



# Avio 2019 Full Year Results

*Rome, 26 March 2020*

# 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.*

# Agenda

- ☐ **2019 Highlights – Giulio Ranzo (CEO)**
- ☐ **FY 2019 Financials – Alessandro Agosti (CFO)**
- ☐ **2020 Outlook – Giulio Ranzo (CEO)**

# 2019: On track, with robust long-term prospects








- **2019 Guidance substantially achieved (in spite of Vega launch failure)**
- **Vega on the launch pad and ready to return to flight**
- **Successful progress on developments (P120, Z40, M10, CAMM-ER)**
- **ESA Ministerial Council: €490M new development contracts for Avio**
- **Solid backlog of more than 30 launches for Ariane and Vega**
- **Steady growth in financials since 2017 IPO**

# FY 2019 Financial highlights



Data in €-M

Highlights	2019 Results		March 2019 Guidance
Backlog	669		700-775
Revenues	369		380-405
EBITDA reported	42.6		42-44
Net Income	27		25-28
Net Financial Position	57.9		N.A.



# 2019: Vega on the launch pad and ready to return-to-flight



## VV16 – Vega return to flight with SSMS PoC\*



- VV16 integrated and ready to be launched within 10 days from CSG re-opening
- First European «rideshare mission» for small satellites (booming demand)
- 44 satellites from US and EU including Planet, Spire, GHGSat, Tyvak, ISIS
- Innovative mission delivering on 2 different SunSynchronous orbital planes

