



Avio 2018 Full Year Results

Milan, 15 March 2019

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Agenda

- ☐ 2018 Highlights – Giulio Ranzo (CEO)
- ☐ FY 2018 Financials – Alessandro Agosti (CFO)

Key highlights of 2018 results



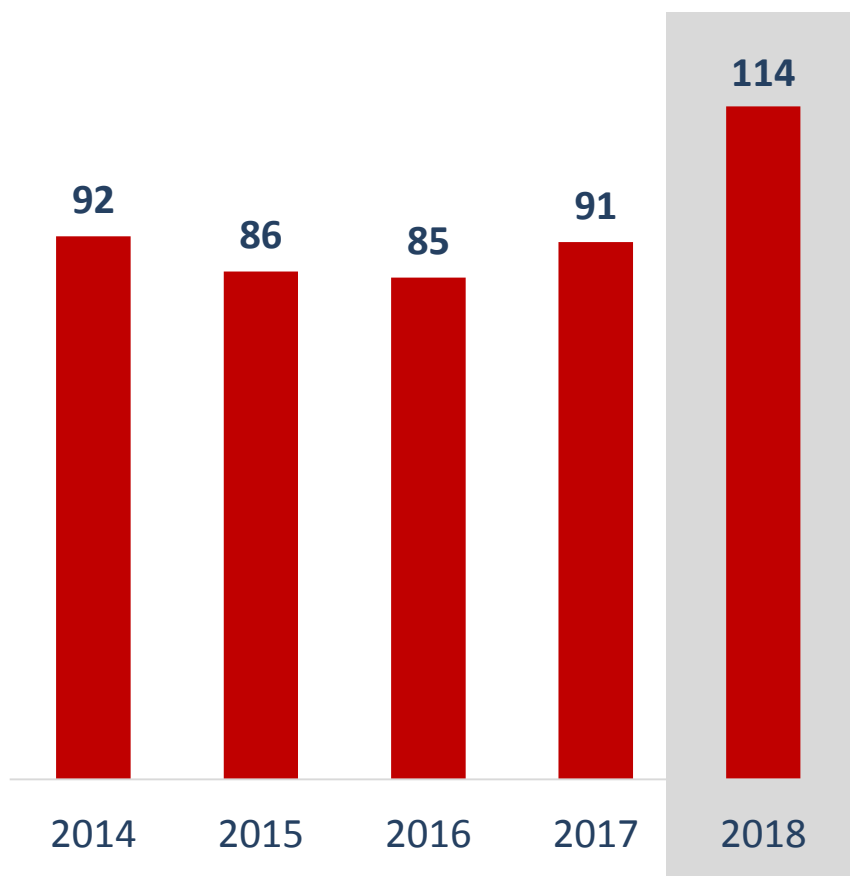
- **Net Order backlog: €877M (vs. €952M in 2017)**
 - €300M New orders
- **Net Revenues : €388.7M (up 13% vs 2017)**
 - A6/Vega C development continue at full speed
- **Reported EBITDA : €42.6M (up 8% vs 2017)**
 - Reduced non-recurring expenses
- **Reported EBIT : €28.5M (up 14% vs 2017)**
 - Fixed costs base stable on growing revenues
- **Net income : €25.8M (up 18% vs €21.8M in 2017)**
 - Reduced financial expenses (new debt structure)
- **Net Financial Position at €49.1M (€41.7M in 2017)**
 - Sustained by free cash flows
- **Proposed Dividend distribution**
 - €11.5M (up 15% vs 2017), €0.44 per share

