



Investor Presentation

London, 10th April 2019

Disclaimer



This document has been prepared by Avio S.p.A. (“Avio” or the “Company”). This document is being provided to you solely for your information and may not be reproduced or redistributed to any other person.

This document might contain certain forward-looking statements that reflect the Company’s management’s current views with respect to future events and financial and operational performance of the Company and its subsidiaries. These forward-looking statements are based on Avio’s current expectations and projections about future events. Because these forward-looking statements are subject to risks and uncertainties, actual future results or performance may differ materially from those expressed in or implied by these statements due to any number of different factors, many of which are beyond the ability of Avio to control or estimate. You are cautioned not to place undue reliance on the forward-looking statements contained herein, which are made only as of the date of this presentation. Avio does not undertake any obligation to publicly release any updates or revisions to any forward-looking statements to reflect events or circumstances after the date of this presentation. Any reference to past performance or trends or activities of Avio shall not be taken as a representation or indication that such performance, trends or activities will continue in the future. This document does not constitute an offer to sell or the solicitation of an offer to buy Avio’s securities, nor shall the document form the basis of or be relied on in connection with any contract or investment decision relating thereto, or constitute a recommendation regarding the securities of Avio.

This document may not be reproduced, redistributed or published in whole or in part without Avio’s authorization.

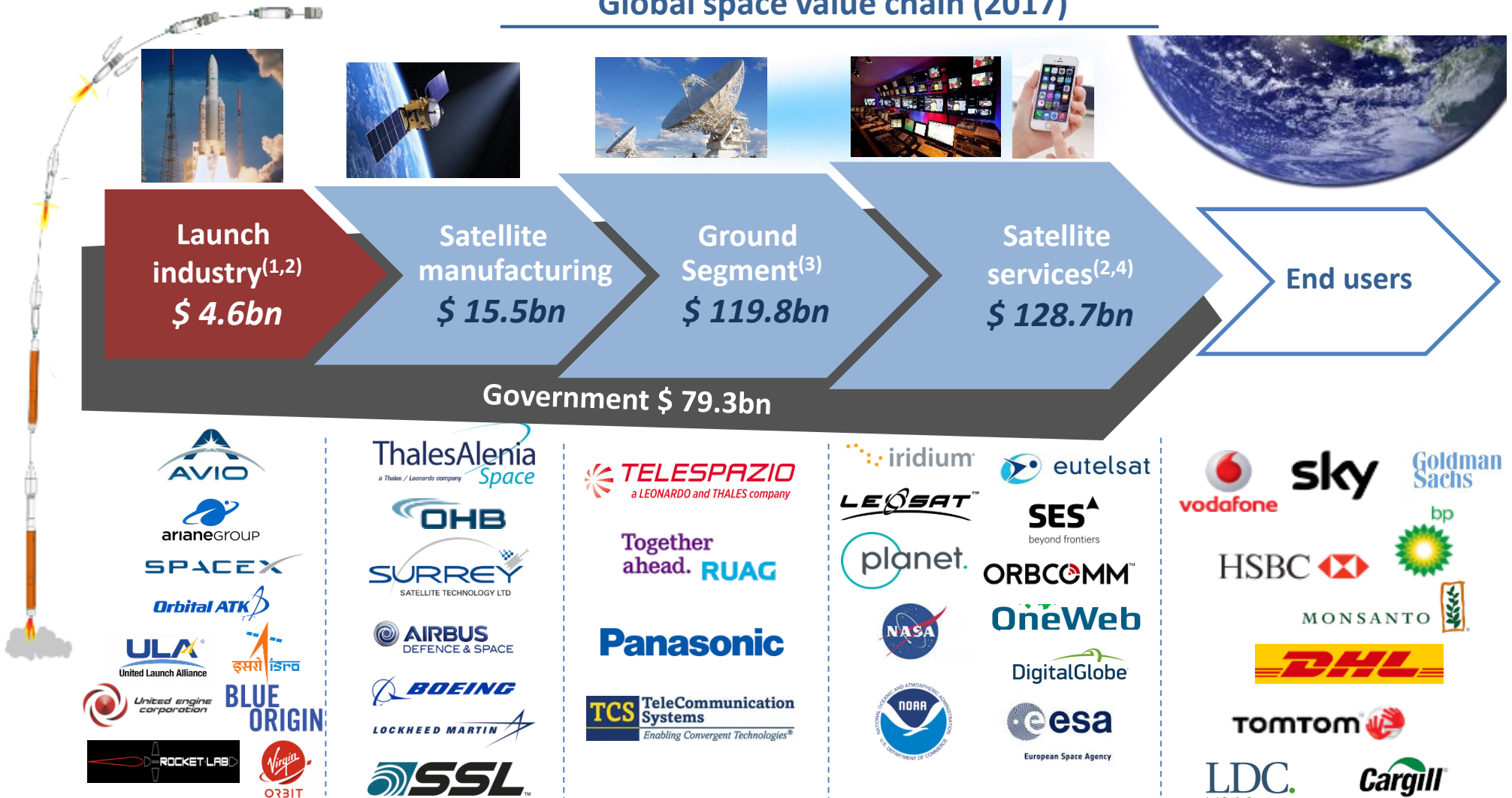
Avio: a European leader in Space Launch



-  Prime Contractor
-  Partner/Supplier
- Public company, 330M€ Mkt Cap
- 900 employees, ~390 M€ revenues
- >65% free float, no controlling shareholder
- 4% Management share

Launch is the upstream part of the Space industry

Global space value chain (2017)



Source: Satellite Industry Association (2018)

AVIO SpA- All rights reserved – subject to the restrictions of last page.

(1): Includes launcher manufacturing and launch service activities

(2): Commercial services revenues only

(3): Includes GNSS chipsets and Related

(4): Includes commercial humanflight

Space launch has three main sub-segments by type of orbit



GEO - Geostationary Earth Orbit

Altitude 36,000km



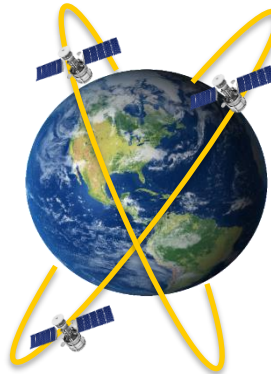
Annual avg volume :
30 launches, 160 tons



Mature market

MEO - Medium Earth Orbit

Altitude 3,000-22,000km



Annual avg volume :
12 launches, 19 tons



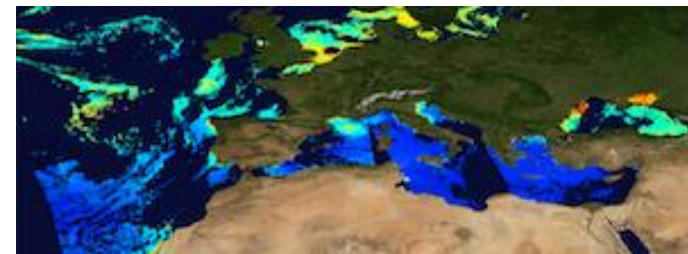
Niche market

LEO - Low Earth Orbit

Altitude 500-2,000km



Annual avg volume :
55 launches, 60 tons



Booming demand

Avio works across the full spectrum of the European offer side



Avio activity by main product lines

Ariane 5 - Heavy launcher
(Avio Industrial partner)
40% of Revenues



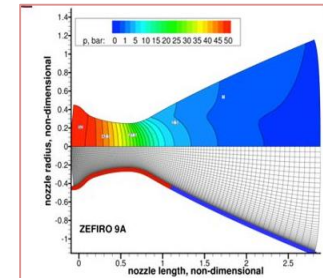
Vega - Light launcher
(Avio Prime Contractor)
55% of Revenues



Avio activity by type of business

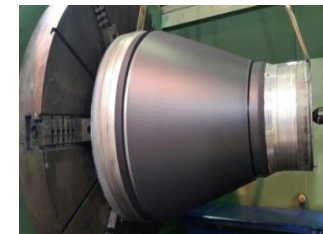
Research & Product Development

40% of Revenues



Propulsion and Launcher Production

60% of Revenues

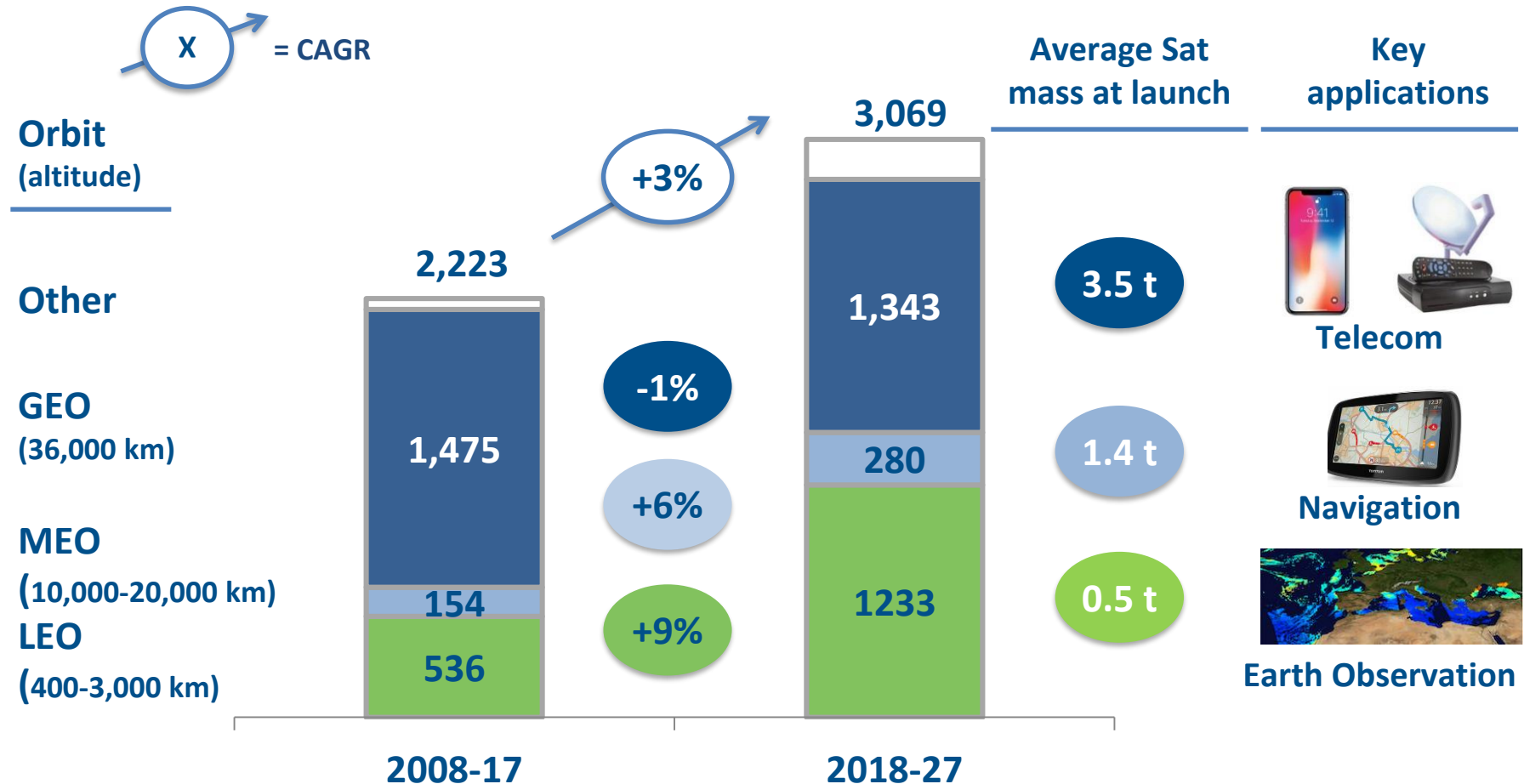


 **esa** European launchers

For the next decade: stable launch demand in MEO-GEO, fast-growing in LEO

World Market

World total mass at launch (tons)