*\* Proof of Concept*

# 2019: Key accomplishments on new developments



**Largest carbon fiber SRM**



**A6/Vega C: P120  
firing test (Kourou)**



**Vega C: Zefiro40  
firing test (Sardinia)**

**1st European Re-entry Vehicle**



**Space Rider Project  
Design Review**



**Return to flight: Zefiro23  
firing test (Sardinia)**



**Vega E: M10 LOX-CH  
firing test (USA)**



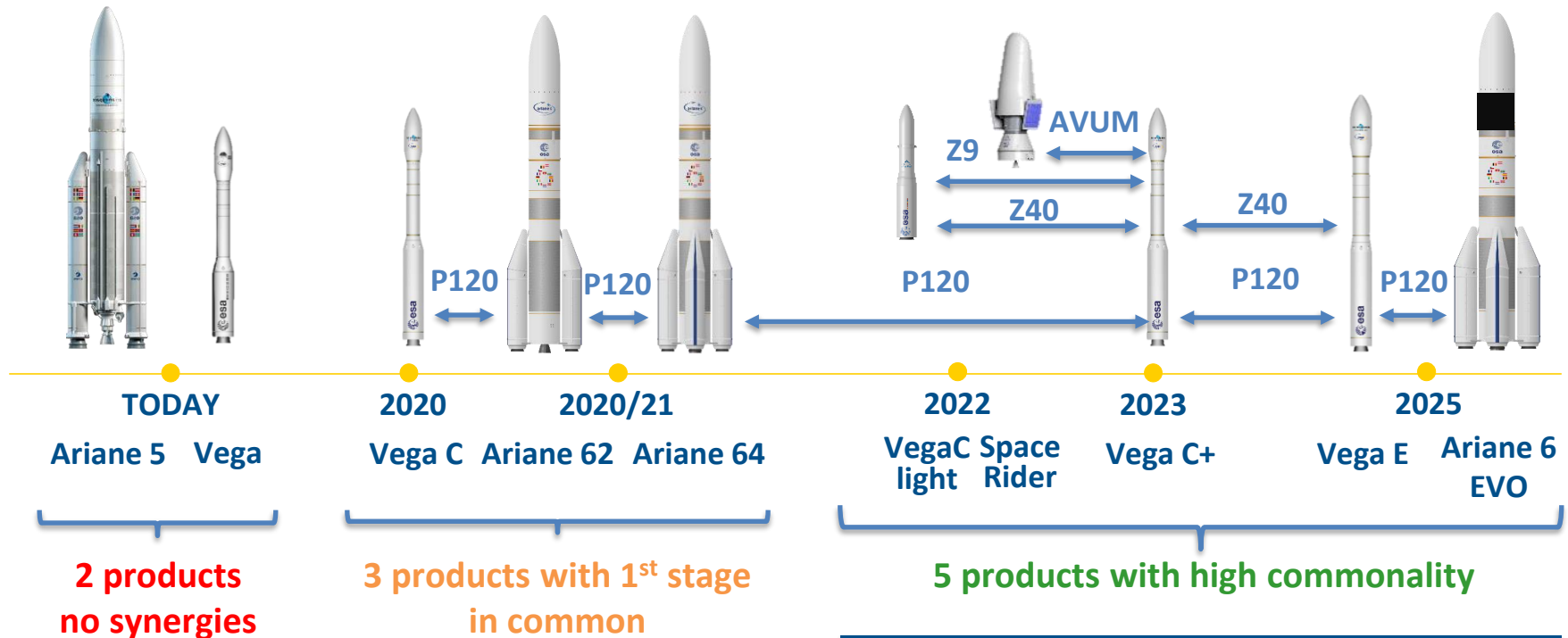
**First successful  
Camm-ER tests**



# 2019 – ESA Ministerial Council: secured €490M funding for new development projects



## Product roadmap funded at ESA Ministerial Council '19



**MC '19: €2.2B funding for launchers  
(of which ~€490M for Avio)**



# 2019: Secured robust backlog for both Ariane 6 and Vega C



## Ariane Backlog: 25 flights

- Ariane 5: 10 flights until program ends in 2022
- Ariane 6: 13 flights in backlog until 2025-26:
  - 9 EU institutional
  - 4 commercial/Export



- >30 Galileo additional satellites for the European Commission expected to be launched by 2030 (2 sats per launch)

## Vega Backlog: 10 flights

- 10 Vega/Vega C flights in backlog until 2023-24:
  - 5 EU Institutional
  - 5 Commercial/Export



- >15 Copernicus additional satellites for the European Commission program expected to be launched by 2030 (1 sat x flight)

\* Proof of Concept

Source : Arianespace, ESA, EU Commission, EuroConsult

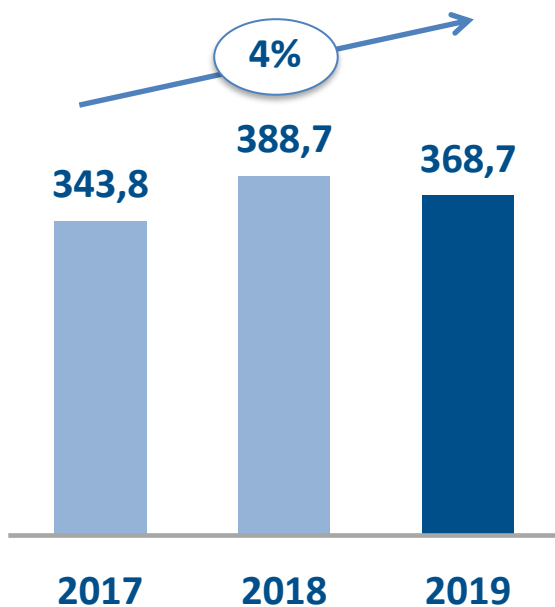
AVIO SpA- All rights reserved – subject to the restrictions of last page.