2018: a record year in Space launch activity

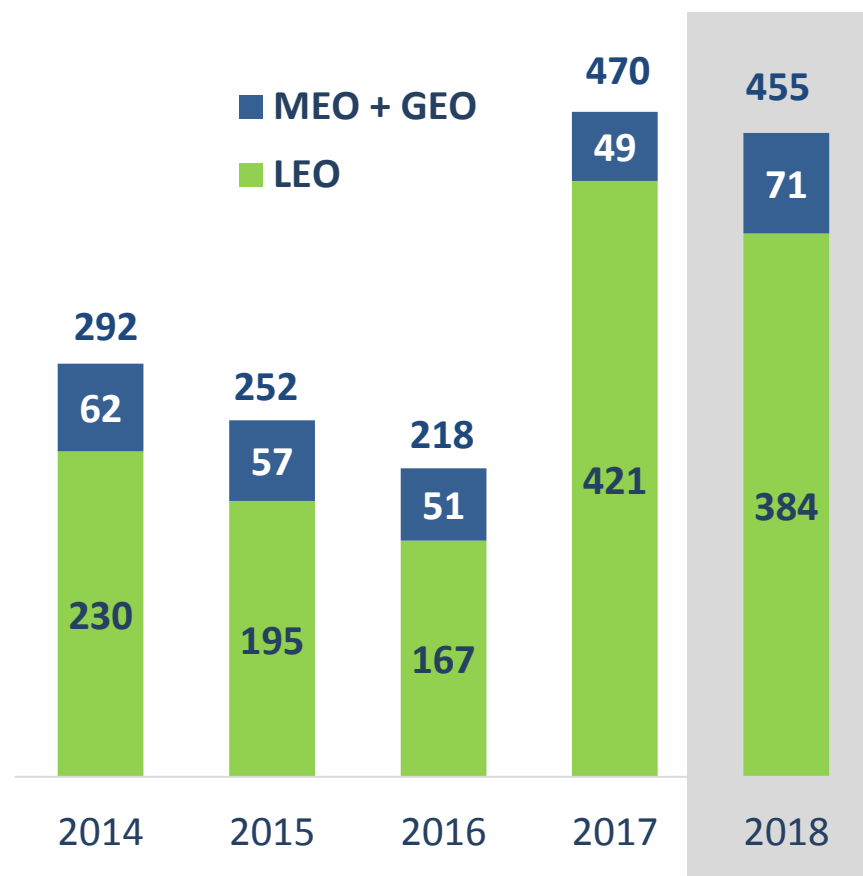


World Market

of global launches



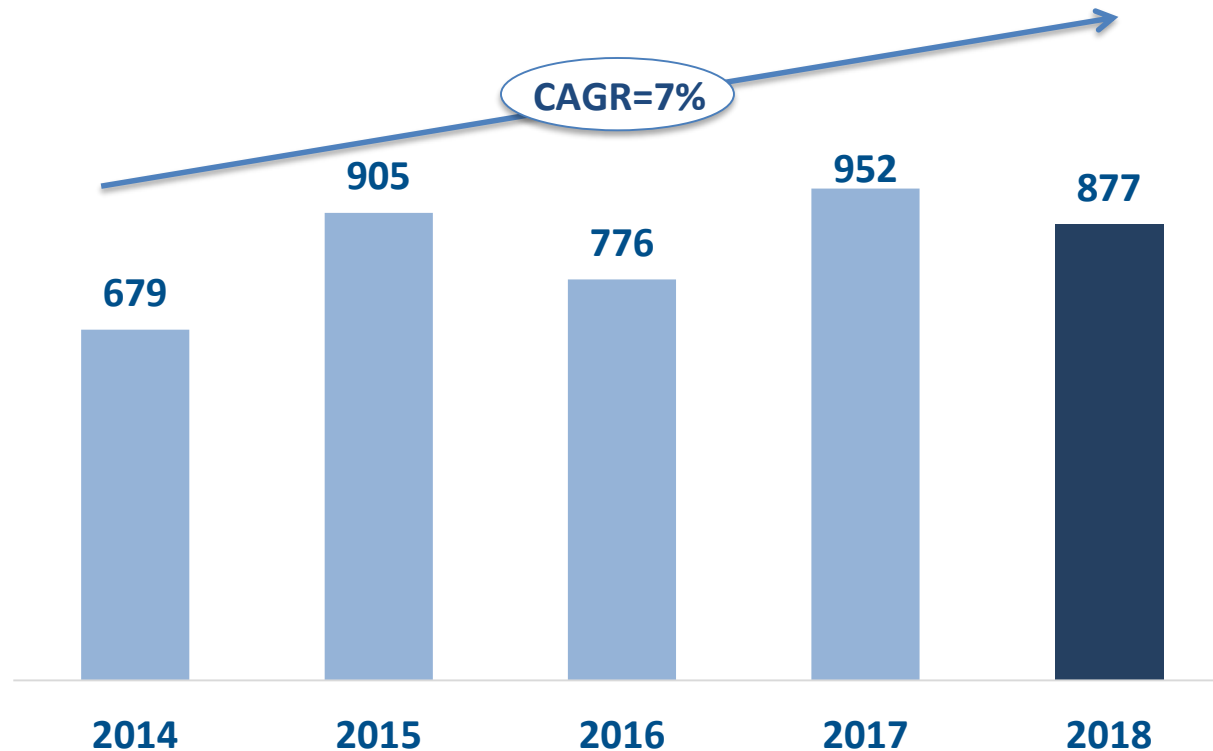
of satellites launched by orbit



Net Order Backlog on a growth trend



Net Order Backlog Evolution (€ - M)



