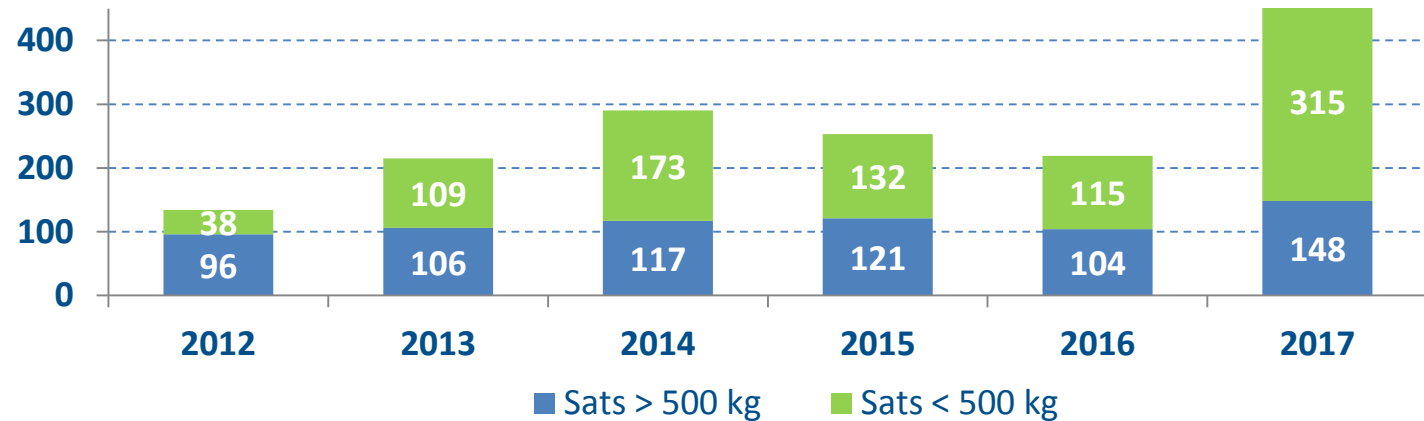


- Merged Propulsion and Launcher system activities of Avio and ELV : One Company
- Strengthened staff functions to support business lines
- Increased management investment in Avio capital, now 50 share owners through inOrbit

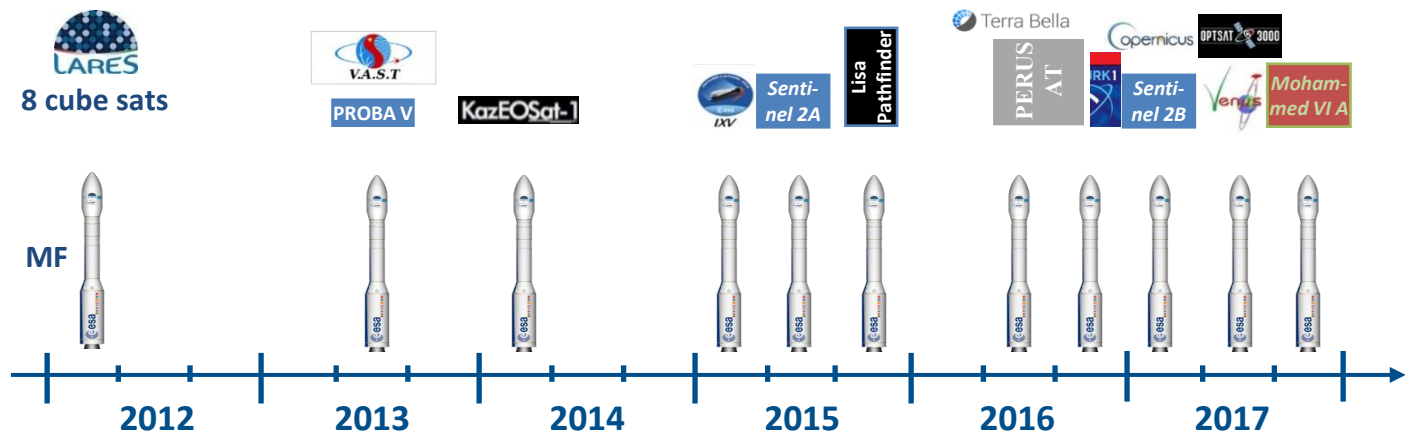
# 2017 marks the rapid growth of the small sat business... ...while Vega grows in annual flight rate



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

# Launcher offering complemented by a comprehensive suite of payload-launcher interfaces



## Multi-payload Adapters and Dispensers

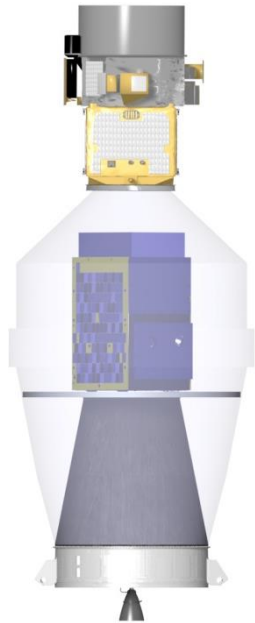
## Re-entry vehicle

100 to 1000 kg  
(dual-payload)