# Steady growth of earnings and cash since 2017

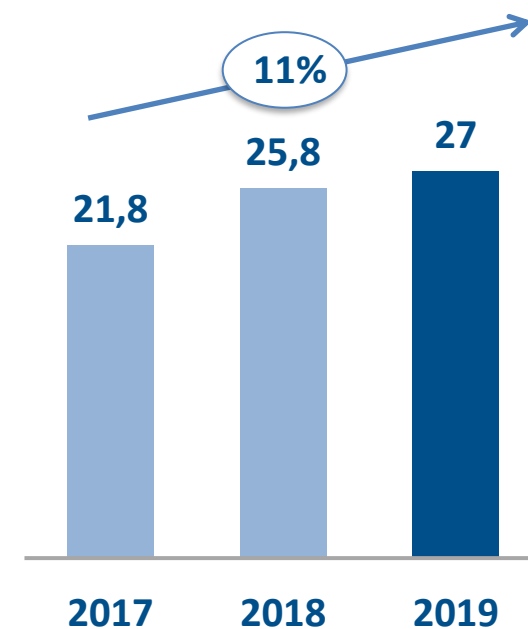


x% = CAGR 2017-'19

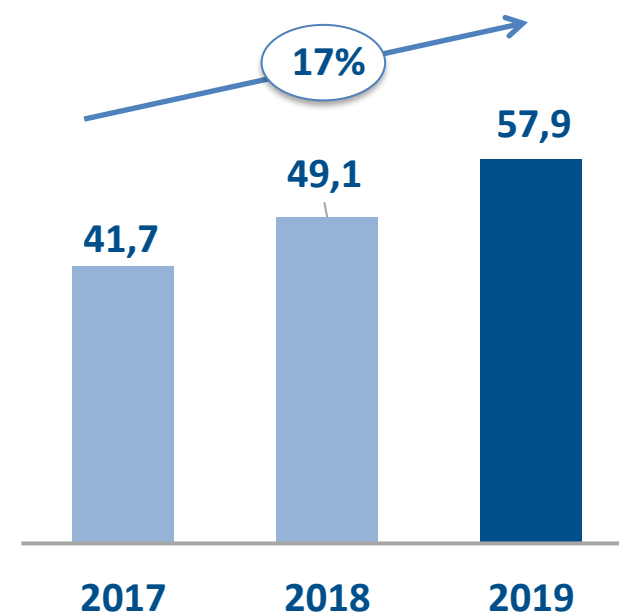
## Revenues (€ - M)



## Net Income (€ - M)



## Net Financial Position (€ - M)



Dividends  
(€ - M)

10

11.5

-

CAPEX  
(€ - M)

29

23

29

# Agenda

❑ 2019 Highlights – Giulio Ranzo (CEO)

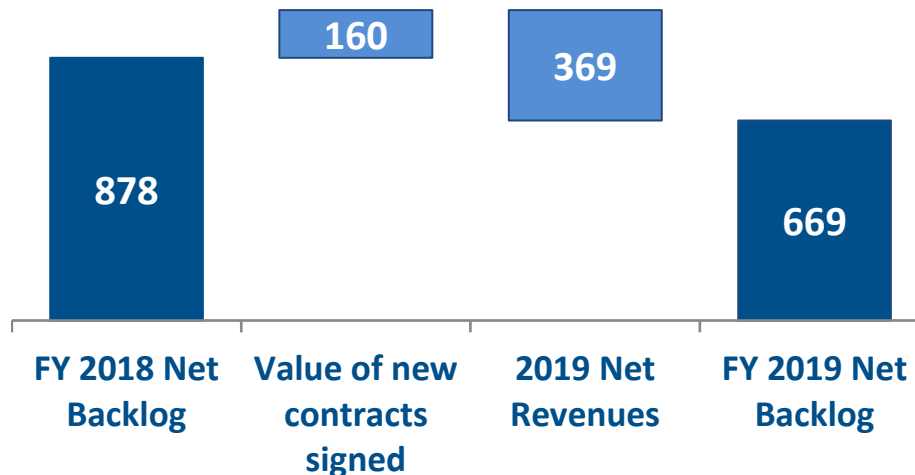
❑ FY 2019 Financials – Alessandro Agosti (CFO)

❑ 2020 Outlook – Giulio Ranzo (CEO)

# Net Order Backlog evolution influenced by ordinary business cyclicity



## Net Order Backlog evolution 2018-'19 (€ - M)



## Comments

New contracts signed in 2019 include:

- P120 production: initial part of first 14 launchers' Batch, residual part in 2020-21
- Vega Batch 2 accompaniment activities
- Vega C development
- Tactical production and development

Contracts expected to be signed from 2020-21 include:

- ESA '19 Ministerial Council related development contracts for €490M
- New Vega batch order (B4)
- Second part of Ariane 6 P120 contract
- Tactical propulsion contracts