ESA Developments



Ariane production
Batches



Vega production
Batches

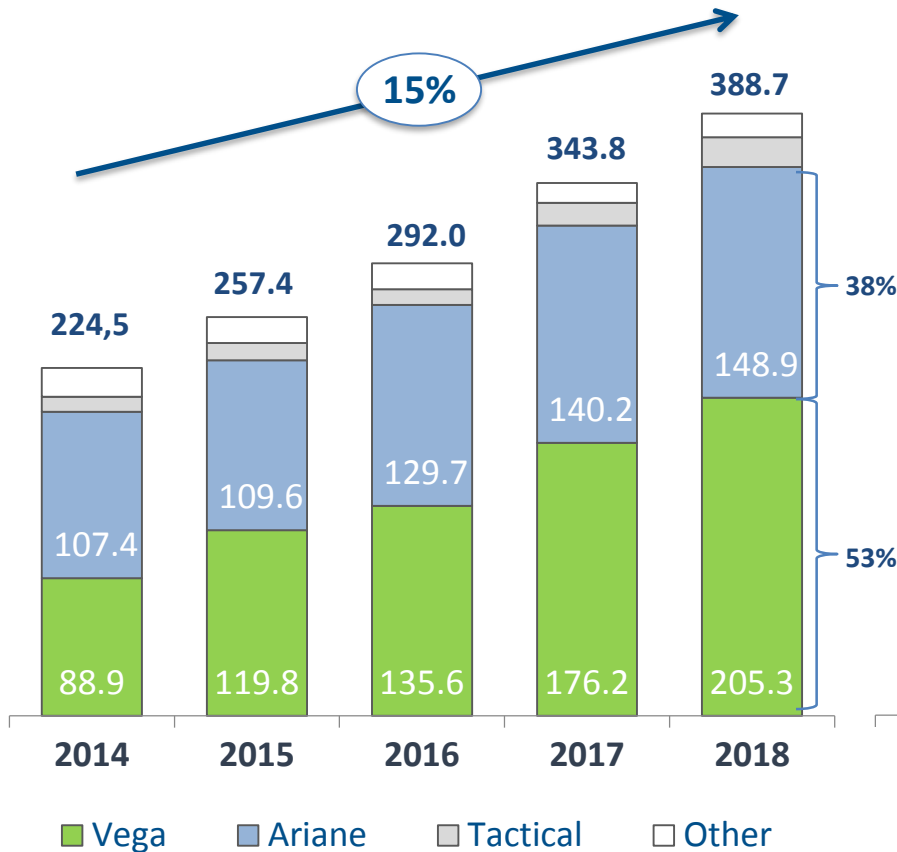


Net Revenues growth fueled by Vega and development activities



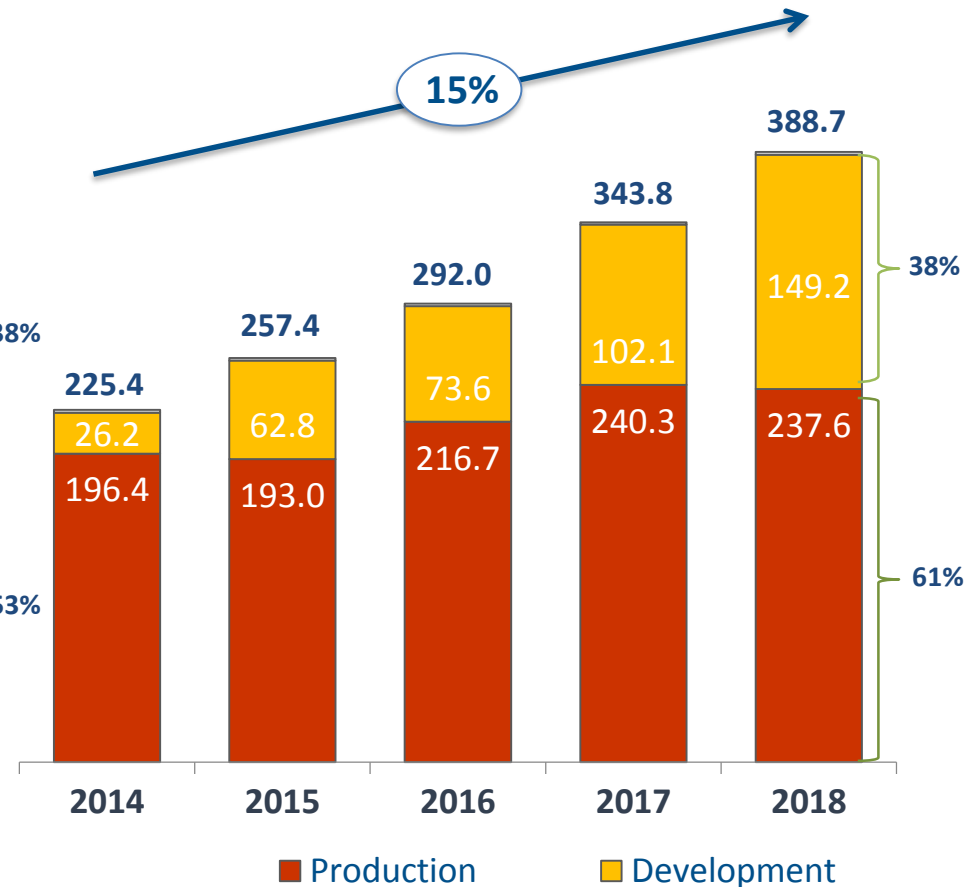
x% = CAGR 2014-18

by Line of Business (€ - M)



Vega growing launch rate and dev't activity

by Activity (€ - M)



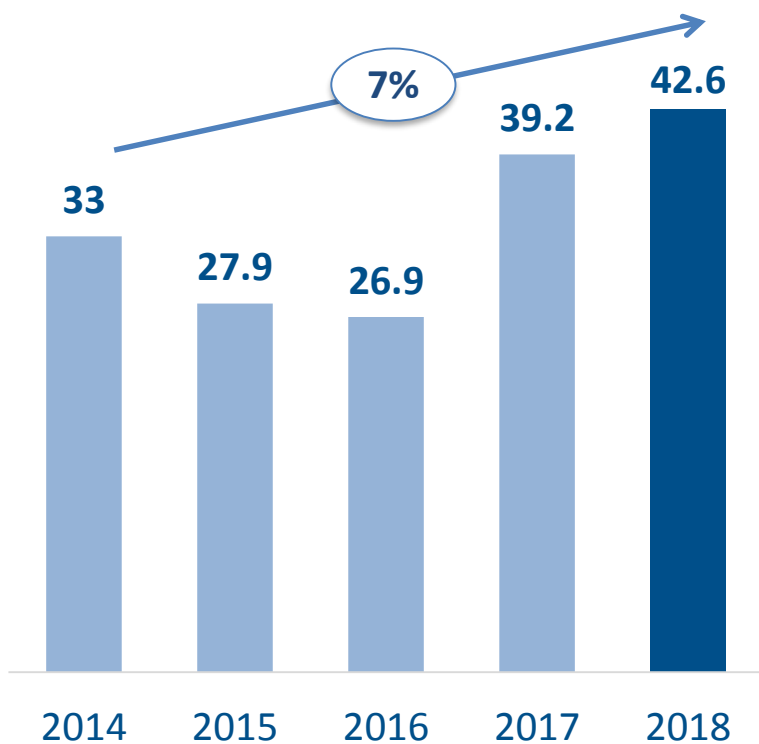
P120 and Vega dev't ramping up

EBITDA and EBIT growing – High operating leverage

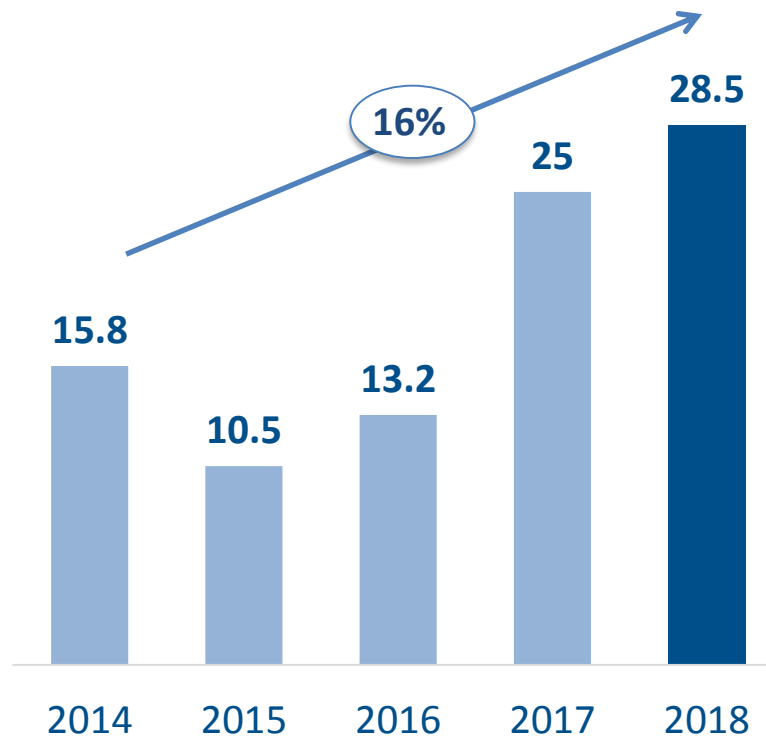


x% = CAGR 2014-2018

EBITDA (€ - M)



EBIT (€ - M)