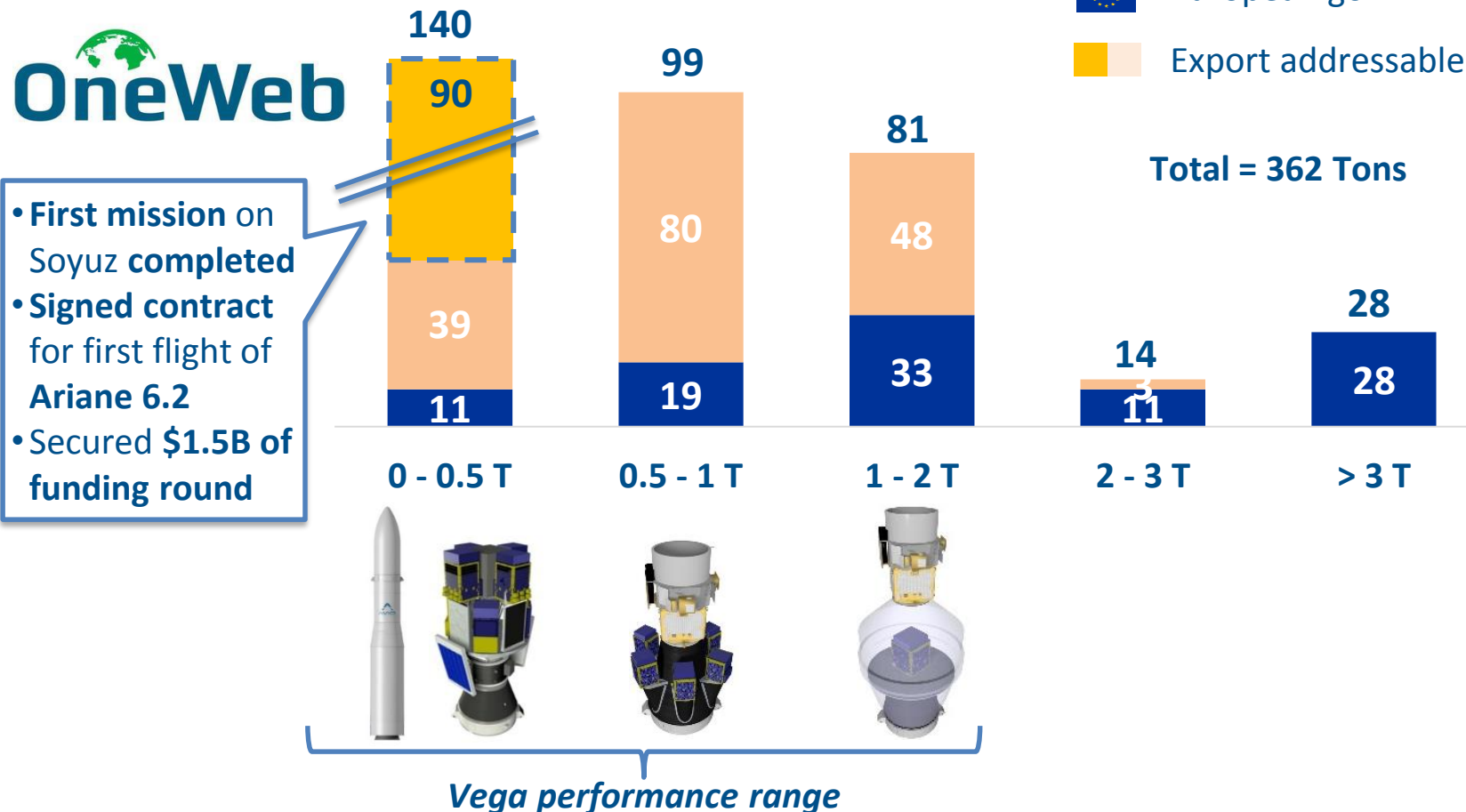
Source : Avio estimate on Euroconsult data; Excludes sats with mass <50 Kg

AVIO SpA- All rights reserved – subject to the restrictions of last page.

LEO demand is concentrated on satellites <2 tons in mass



2018-27 Addressable LEO market (tons)



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

AVIO SpA- All rights reserved – subject to the restrictions of last page.

Global competition vs service to domestic governments in 2018

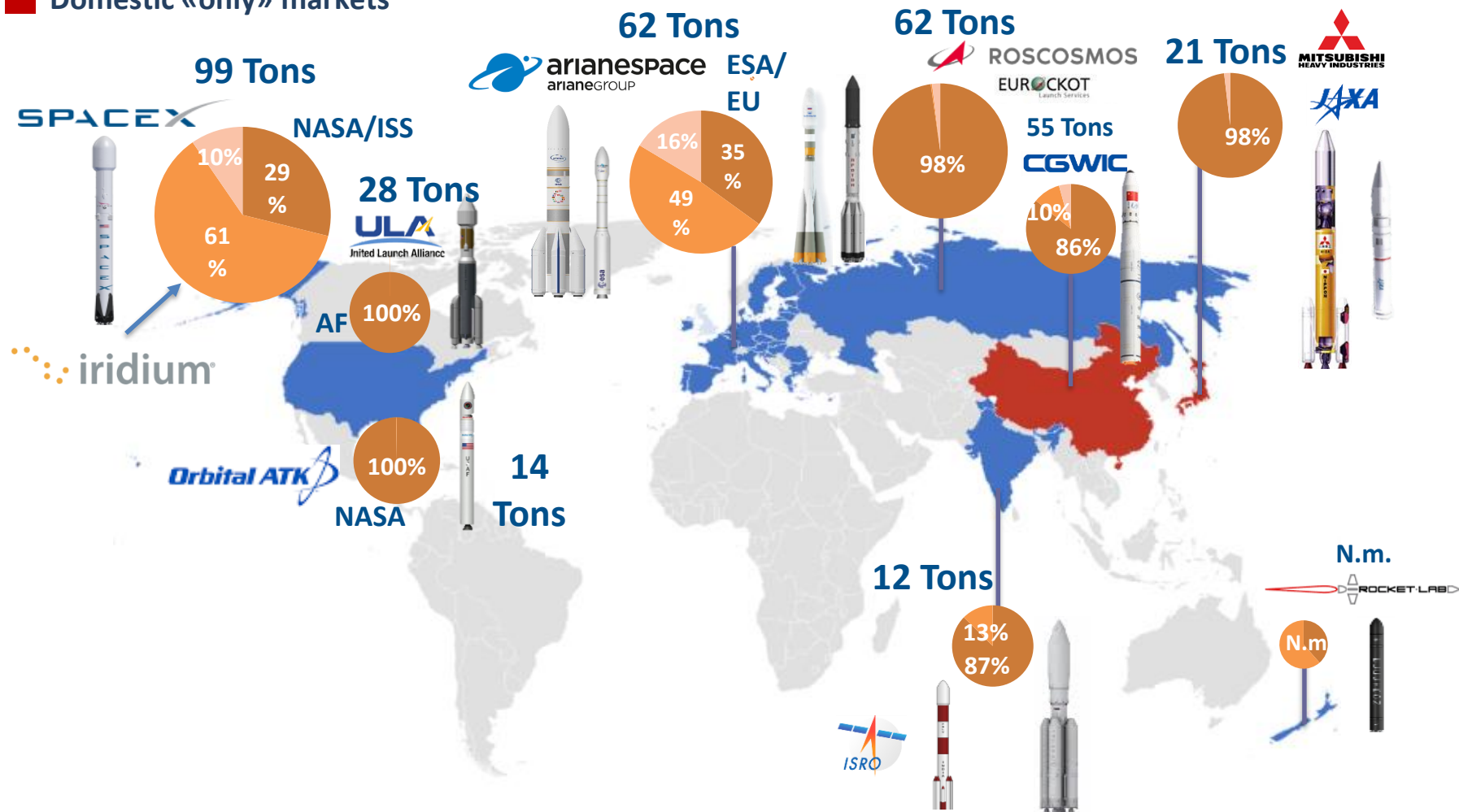
Pie size proportional to orbited mass

■ Domestic «only» markets

■ Domestic gov

■ Commercial

■ Export gov



SOURCE: Avio elaboration on Gunter Space data

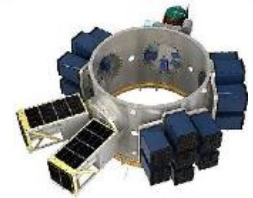
AVIO SpA- All rights reserved – subject to the restrictions of last page.