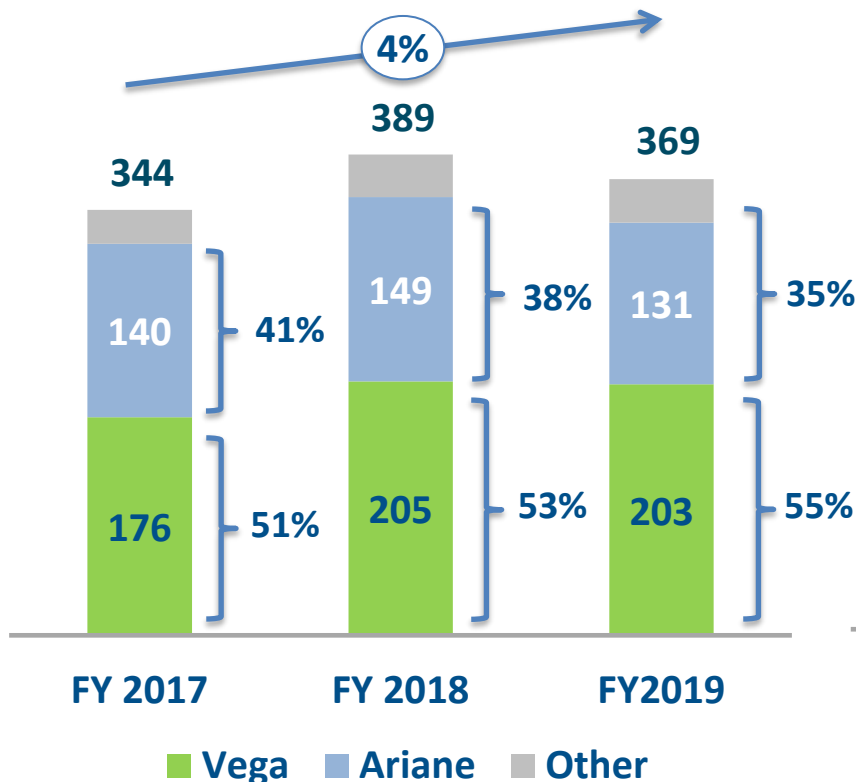


# Net Revenues trend impacted by VV15

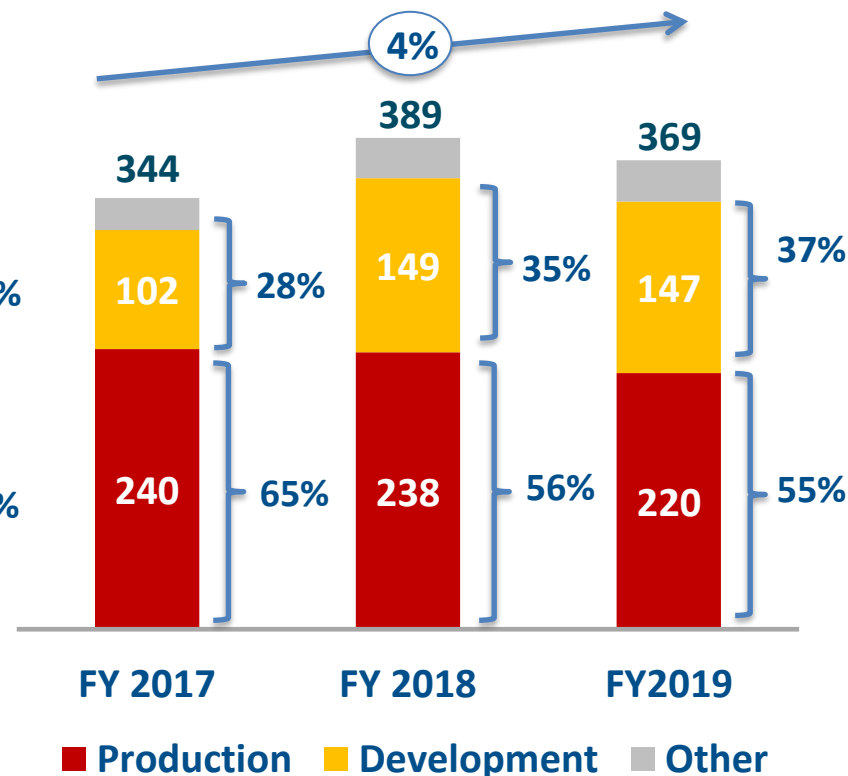


x% = CAGR 2017-'19

## by Line of Business (€ - M)



## by Activity (€ - M)



- Revenues' reduction in 2019 due to slowdown after VV15 failure
- Consistent growing contribution to revenues from Vega development activities since 2017