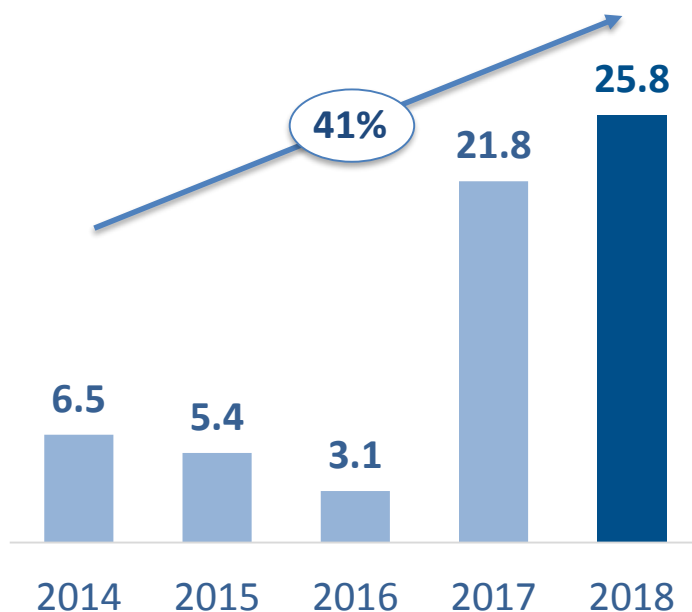


Growing Earnings and Cash supporting dividends and capex

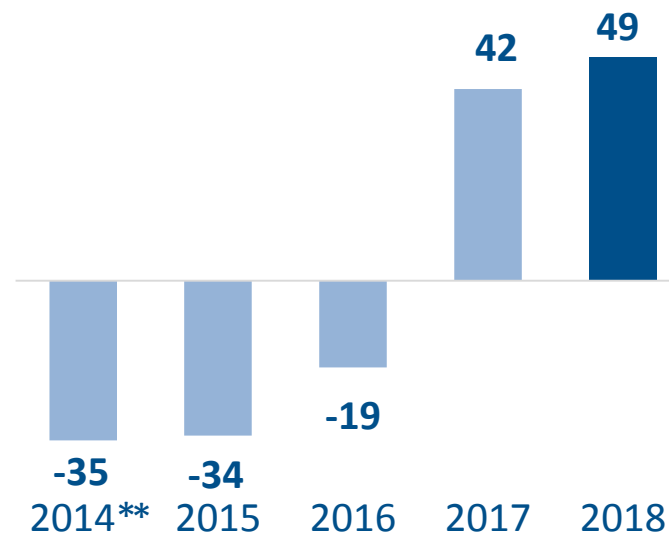


= CAGR 2014-2018

Net Income (€ - M)



Net Financial Position (€ - M)



Dividends
(€ - M)


- 220* - 10 11.5

CAPEX
(€ - M)

17 14 25 29 23

* Extraordinary dividend ** Pro-forma to account for extraordinary dividend financing

World total mass at launch (tons)



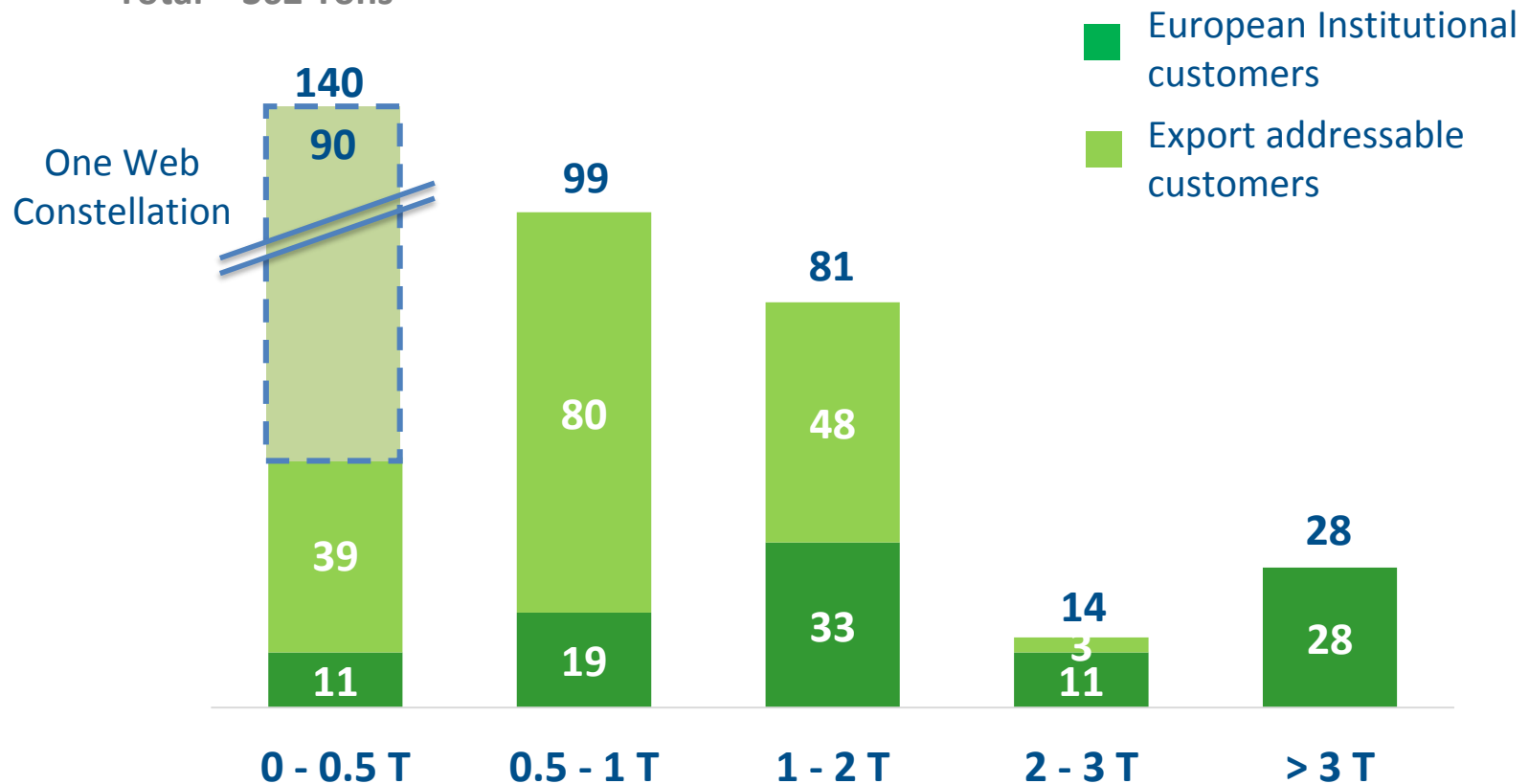
Earth Observation

Fast growing LEO demand concentrated on satellites <2 tons in mass



2018-27 Potential LEO and SSO market outlook (launch mass in tons)