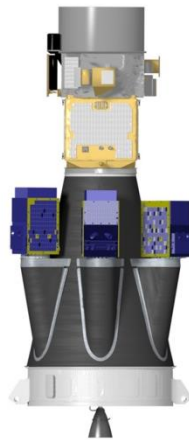
1500 kg plus  
120 kg (6x) cubesats

1 to 400 kg  
(any smallsat aggregate )

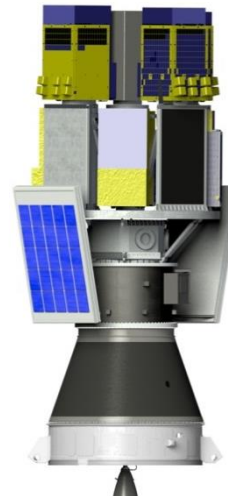
800 kg  
(2 months in orbit & re-entry)



**Vespa C**



**Vampire**



**SSMS**



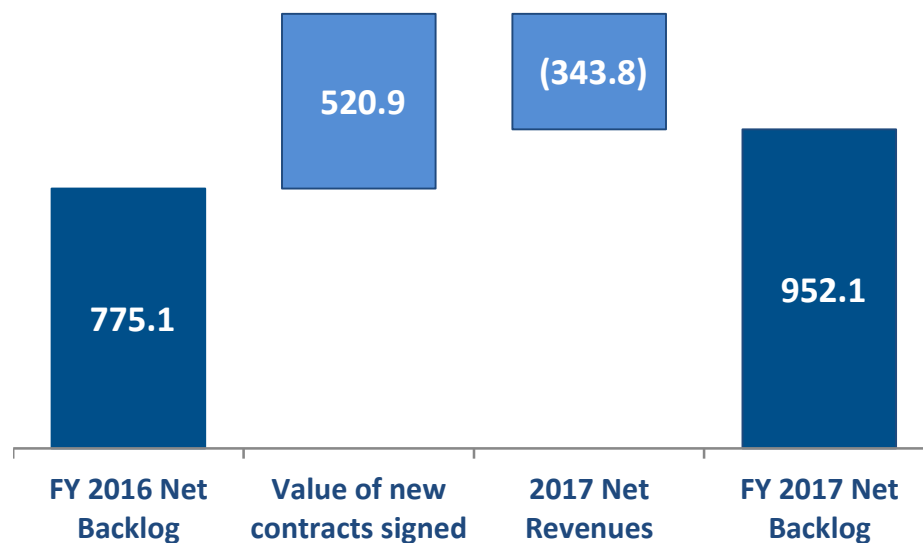
**Space Rider**



# Net Order Backlog



## Net Order Backlog evolution (€ - M)



## Comments

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

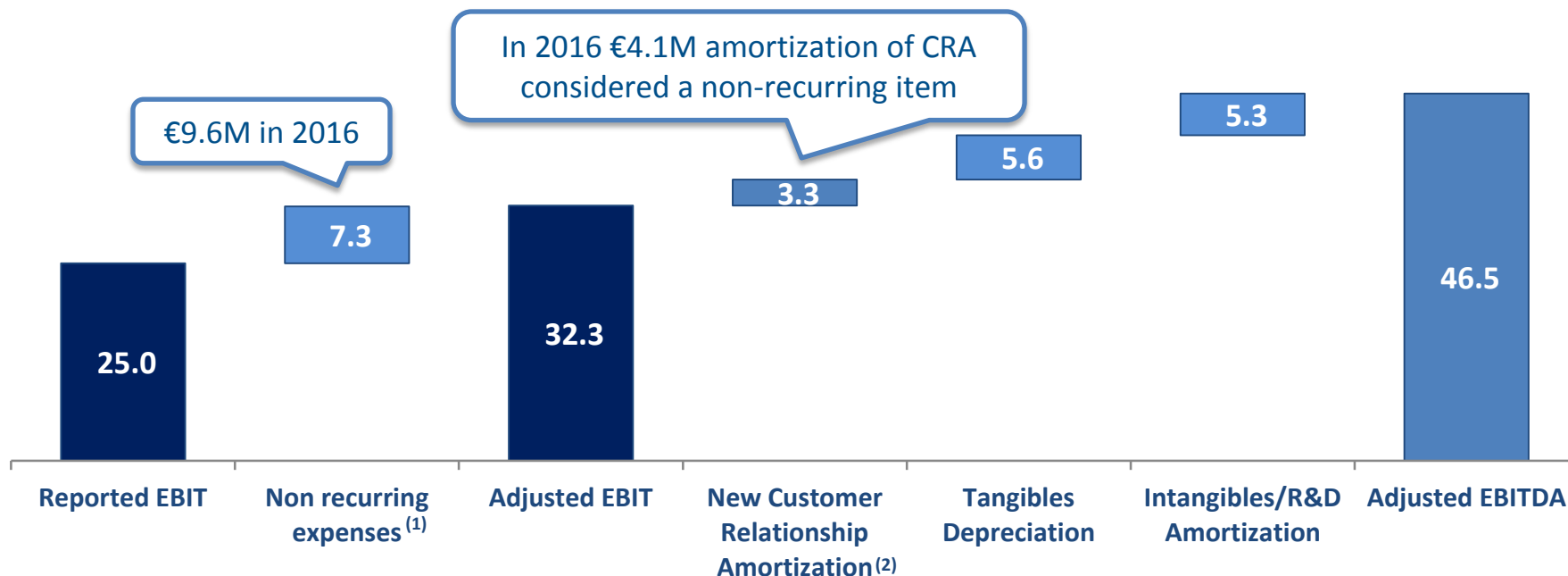
- Vega Batch 3 (10 launchers for 2019 – 2021)
- Vega new activities for launcher integration up to lift-off
- Vega C+ development (last tranche)
- Aster development