# Business resiliency: stable EBITDA and Net income increase



<b>FY 2018</b>	<b>MAIN ECONOMICS</b>	<b>FY 2019</b>	
<b>€ - M</b>		<b>€ - M</b>	<b>Comments</b>
<b>388,7</b>	<b>NET REVENUES</b>	<b>368,7</b>	
<b>42,6</b> 10,9%	<b>EBITDA REPORTED</b> % on net revenues	<b>42,6</b> 11,6%	Lower R&D Tax credit benefit for change in law compensated by higher margins for one off Vega production batch price adjustment and lower non-recurring costs
<b>28,5</b> 7,3%	<b>EBIT REPORTED</b> % on net revenues	<b>26,5</b> 7,2%	Higher depreciations for prior year capex on plants and machineries (e.g. P120 facilities)
<b>(0,7)</b> -0,2%	<b>NET FINANCIAL EXPENSES</b> % on net revenues	<b>0,5</b> 0,1%	One-off Interest income on VAT tax credits refunded in 2019
<b>27,9</b> 7,2%	<b>PROFIT BEFORE TAX</b> % on net revenues	<b>27,0</b> 7,3%	
<b>(2,0)</b> -0,5%	<b>TAXES</b> % on net revenues	<b>0,0</b> 0,0%	Non recurring negative effect in 2018 taxes
<b>25,8</b> 6,6%	<b>NET INCOME</b> % on net revenues	<b>27,0</b> 7,3%	

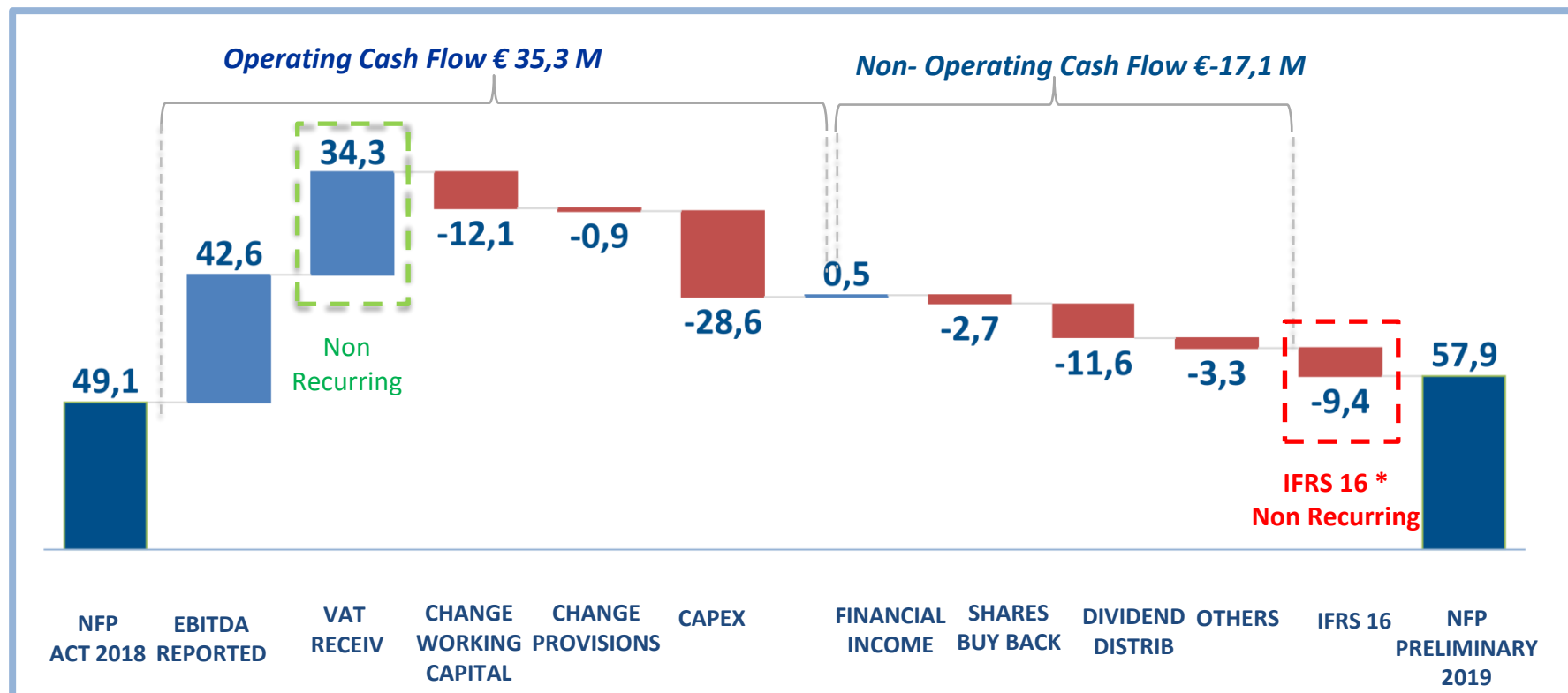
# Cash generation in 2019 thanks to working capital contribution