LEO demand growth and competitive environment

Overview of LEO Launchers (capacity in tons)



Dedicated launch



Rideshare

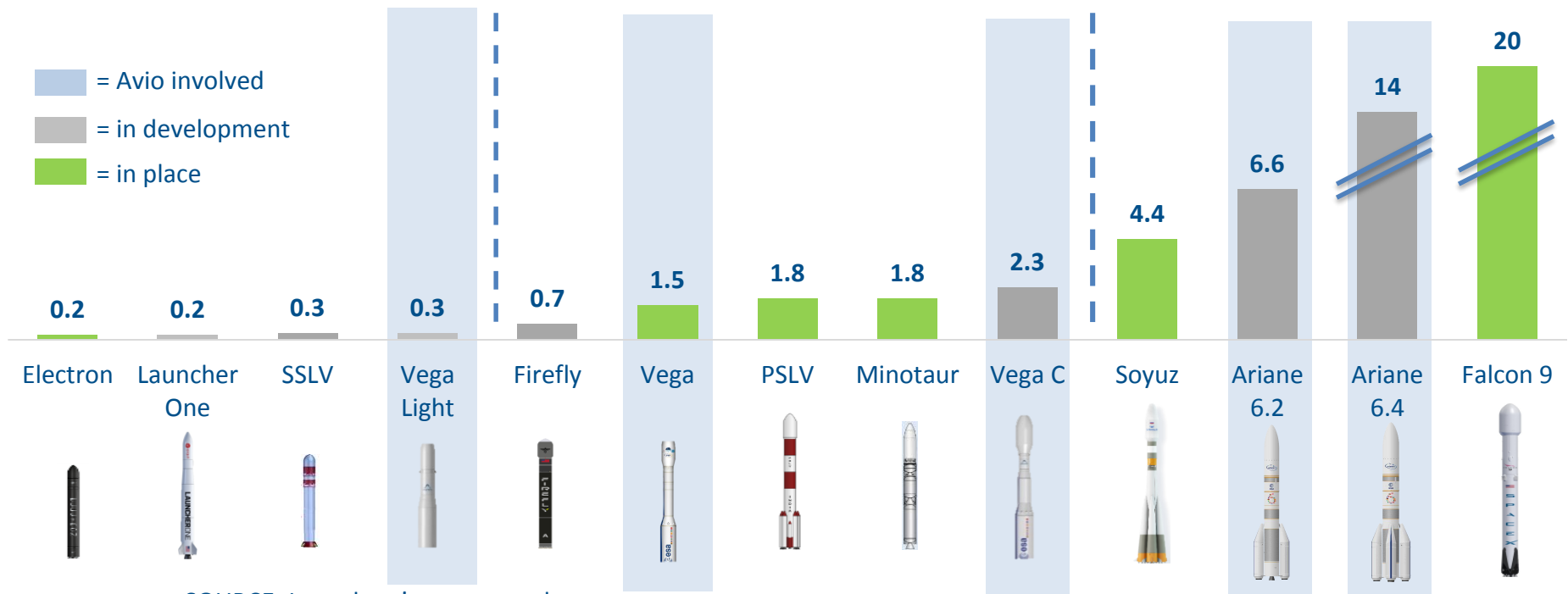
Avg mass 0.5 tons

Mini Launchers (<0.5 tons)

Small Launchers (>0.5, <2.5 tons)

Large Launchers (>2.5 tons)

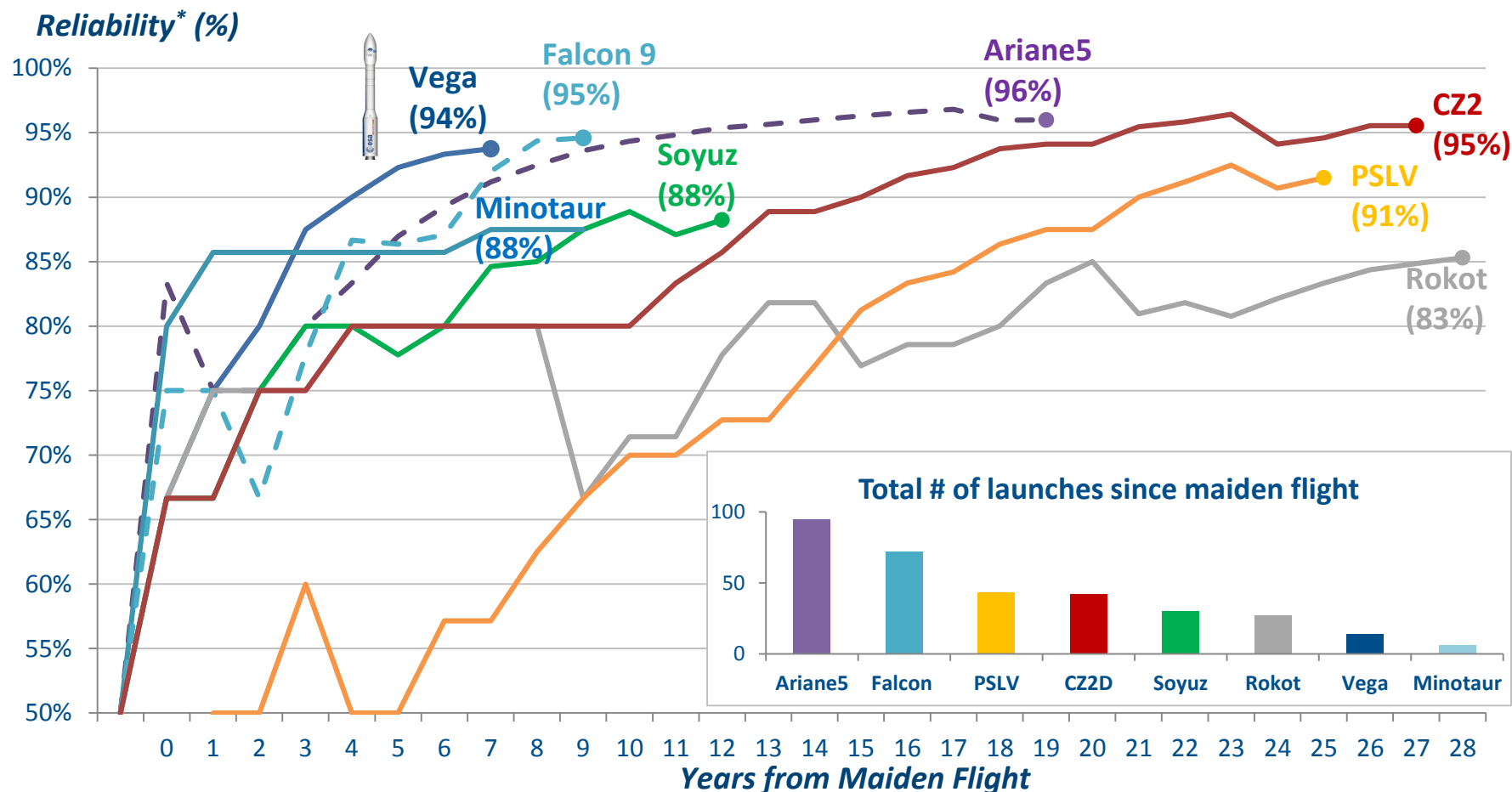
- = Avio involved
- = in development
- = in place



SOURCE: Launchers' user manuals

AVIO SpA- All rights reserved – subject to the restrictions of last page.

Reliability matters : Vega the fastest to reach world-class levels



* First level Bayesian estimate of mean predicted probability of success for next launch attempt $(k+1)/(n+2)$ where k is the number of successful events and n is the number of trials

SOURCE: Avio elaboration on SpaceLaunchReport data

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



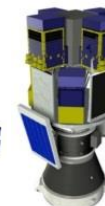
Ariane 5
Dual Payload



Vega C
Dual
Payload



Vega
Piggyback



Vega
SSMS



Space
Rider



Ariane 6
Rideshare



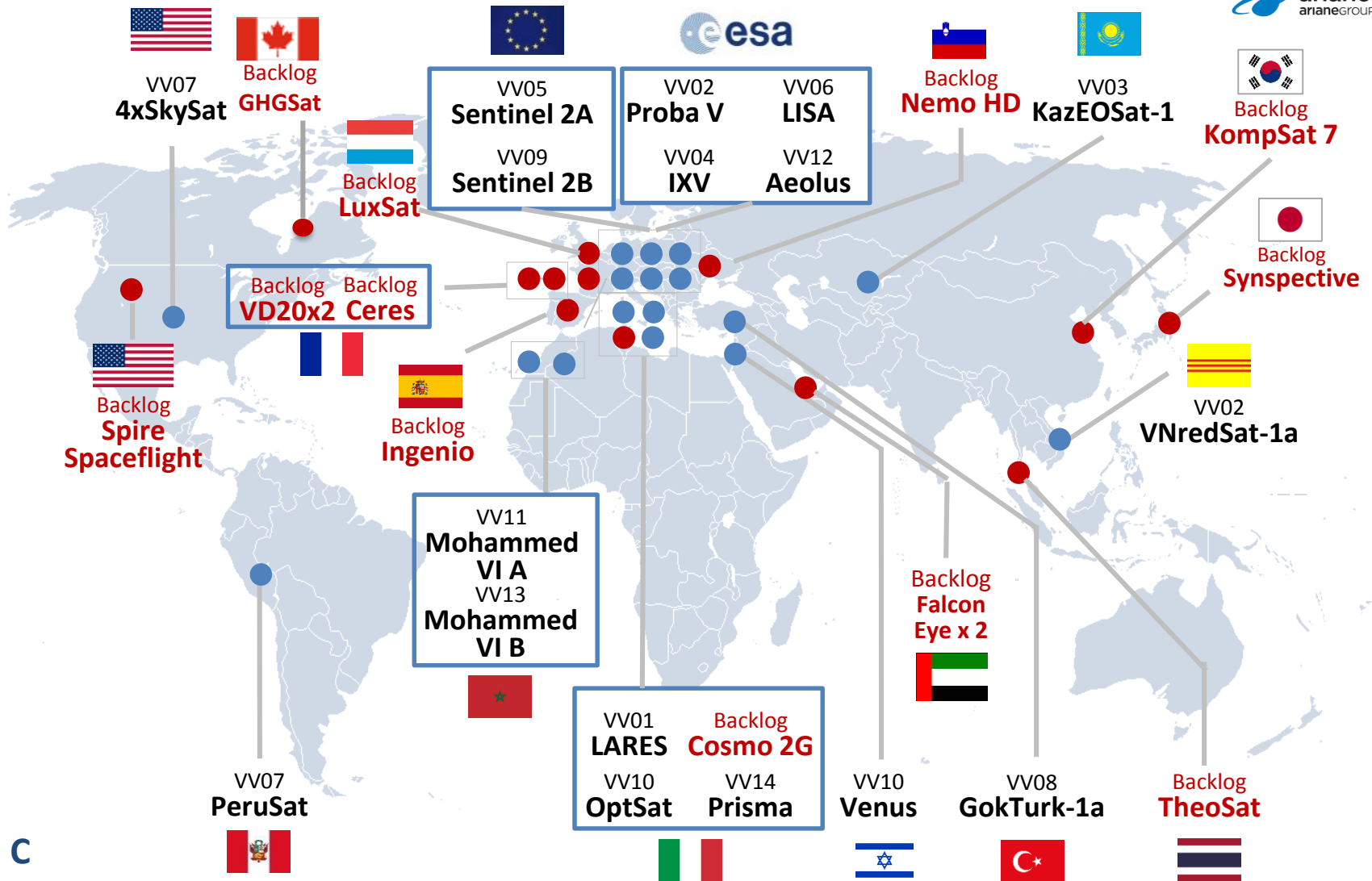
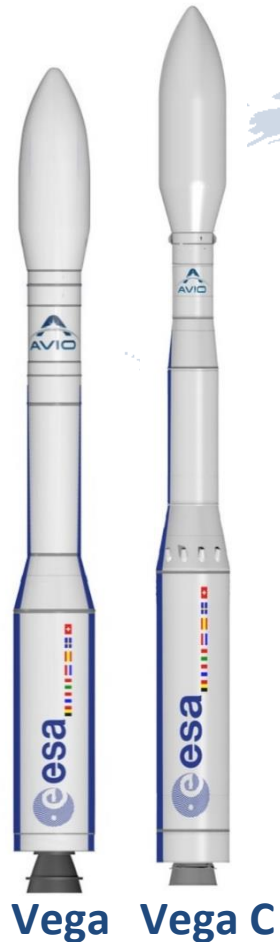
Ariane 6
Dual
Payload