Total = 362 Tons



SOURCE: Avio estimate on Euroconsult data; Excludes the American, Chinese, Russian, Japanese institutional markets and Sats with mass <50 Kg

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LEO demand growth and competitive environment



Overview of LEO Launchers (capacity in tons)



Dedicated launch

Rideshare

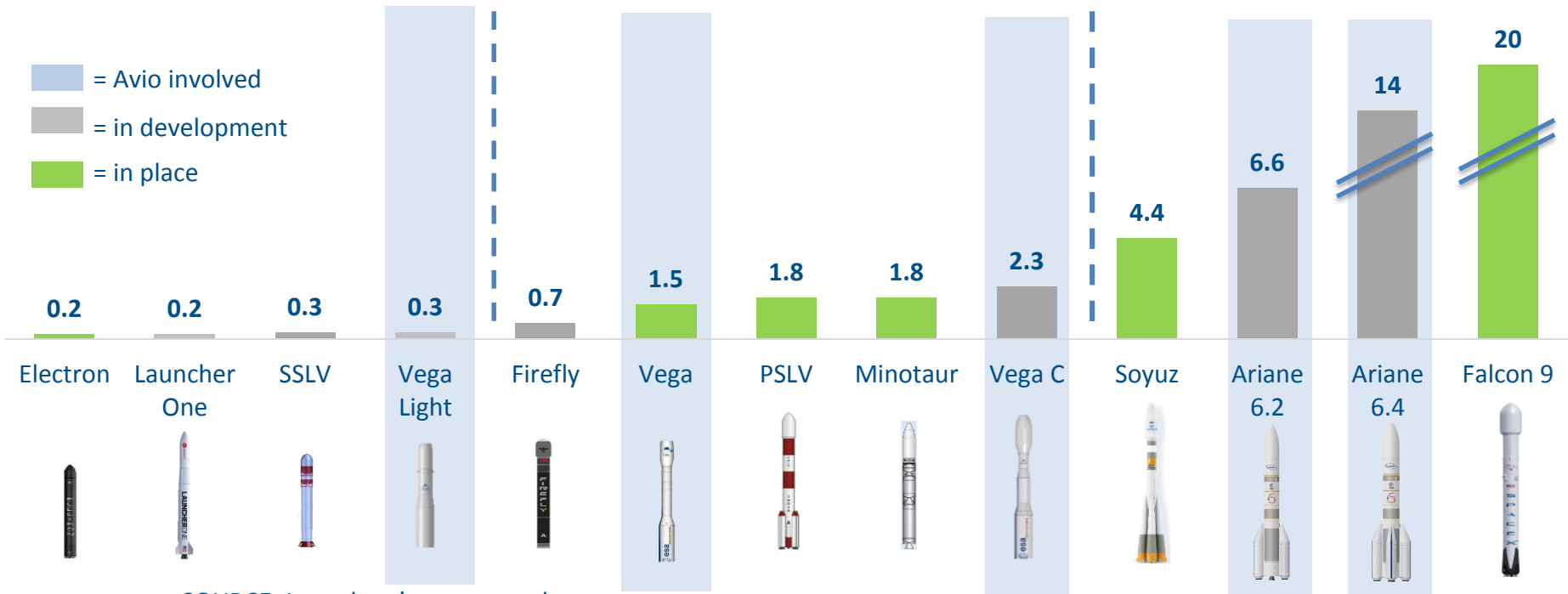
Avg mass 0.5 tons

Mini Launchers (<0.5 tons)

Small Launchers (>0.5, <2.5 tons)

Large Launchers (>2.5 tons)

- = Avio involved
- = in development
- = in place



SOURCE: Launchers' user manuals

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European Launchers evolving to meet market demand



Today

Tomorrow*



1.5 Tons
LEO

>3 Tons
MEO

10.5 Tons
GEO

2.3 Tons
LEO

>5 Tons in
LEO/MEO/GEO

10.5 Tons
GEO



*Broader
product range*



*Lower
costs*



*More
flexibility*



P80

Vega



Soyuz



P230

Ariane 5



P120

Vega C



Ariane 6.2



P120

Ariane 6.4



**Vega
Dual Payload**



**Fregat
Adapter**



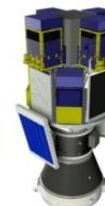
**Ariane 5
Dual Payload**



**Vega C
Dual
Payload**



**Vega
Piggyback**



**Vega
SSMS**



**Space
Rider**



**Ariane 6
Rideshare**



**Ariane 6
Dual
Payload**

Revolutionary automation, advanced materials, simplification approach for main stage (P120) production