31 DEC 2018 ACTUAL	MAIN SOURCES AND USES	31 DEC 2019 ACTUAL	DELTA	Comments
€ - M		€ - M	€ - M	
(86,9)	WORKING CAPITAL	(96,2)	(9,3)	Working capital structurally negative.
(26,6)	PROVISIONS (EMPLOYEES' BENEFITS AND RISKS)	(43,4)	(16,8)	Increase in provisions for reclamation works of the industrial site to be recharged to privous owners (receivable in WC) with neutral effect on net invested capital
76,2	DEFERRED TAX ASSETS	77,8	1,6	
61,0	GOODWILL	61,0	-	
39,6	CUSTOMER RELATIONSHIP ASSET	36,6	(3,0)	
177,8	FIXED ASSETS	204,0	26,2	Mainly for capex on P120 and Vega cadence improvement, net of depreciation. Include effect from introduction of IFRS 16
5,8	FINANCIAL RECEIVABLES	6,1	0,3	
246,9	NET INVESTED CAPITAL	245,9	(0,9)	
49,1	NET FINANCIAL POSITION*	57,9	8,8	NFP impacted -7.5M by IFRS 16
(296,0)	EQUITY	(303,9)	(7,9)	
(246,9)	TOTAL SOURCES	(245,9)	0,9	Positive contribution of 2019 net income, less dividend distribution on 2018 results and share buyback

\* According to IFRS

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

# 2018-19 NFP adjusted Bridge



\* Gross of deprecation



# Agenda

- ❑ 2019 Highlights – Giulio Ranzo (CEO)
- ❑ FY 2019 Financials – Alessandro Agosti (CFO)
- ❑ 2020 Outlook – Giulio Ranzo (CEO)

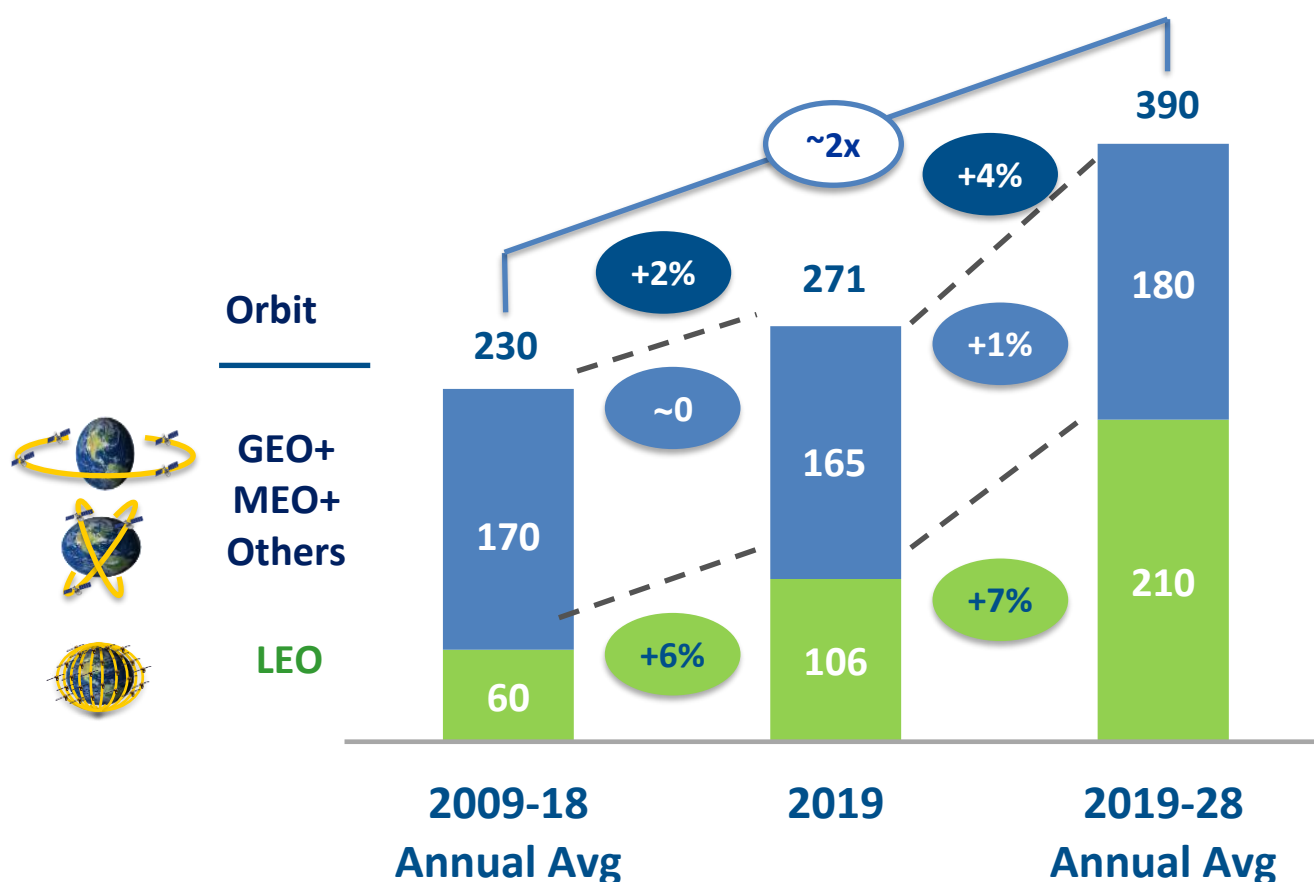
# Launch demand continuing to grow fast, especially in the LEO segment (2x current volumes for the next decade)