Global customer base for Vega since its 2012 maiden flight



arianespace
arianegroup

● = Backlog
● = Flights



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

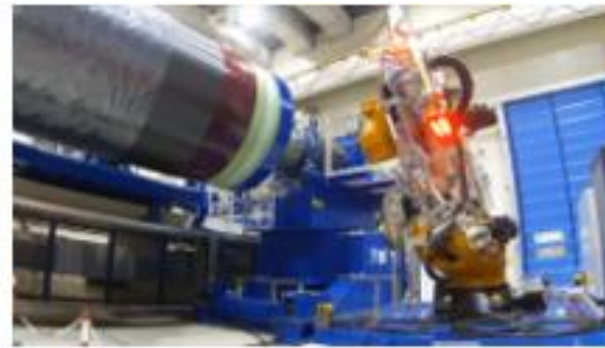
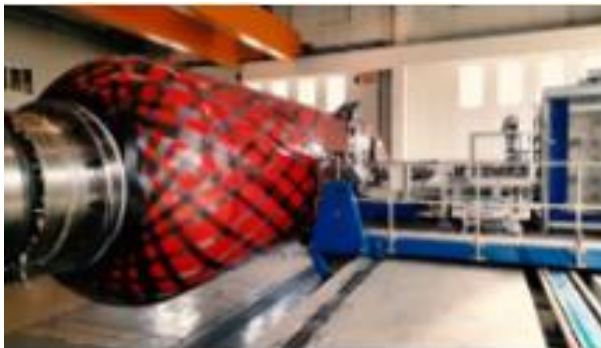
2021

2022

2023

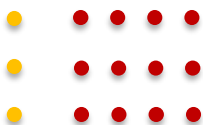


Vega Ariane 5



Vega C Ariane 6.2 Ariane 6.4

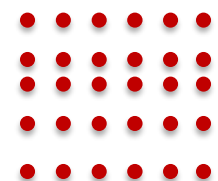
P80 P230



Single main-stage, higher volumes

Economies of scale

P120



Motors for Vega C and Ariane 6 ready



✓ Vega C
Launcher CDR
successful



Avio
developed
TP LOX

Vinci

Avio
developed
TP LOX

Vulcain

Z40

P120

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>
AVIO SpA- All rights reserved – subject to the restrictions of last page.



Launch pads getting ready for Vega C and Ariane 6



Ariane 6 ELA 4 launch pad almost ready*

SOURCE: CNES and ESA twitter pictures

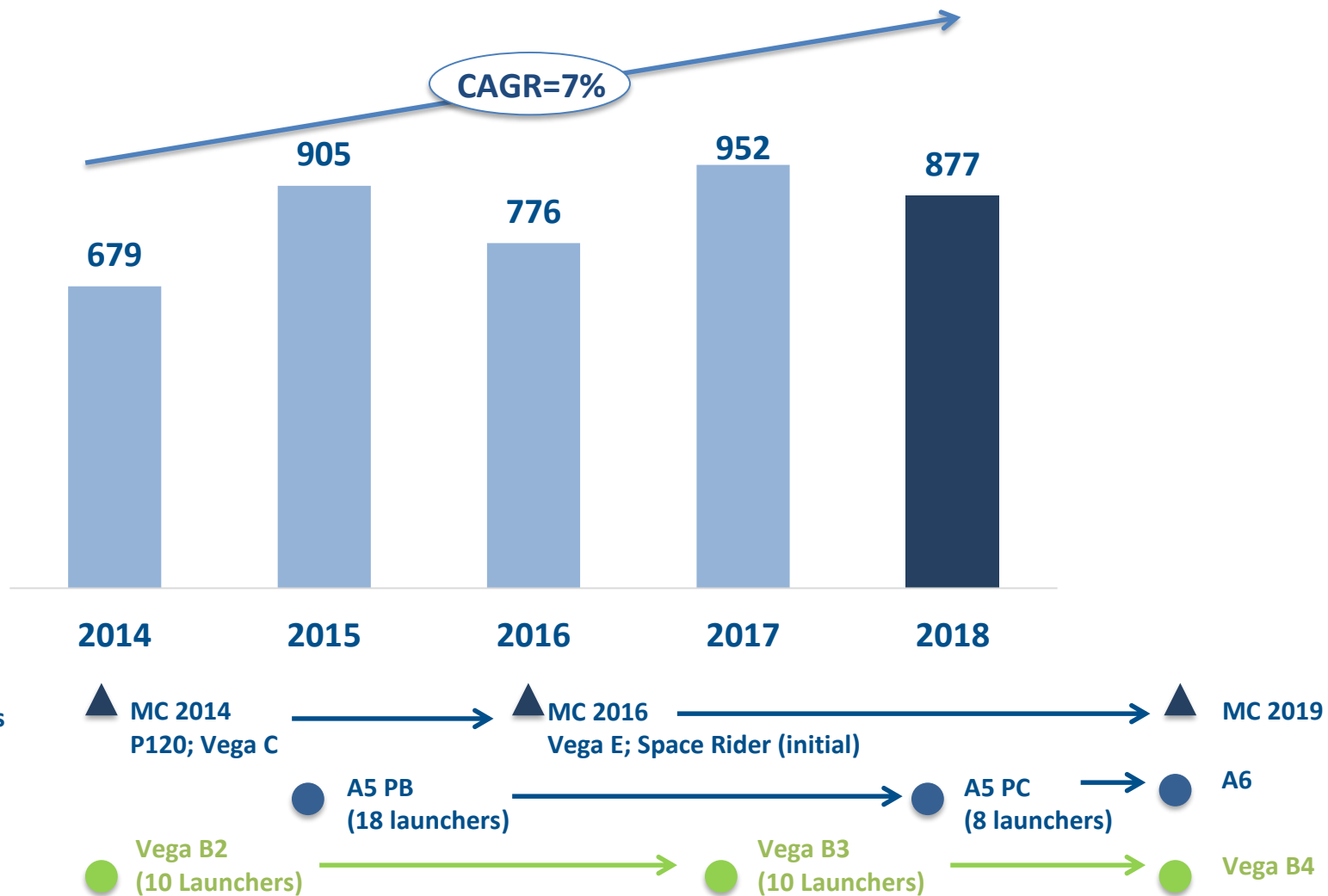
AVIO SpA- All rights reserved – subject to the restrictions of last page.



Vega C Modified ZLV ready

Net Order Backlog on a growth trend

Net Order Backlog Evolution (€ - M)