First flight items production

Vega C MF
Ariane 6 MF

P120 Full volume production

2018

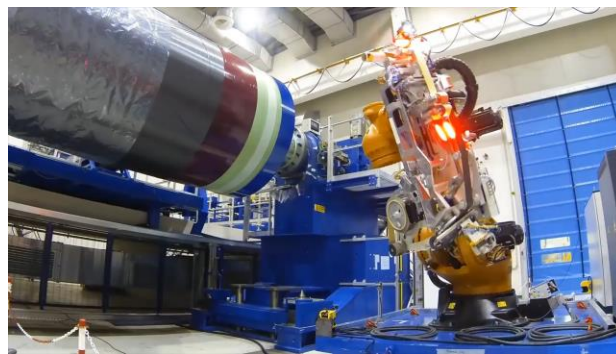
2019

2020

2021

2022

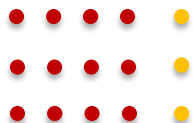
2023



Vega Ariane 5

Vega C Ariane 6.2 Ariane 6.4

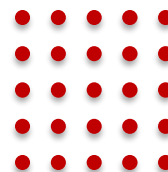
P230 P80



Single main-stage, higher volumes

Economies of scale

P120



Motors for Vega C and Ariane 6 ready

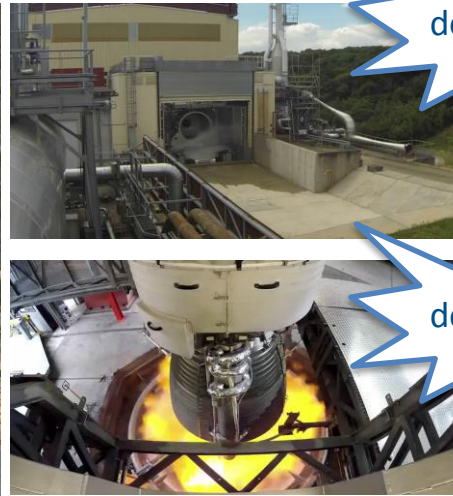
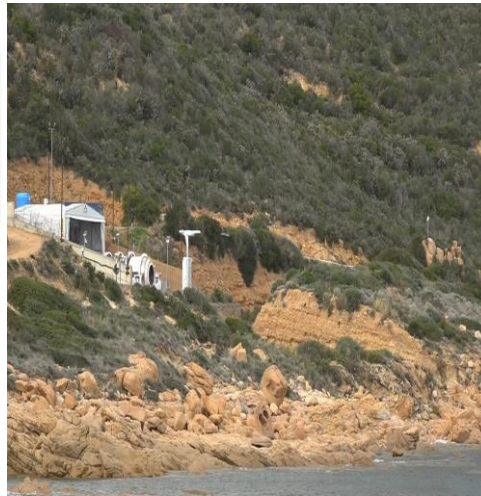


✓
Vega C
Launcher CDR
successful



Z40

P120



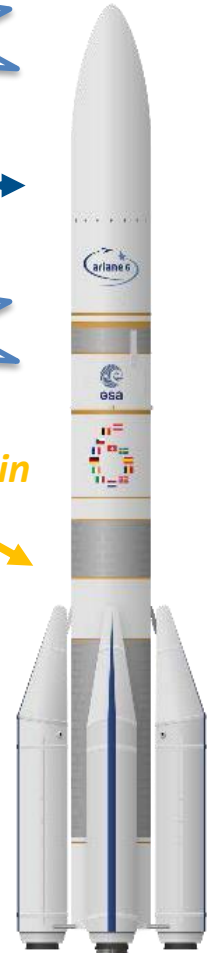
AVIO
developed
TP LOX

Vinci

AVIO
developed
TP LOX

Vulcain

P120



Vega C

Ariane 6



SOURCE for Vinci and Vulcain tests: <https://www.youtube.com/watch?v=HjeEaW9nSgk>; <https://www.youtube.com/watch?v=t7TAGtIRmN8>
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Launch pads getting ready for Vega C and Ariane 6



Ariane 6 ELA 4 launch pad almost ready*

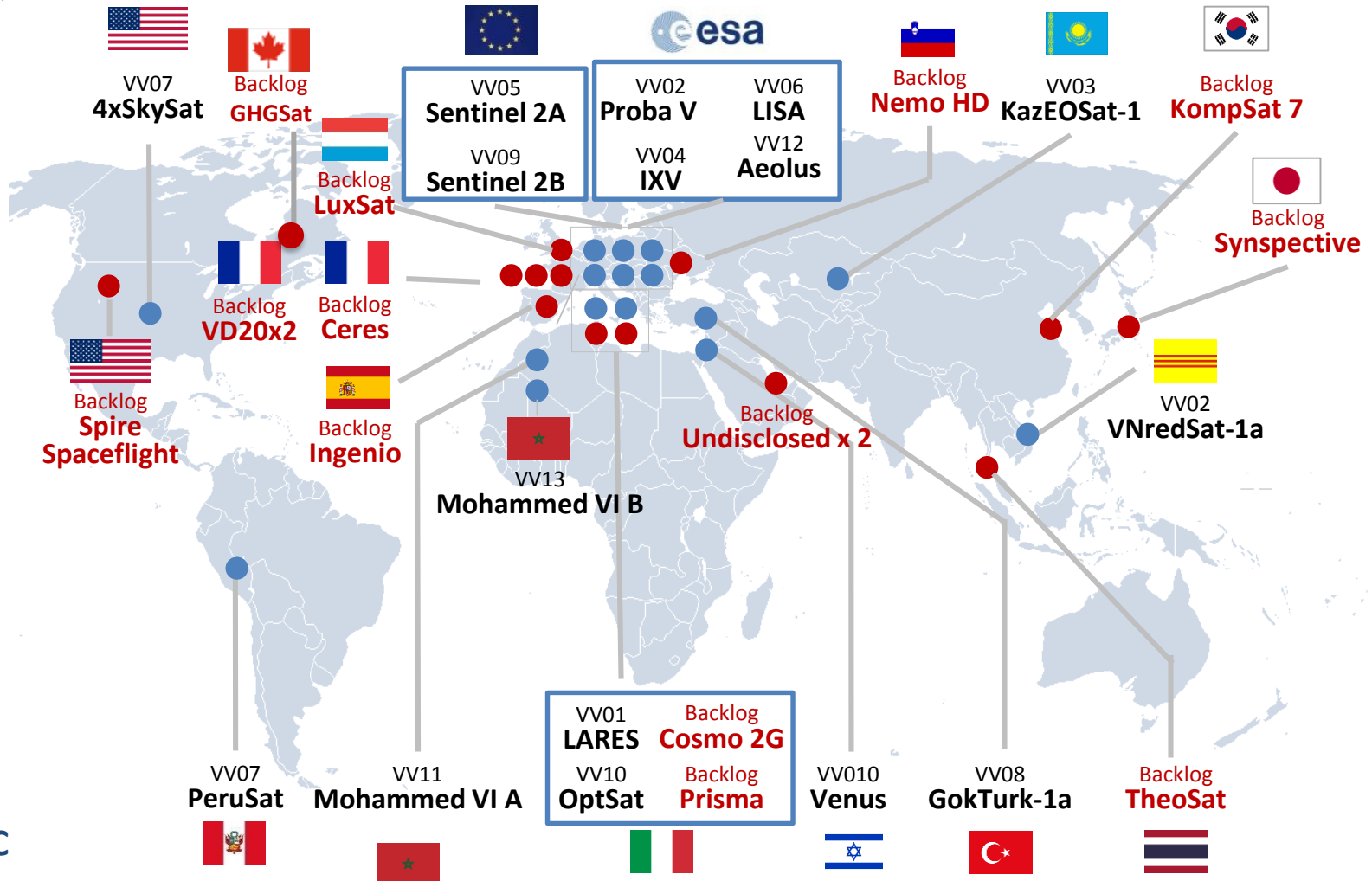
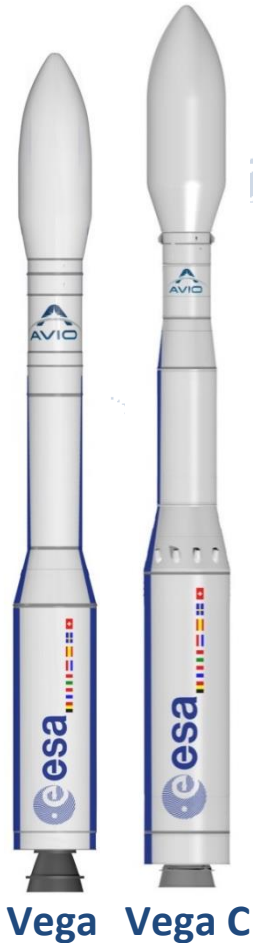
SOURCE: CNES and ESA twitter pictures