World Market

x% = CAGR

## World Total mass at Launch [Tons]



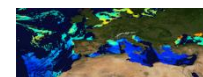
## Key applications



Telecom



Navigation



Earth Observation



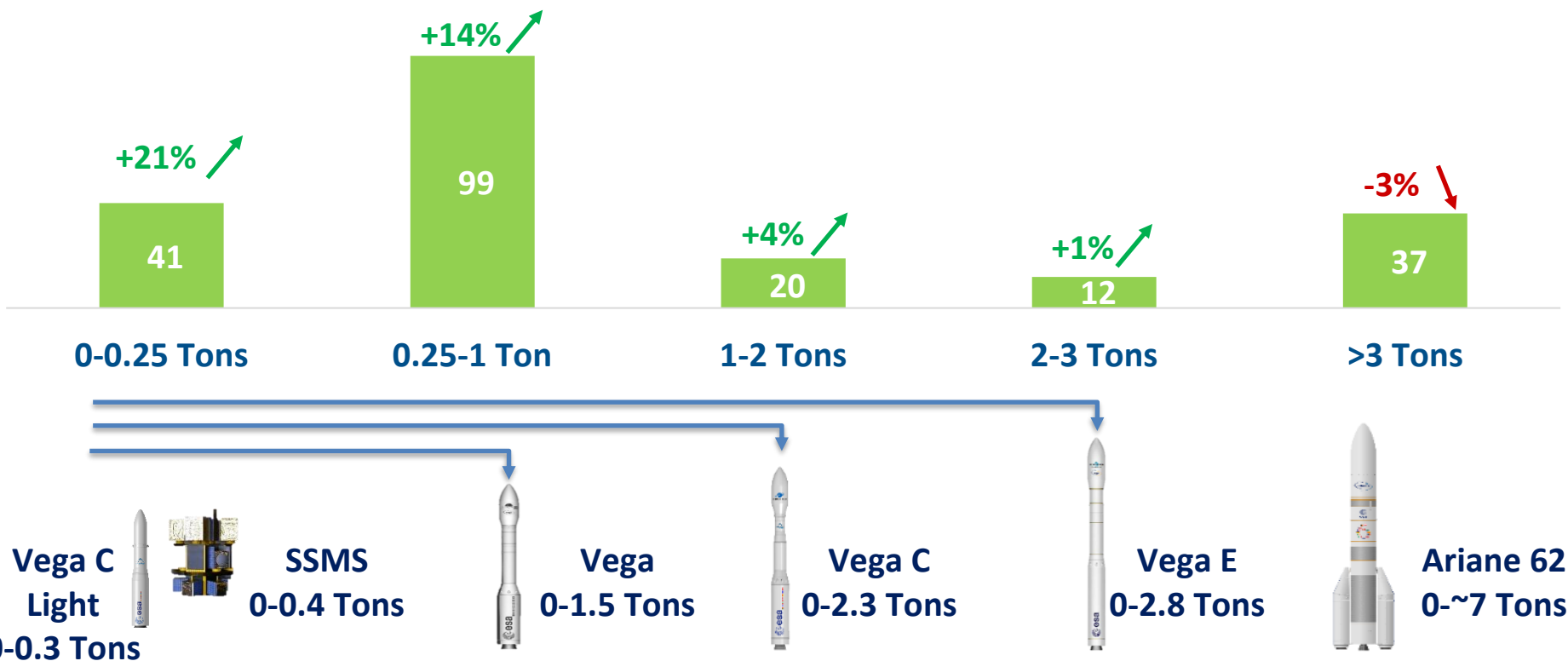
# Avio products positioned to capture the fast growing LEO demand segments