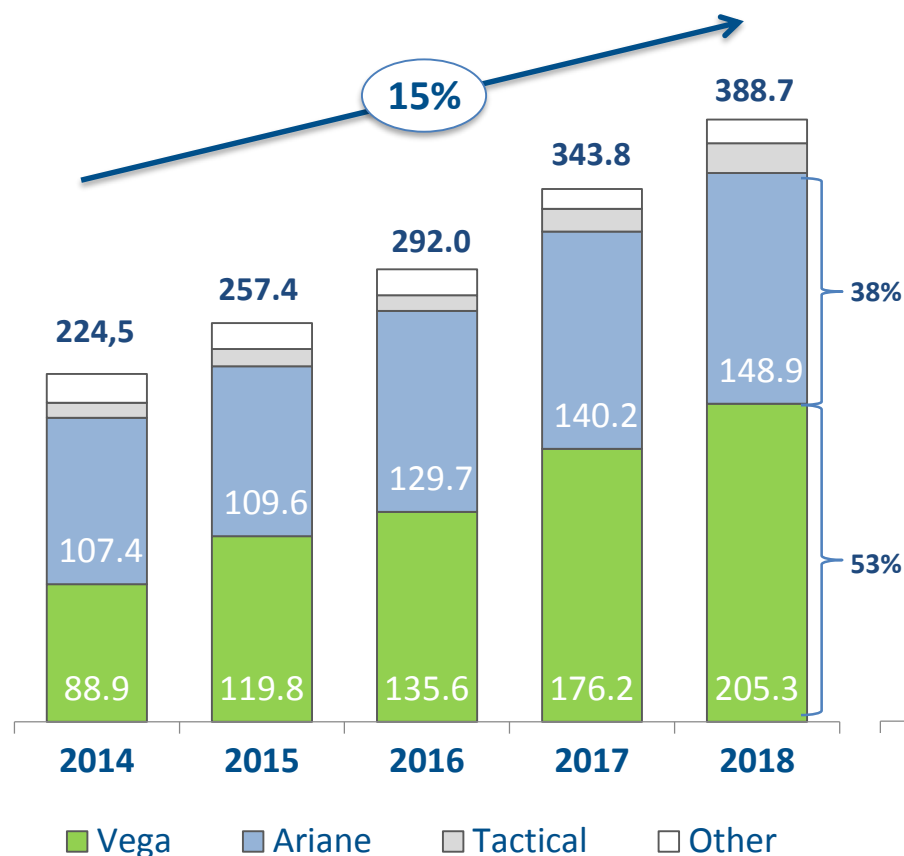


Net Revenues growth fueled by Vega and development activities



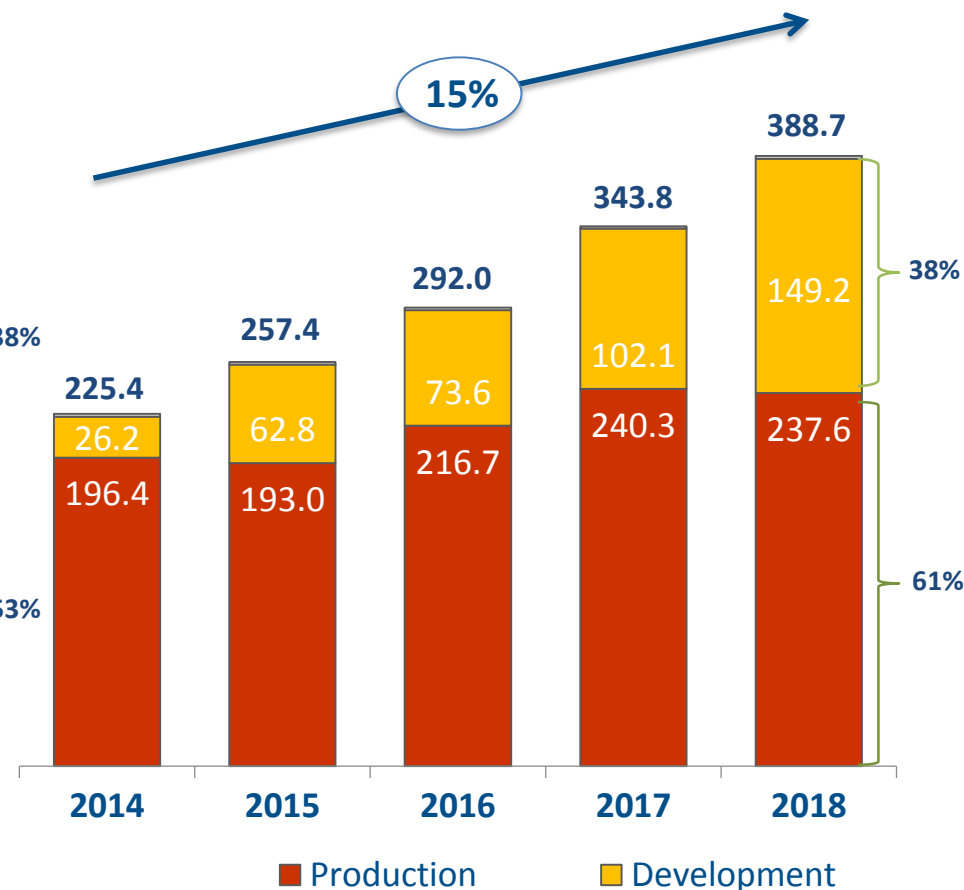
x% = CAGR 2014-18

by Line of Business (€ - M)



Vega growing launch rate and dev't activity

by Activity (€ - M)



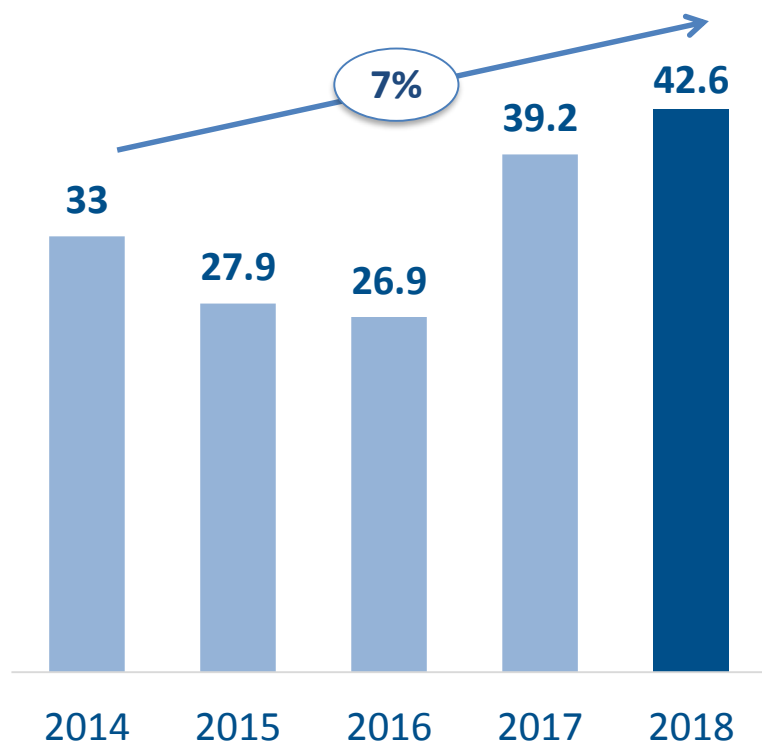
P120 and Vega dev't ramping up

EBITDA and EBIT growing – High operating leverage

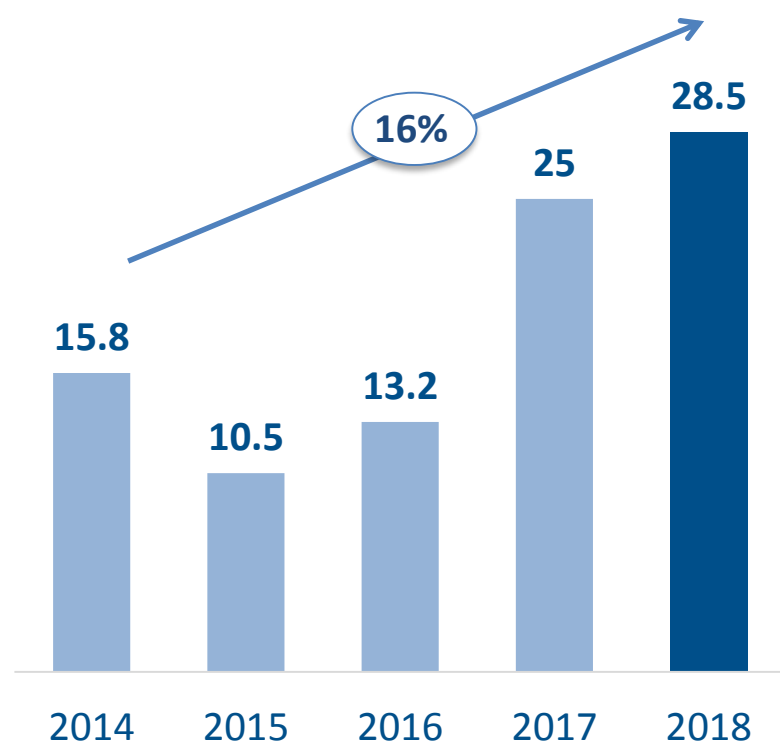


$x\%$ = CAGR 2014-2018

EBITDA (€ - M)



EBIT (€ - M)

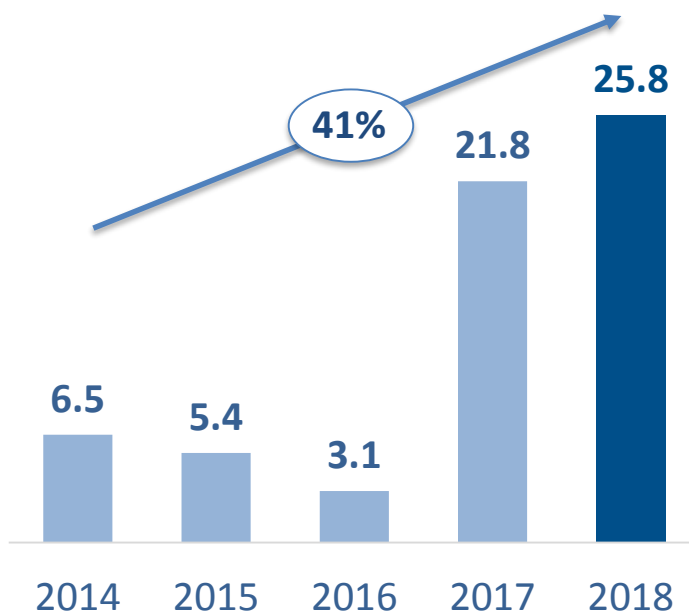


Growing Earnings and Cash supporting dividends and capex

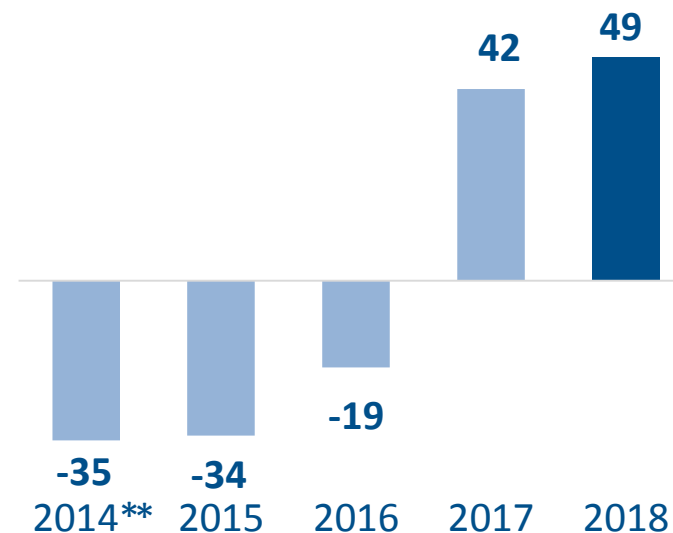


x% = CAGR 2014-2018

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

Economic Highlights FY 2018



MAIN ECONOMICS	FY 2017*	FY 2018	DELTA	Comments
€ - M	€ - M	€ - M	%	
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
% on net revenues	11.4%	10.9%		
EBIT REPORTED	25.0	28.5	+ 14%	
% on net revenues	7.3%	7.3%		
NET FINANCIAL EXPENSES	(3.6)	(0.7)	81%	New debt structure in place since Q4 2017, reducing interest costs substantially
% on net revenues	-1.0%	-0.2%		
TAXES	0.3	(2.0)		Non recurring effect on current and deferred tax assets
% on net revenues	0.1%	-0.5%		
NET INCOME	21.8	25.8	19%	Proposed dividend distribution of €11.5M equal to €0.44 per share (+15% on 2017 dividends)
% on net revenues	6.3%	6.6%		

* 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
	€ - M	€ - M	€ - M
WORKING CAPITAL	(84.1)	(86.9)	(2.8)
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	-
CUSTOMER RELATIONSHIP ASSET	42.5	39.6	(2.9)
FIXED ASSETS	165.9	177.8	11.9
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)
TOTAL SOURCES	(240.5)	(246.9)	(6.4)

Comments

Working capital structurally negative

Goodwill post business combination

Capex (€23M) mainly for production facilities and development of P120 and Z40

Mainly for dividend distribution on 2017 result and positive contribution of 2018 net income
Proposed purchase of own shares up to €9.1M (10% of Share Capital)