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

# EBIT/EBITDA adjustments for non recurring items



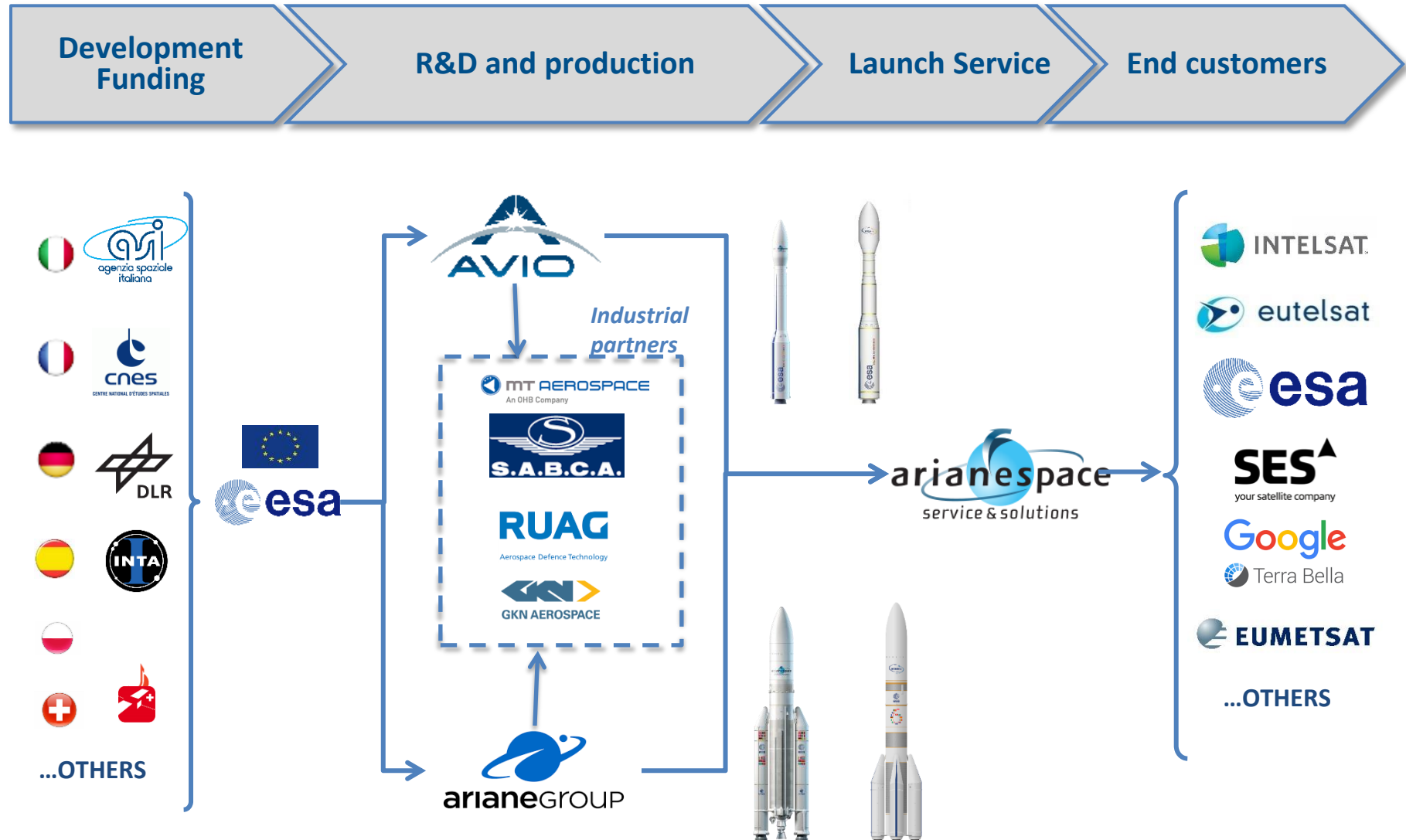
## Adjusted EBIT and Adjusted EBITDA (€ - M)



(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)

# European launchers are developed through ESA with the support of EU Member States and commercialized via Arianespace







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