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Vega C Modified ZLV ready

Global customer captured by Arianespace for Vega/Vega C



2019 Roadmap



Launch activity¹

- **4 Vega flights**
 - Prisma
 - Falcon Eye 1
 - SSMS Qualification Flight (small satellites)
 - Falcon Eye 2
- **5 Ariane 5 flights, including and not limiting to:**
 - Arabsat
 - Hellas Sat
 - ISRO

Development activities

- **Z40 2nd static firing test**
- **P120 3rd static firing test**
- **Critical Design Review of Vega C²**
- **Integration campaign of Vega C (Qualification Flight 1st quarter 2020)²**
- **ESA Ministerial Conference (November)**

Guidance and long term outlook



2019

2023 outlook

- | | 2019 | |
|---------------------|-----------------|---|
| • Net Order Backlog | • €750M – €800M | } |
| • Net Revenues | • €380M – €405M | |
| • EBITDA | • €42-44M | } |
| • Net Income | • €25M - €28M | |

- Market expansion and presence in the LEO segment driving revenue growth
- Revenue Mix evolving progressively more towards production than development activities
- Efficiency improvement through single main stage (P120) industrial strategy
- Further operating leverage leading to P&L optimization and Net Income expansion

Agenda

☐ 2018 Highlights – Giulio Ranzo (CEO)

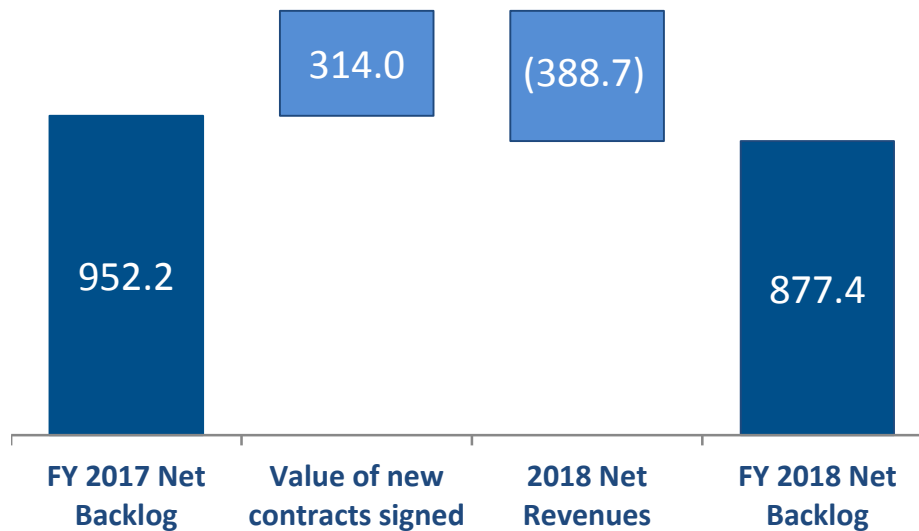
☐ FY 2018 Financials – Alessandro Agosti (CFO)

Net Order Backlog



Net Order Backlog evolution (€ - M)

Comments



Over €300M of new contracts signed in 2018, including:

- Ariane 5
- Vega Batch 2 accompaniment activities
- Vega C and Vega E development
- Aster production and development

Economic Highlights FY 2018



MAIN ECONOMICS	FY 2017*	FY 2018	DELTA	
€ - M	€ - M	€ - M	%	Comments
NET ORDER BACKLOG	952.1	877.4	(8%)	Cyclical trend with over €300M new order acquisitions
NET REVENUES	343.8	388.7	+ 13%	Higher development activities on Vega C and Ariane 6
EBITDA REPORTED	39.2	42.6	+ 9%	Non-recurring costs decreasing R&D Tax credit benefit Better absorption of fixed costs
<i>% on net revenues</i>	<i>11.4%</i>	<i>10.9%</i>		
EBIT REPORTED	25.0	28.5	+ 14%	
<i>% on net revenues</i>	<i>7.3%</i>	<i>7.3%</i>		

* Pro-Forma figures to compare on a “like-for-like” basis the 2017 and 2018 financials in light of the business combination occurred in 2017

Net Income



MAIN ECONOMICS	FY 2017*	FY 2018	DELTA	
€ - M	€ - M	€ - M	%	Comments
EBIT REPORTED <i>% on net revenues</i>	25.0 <i>7.3%</i>	28.5 <i>7.3%</i>	14%	
NET FINANCIAL EXPENSES <i>% on net revenues</i>	(3.6) <i>-1.0%</i>	(0.7) <i>-0.2%</i>	81%	New debt structure in place since Q4 2017, reducing interest costs substantially
TAXES <i>% on net revenues</i>	0.3 <i>0.1%</i>	(2.0) <i>-0.5%</i>		Non recurring effect on current and deferred tax assets
NET INCOME <i>% on net revenues</i>	21.8 <i>6.3%</i>	25.8 <i>6.6%</i>	19%	Proposed dividend distribution of €11.5M equal to €0.44 per share (+15% on 2017 dividends)

* Pro-Forma figures to compare on a “like-for-like” basis the 2017 and 2018 financials in light of the business combination occurred in 2017