Guidance and long term outlook

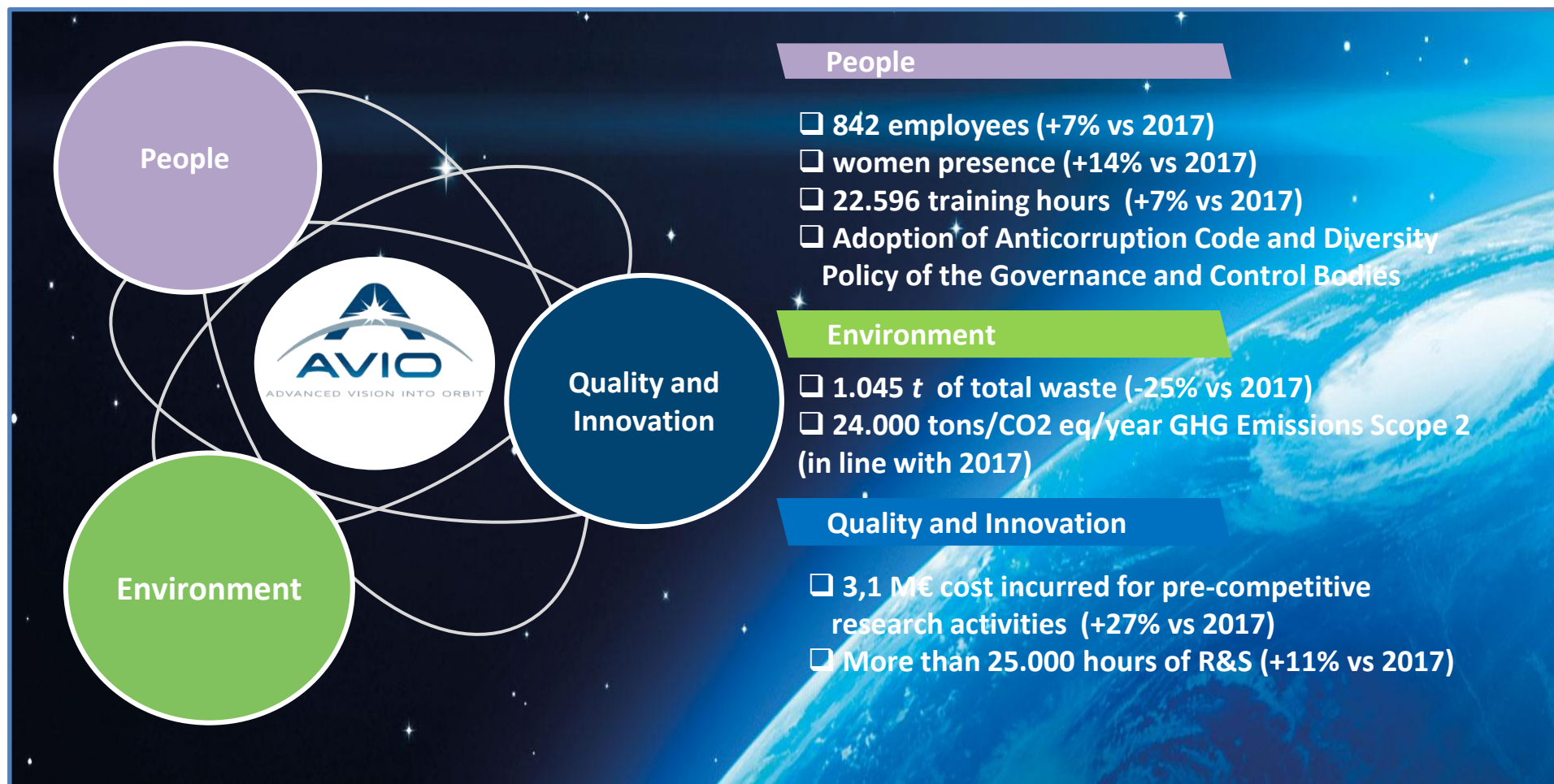


	2019	2023 outlook
• Net Order Backlog	• €750M – €800M	• Market expansion and presence in the LEO segment driving revenue growth • Revenue Mix evolving progressively more towards production than development activities
• Net Revenues	• €380M – €405M	
• EBITDA	• €42-44M	• Efficiency improvement through single main stage (P120) industrial strategy • Further operating leverage leading to P&L optimization and Net Income expansion
• Net Income	• €25M - €28M	

Appendix



Highlights from the 2018 Consolidated Non Financial Statement



An important heritage of corporate evolution



1912 – 1967



2 entrepreneurs
(and Senators)
Defense focus

1968 – 1990



Industrial group (listed)
Chemicals focus



1965
Europa
7 launches

1994 – 2003



Industrial group (listed)
Aerospace focus



1988
Ariane 4
104 launches
(16/year)

2003 – 2015



THE CARLYLE GROUP

Cinven

Private Equity
Financial focus



1996
Ariane 5
>100 launches
(6/year)

2017



Public
Company
Space
Launchers



2012
Vega
14 launches
(2-3/year)

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)

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



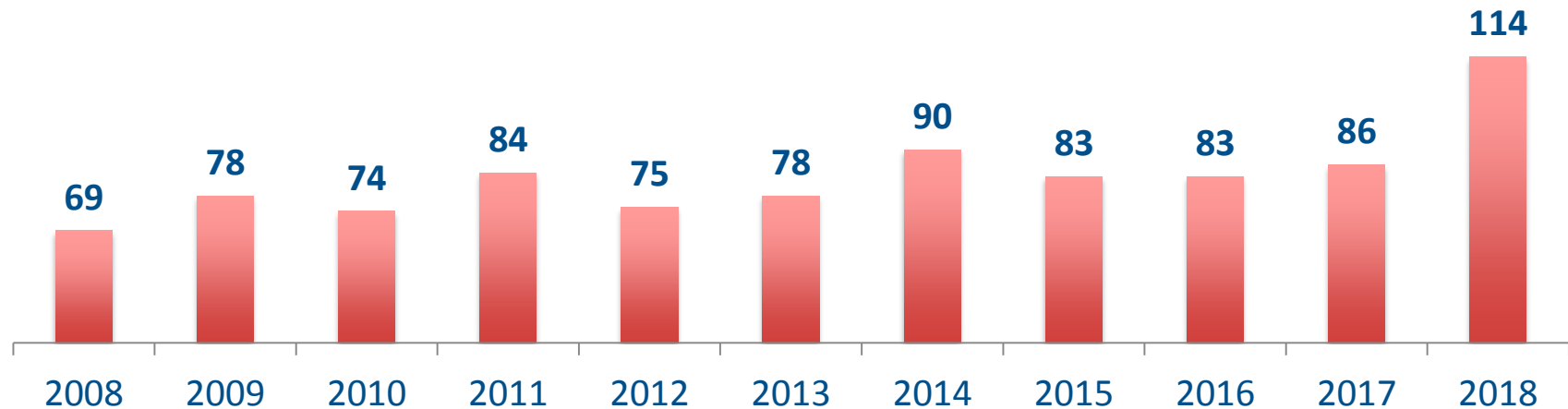
- Carbon Epoxy Prepreg manufacturing and testing



Space launches grow at 5% CAGR, with few countries having launch technology

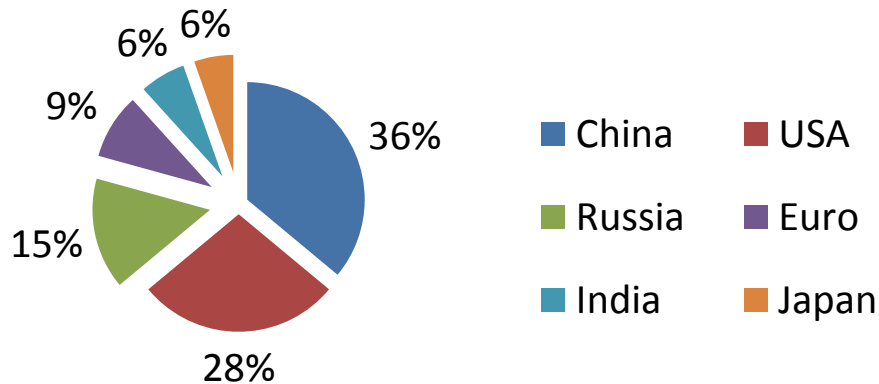


2008-2018 Total # of Space Launches Worldwide - CAGR 5%



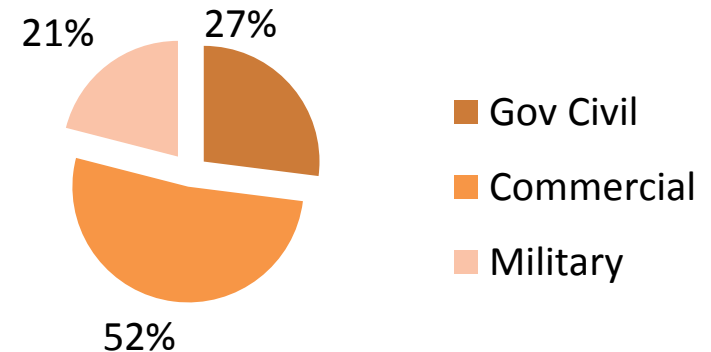
Space Launches by launch country

2018



Space Launches by customer type

2017-18



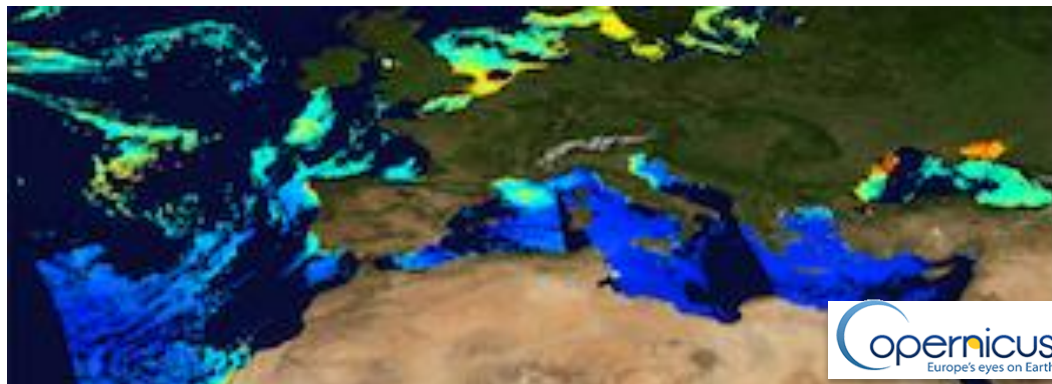
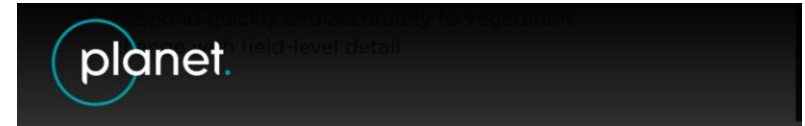
1 Dedicated flights to supply the International Space Station