x% = CAGR between  
2020-28 and 2011-19

## Yearly LEO Demand by Satellite Mass Class 2020-2028 [Tons]

Total = 210 tons per year



# The Space Industry should weather Covid-19 better than other businesses



## COVID-19 : Key facts

- 11 March: **Italy Lockdown**. Provisions:
  - maximization of home working
  - utilization of paid leave and holiday leave
  - use of individual protection systems
  - sanitification of and limitation of use of common work spaces
- 15 March: **Guyana Space Center stops launch operations**
- 22 March: Italy limits production activities to **critical infrastructures and strategic businesses**
- 24 March: **Avio receives Government authorisation to continue operations**

## Element of Space industry resilience\*

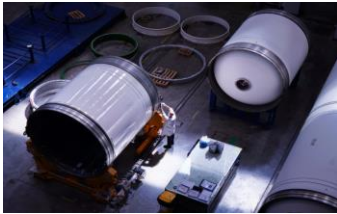
- **Satellite based services** (e.g. Telecom, Navigation and Earth Observation) **essential for daily life activities** (especially under **Emergency Management** situations)
- Secular industry growth and long term nature of order backlog to **soften possible near-term slowdowns**
- **Growing Government investment for Space** initiatives (defense intelligence, exploration, science)
- **Over-leveraged Space Business operators** (e.g. startups) expected to face difficulties



# Avio promptly equipped to face Covid-19 challenges



## Supplies / materials



- **Vega production materials secured for 2020:**
  - materials available for VV17, VV18, VV19
  - Propellant casting for VV19 may be subject to some restrictions
  - Vega C maiden flight ok, VC02 materials available, few exceptions
- **Ariane production materials secured for 2020:**
  - Materials available for 2020 production, few exceptions

## New work practices



- **Smart working** (350 on-line users, videoconferencing +600%, network bandwidth increased 300%, security protocols strengthened)
- **Medical countermeasures** (Body temperature checks, frequent sanitization of work areas, distribution of protection devices)
- Modification of working shifts to distribute shop-floor workforce with **increased people distancing** (-50% FTEs per shift)
- Implementation of work flexibility instruments: **paid leave** (11 days), **holidays** (average 20 days)

## Social



- **Psychological support** available free-of-charge for all employees
- Specific **insurance coverage** available for all employees
- **Donations** to Kourou and Colleferro **medical emergency units**

# Structural elements of Avio's business resilience



## Drivers

## Elements of resilience

### Commercial

- FY 2019 Net Order Backlog ~€700M
- New orders from ESA to be received from 2020 ~€500M

- 2 years-equivalent revenues, 3-4 years business visibility based on planned roll-out
- > 10 Vega flights & > 20 Ariane flights
- ~70% of backlog for government end customers
- Development projects subscribed at ESA MC '19

### Financial

- Positive NFP ~€60M
- Low-interest Gross Debt ~€50M
- Tax credits >€80M
- Own shares ~€4M
- Mgmt Long Term Incentive ~€1M

- Available cash to better manage operations
- Flexibility in Capex planning & execution
- EIB 7 years-term debt
- <1% fixed interest rate
- Deferred tax assets (Income Tax)
- Additional VAT and R&D credits
- Buyback limit €9M
- Bonus payment voluntarily deferred to 2021

# Long-term outlook unchanged by Coronavirus



## ❑ Covid-19-related uncertainties may lead to short-term external turbulence and business slowdown:

- No 2020 Guidance at this time
  - Dividend distribution suspended
- } To be reviewed upon 1H 2020 closing (September 2020)
- Deferred Long-Term Incentives' payment to management

## ❑ Continuity of operations:

- Authorised to continue industrial operations on 24 March
- Strategic supplies already secured
- Work on Vega return-to-flight 99% complete
- Vega C Maiden Flight preparation on track
- Robust Ariane and Vega backlog

## ❑ Long-Term outlook unchanged



### **Contacts**

+39 0697285158

+39 3420726648

[investor.relations@avio.com](mailto:investor.relations@avio.com)