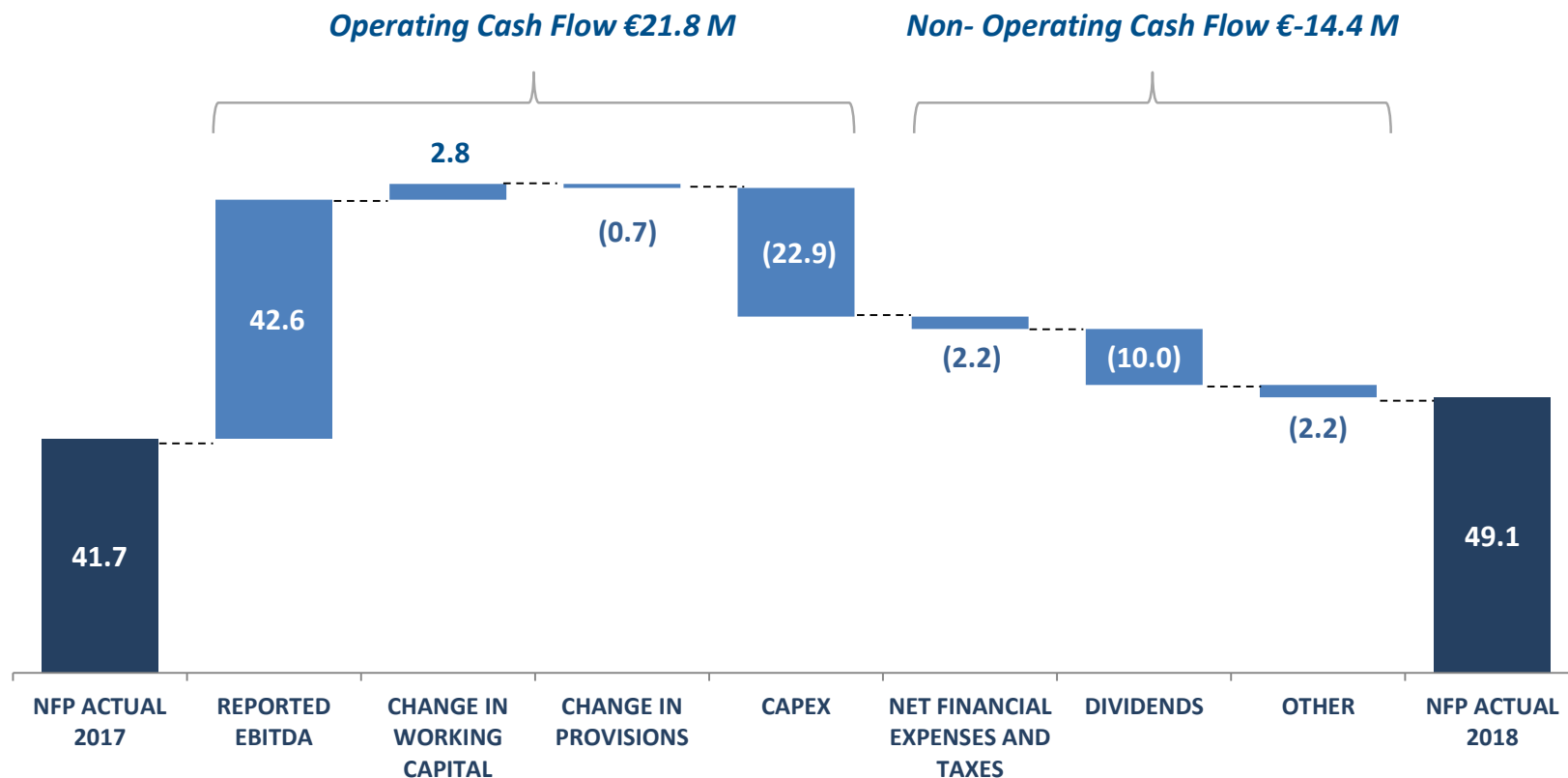
Balance Sheet



MAIN SOURCES AND USES	FY 2017 ACTUAL	FY 2018 ACTUAL	DELTA	Comments
	€ - M	€ - M	€ - M	
WORKING CAPITAL	(84.1)	(86.9)	(2.8)	Working capital structurally negative
DEFERRED TAX ASSETS	76.5	76.2	(0.3)	
PROVISIONS (EMPLOYEES' BENEFITS AND RISKS)	(27.2)	(26.6)	0.6	
GOODWILL	61.0	61.0	-	Goodwill post business combination
CUSTOMER RELATIONSHIP ASSET	42.5	39.6	(2.9)	
FIXED ASSETS	165.9	177.8	11.9	Capex (€23M) mainly for production facilities and development of P120 and Z40
FINANCIAL RECEIVABLES	5.8	5.8	-	
NET INVESTED CAPITAL	240.5	246.9	6.4	
NET FINANCIAL POSITION (IFRS)	41.7	49.1	7.4	
EQUITY	(282.2)	(296.0)	(13.8)	Mainly for dividend distribution on 2017 result and positive contribution of 2018 net income
TOTAL SOURCES	(240.5)	(246.9)	(6.4)	Proposed purchase of own shares up to €9.1M (10% of Share Capital)

2018 - Net Financial Position Evolution

NFP evolution and Cash Flows (€ - M)



Appendix



Change in Net Financial Position



MAIN CASH ITEMS	2017	2018
	€ - M	€ - M
NFP BOP	(18.6)	41.7
REPORTED EBITDA	39.2	42.6
CHANGE IN WORKING CAPITAL	(2.4)	2.8
CHANGE IN PROVISIONS	(8.5)	(0.7)
OPERATING CASH FLOW	28.3	44.7
CAPEX	(28.6)	(22.9)
FREE CASH FLOW	(0.3)	21.8
NET FINANCIAL EXPENSES	(3.6)	(0.7)
CURRENT TAXES	(1.0)	(1.5)
DIVIDEND DISTRIBUTION	-	(10.0)
OTHER CHANGES	(2.5)	(2.2)
NOT OPERATING CASH FLOW	(7.1)	(14.4)
CASH FLOW	(7.4)	7.4
CHANGES FROM BUSINESS COMBINATION	67.7	-
NFP BOP	41.7	49.1

Comments

Higher 2018 results

Generation from cyclical trend of advances from customers and work in progress
In 2017 liquidation of one-off incentive plan upon listing

Certain production facilities shifted to beginning 2019

Lower financial expenses for new debt structure

Dividend distribution on 2017 net income

Mainly dividends distributed by controlled companies to minority shareholders

One off cash from business combination in 2017



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