Source : Gunter Space Page and SpaceFlightNow

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



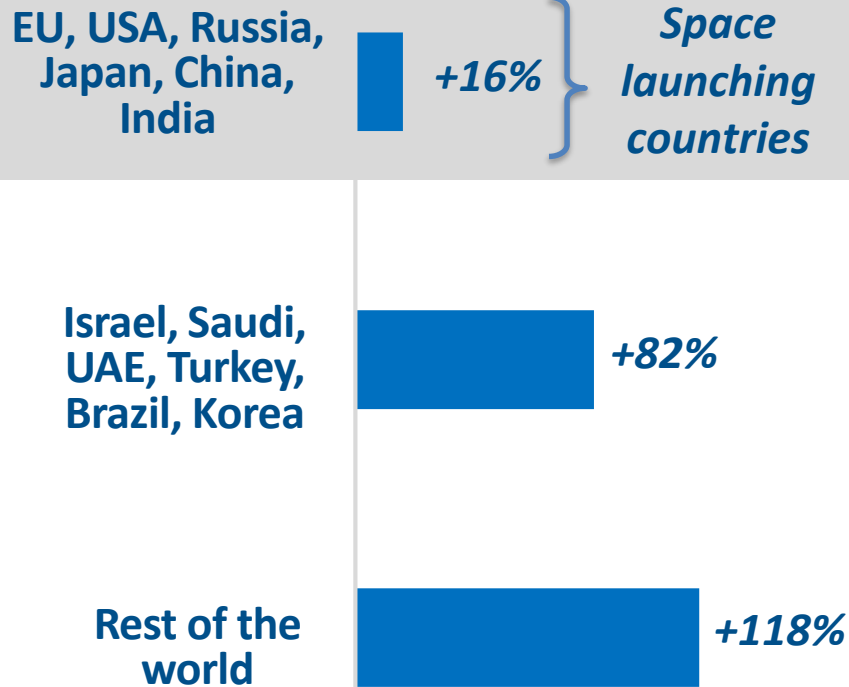
Coal production monitoring





Damage assessment : Post-earthquake view

Incremental opportunities from growing domestic government demand in EU

Government satellite demand growth by geography



EU Multiannual Financial Framework EC Proposed Space Budget (€Bn)

	2014-2020	2021-2027
<ul style="list-style-type: none">  	7.7	9.7
<ul style="list-style-type: none">  	4.8	6.0
<ul style="list-style-type: none"> Other programs 	-	1.2
	12.5**	16.9**
	+35%	

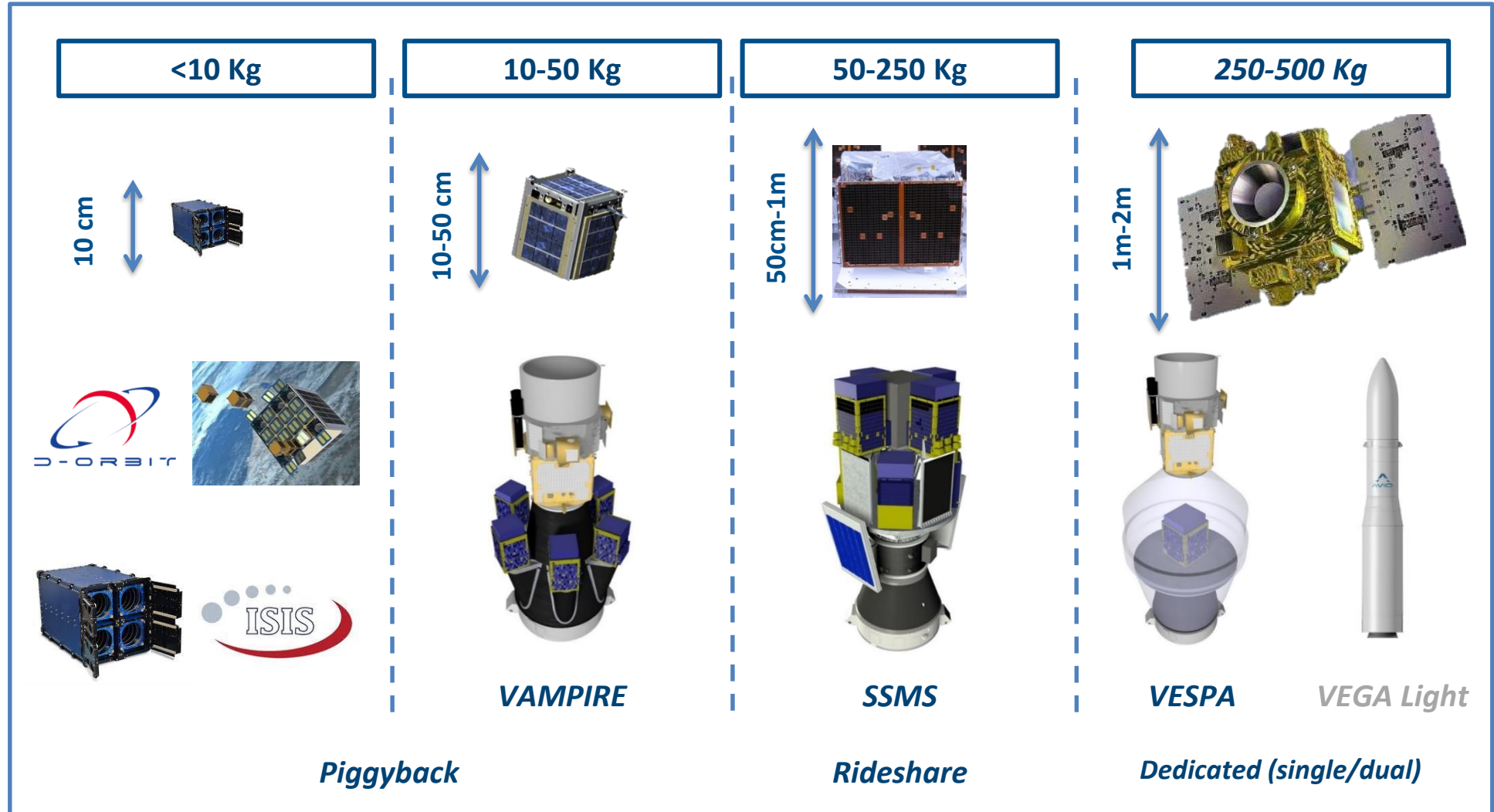


Source: the Space Launch Report, FAA annual compendium 2018

* Ariane 5 has double launch capacity in GTO, unlike most other launchers

** Current prices

Vega now also re-tooled with adapters to meet all sub-segments of demand for piggy back, rideshare or dedicated launch



Vega C competitiveness generating positive market momentum – recent commercial achievements



Vega and Vega C future launches

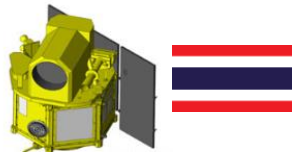


Pleiades

- 4 satellites
- 2 Launches in 2020 and 2021



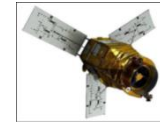
- COSMO SkyMed satellite
- Launch in 2021



- Thailand's THEOS-2
- Launch in 2021



- NAOS satellite for Luxembourg and NATO
- Launch in 2021



- South Korean Space Agency (KARI) satellite KOMPSAT-7
- Launch in 2021



- Spain Ingenio Satellite
- Launch in 2019

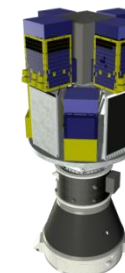


European Space Agency

- 25 Oct 2018 : Joint Statement for Institutional Exploitation signed by major EU countries and ESA
- Aggregation of launch demand for EU institutional payloads in the long term
- Robust EU/domestic backlog for Ariane 6 and Vega C



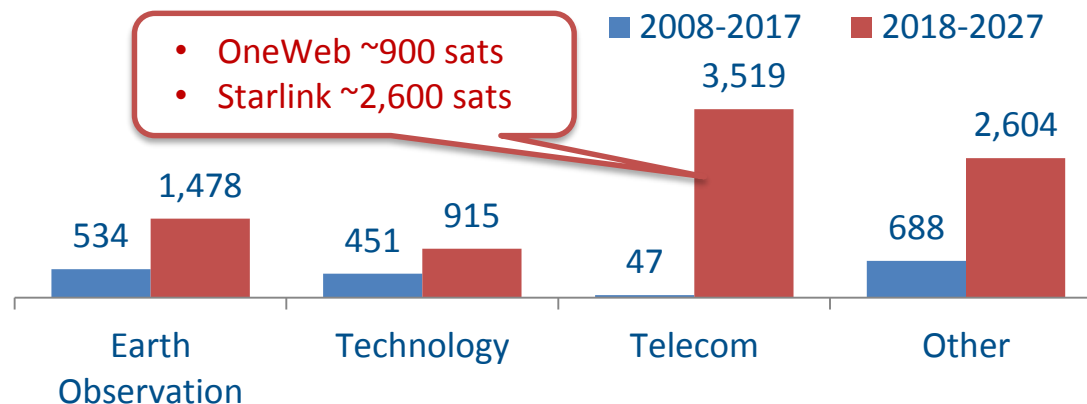
- SSMS maiden flight to fly by mid 2019



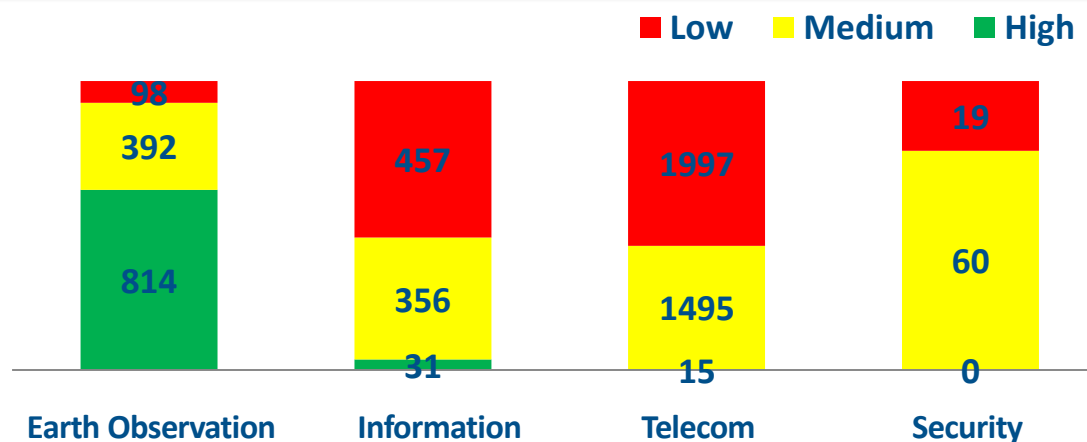
Within smallsats, more robust growth expectations appear to be for Earth Observation applications



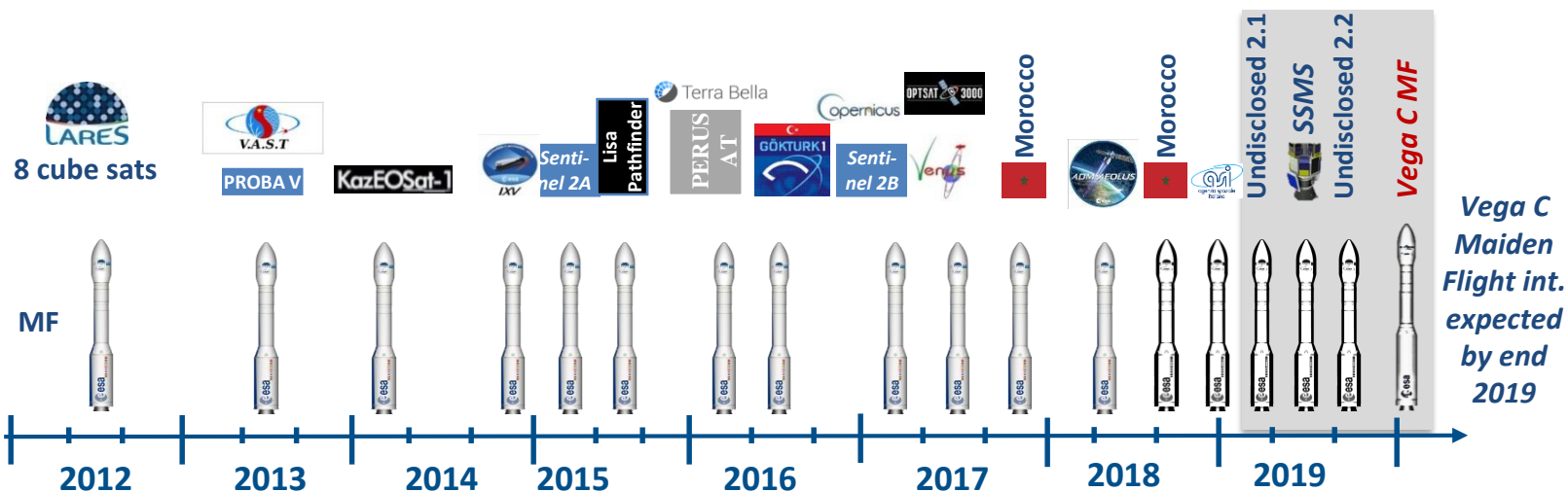
SmallSats demand by application domain (0-500kg)



Maturity of constellations by application domain 2018-2027



■ Sats > 500 kg ■ Sats < 500 kg



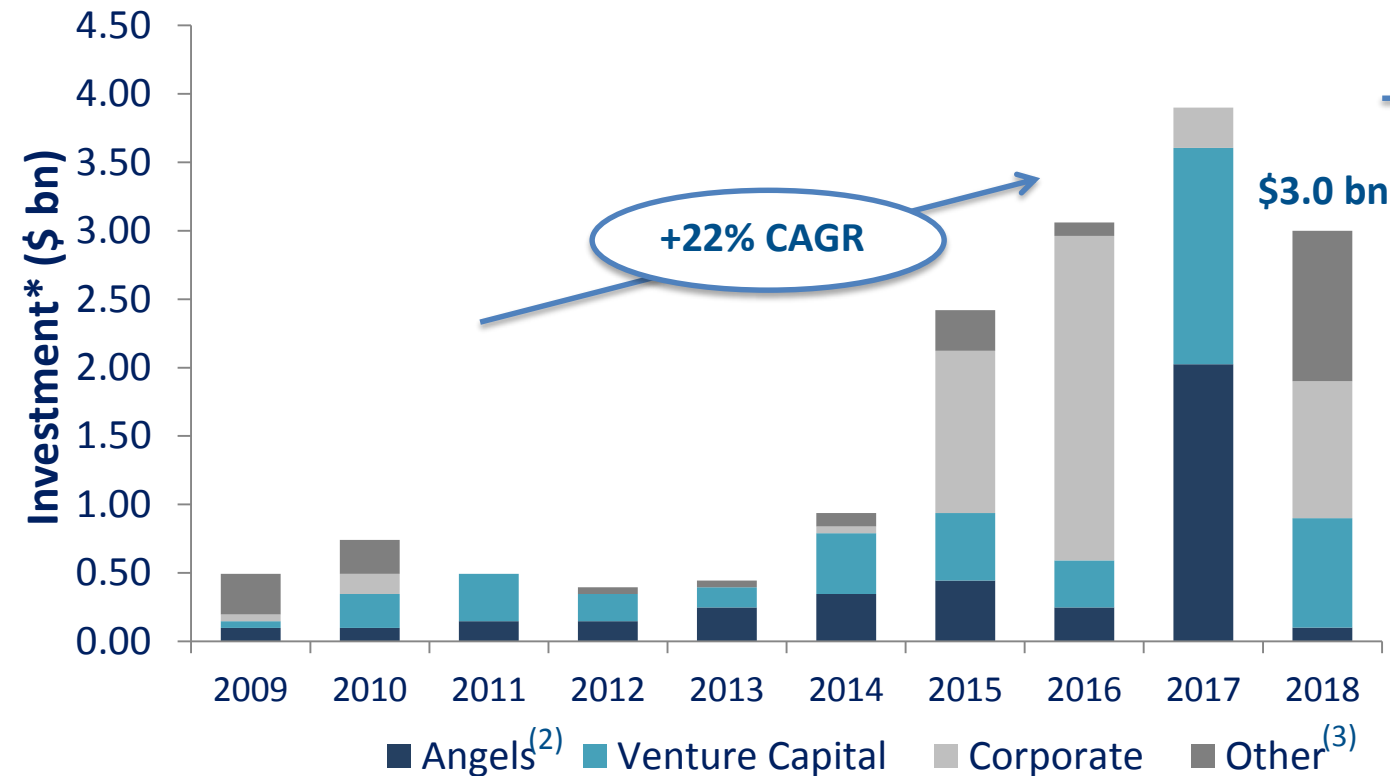
- Source: Space Launch Report; Gunter's Space



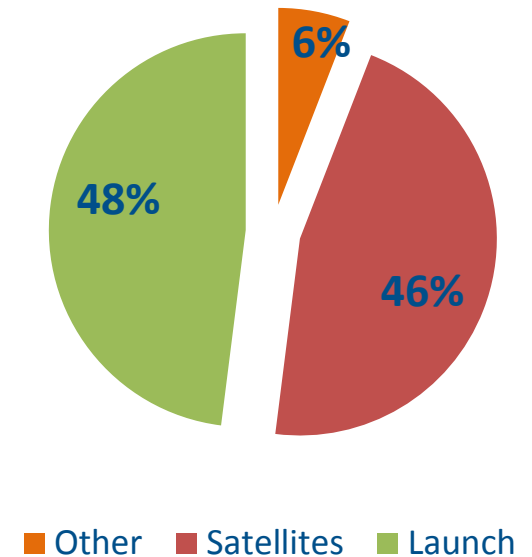
Investments in the Space sector continue to grow rapidly



Equity investment in Space Ventures



Breakdown of cumulated 2009-2018 investments by sector (% of 18\$ Bn)



(1) Annual non-governmental equity investment

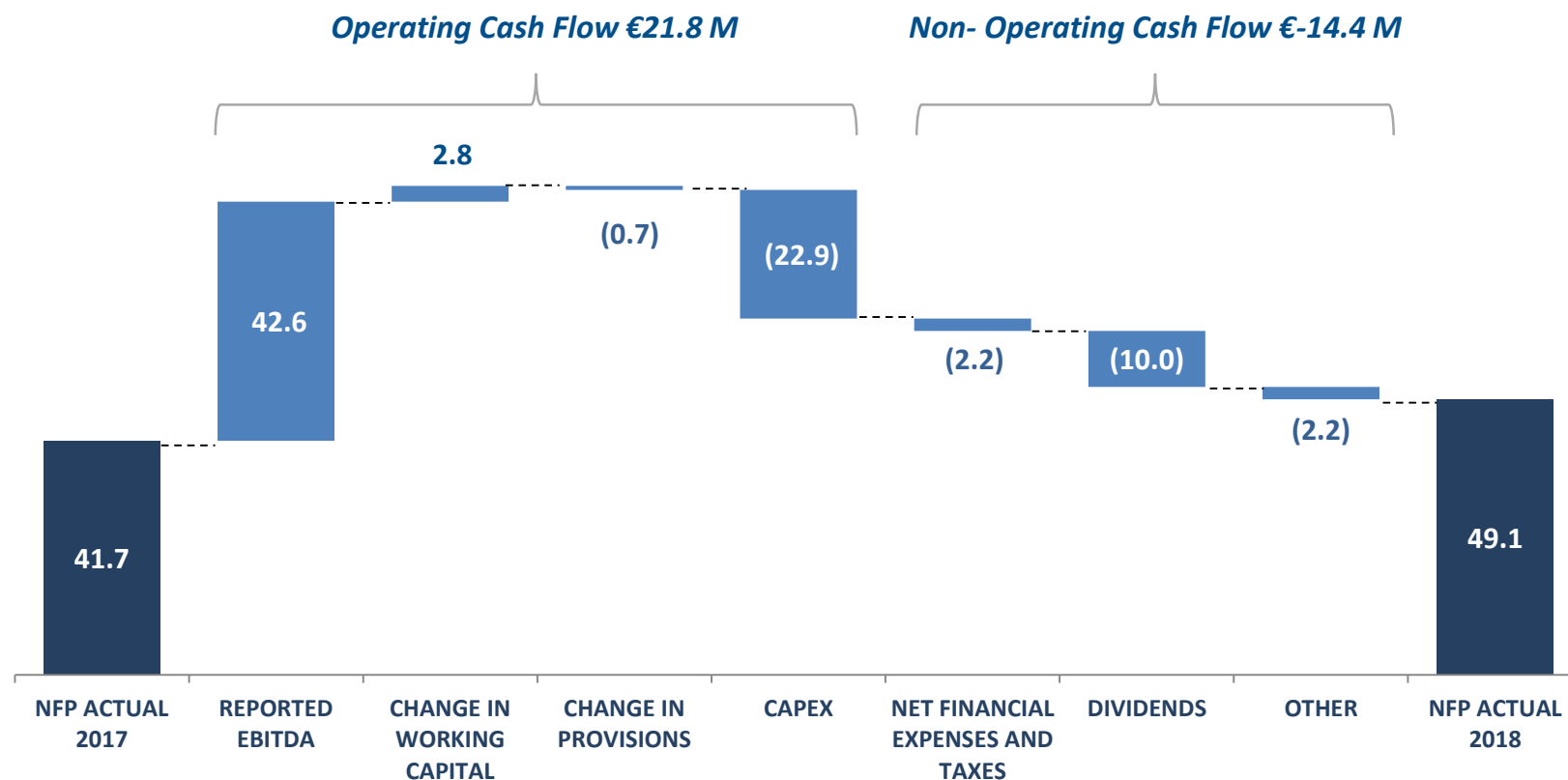
(2) Angels include investments from Jeff Bezos, Richard Branson, Elon Musk, and Robert Bigelow (total \$>2 bn)

(3) Other includes Foundations, Private Equity, Sovereign Funds, Crowd Platforms, etc.

Source: Space Angels Q4 2018 Investment Report

2018 - Net Financial Position Evolution

NFP evolution and Cash Flows (€ - M)





Contacts

+39 0697285158

+39 3420726648

investor.relations@avio.com