



Avio 2020 Full Year Results

Rome, 19 March 2020

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Agenda

- ☐ **2020 Highlights – Giulio Ranzo (CEO)**
- ☐ **FY 2020 Financials – Alessandro Agosti (CFO)**
- ☐ **2021 Outlook – Giulio Ranzo (CEO)**

2020 results within guidance, long-term visibility improved



- **2020 Guidance substantially achieved**
- **Heavy non recurring efforts due to COVID-19**
- **Vega on the launch pad, getting ready to return to flight**
- **New development contracts kicked-off and in progress**
- **Improved backlog and cash provide better long-term visibility**
- **Dividend distribution securing shareholders' return**

FY 2020 results in guidance, backlog and cash better than expected



Data in €-M

Highlights	2020 Results		2020 Guidance
Backlog	736		650-680
Revenues	322		325-345
EBITDA Reported	35.2		34-36
EBITDA Adjusted	43.3		41-43*
Net Income	14.9		16-19
Net Financial Position	62.6		42-46**

*Projected on the EBITDA Reported Guidance plus the indication of €7 M of Non-recurring costs given in September 2020

**Min & Max values of consensus

2020 economics slowed down vs 2019 due to COVID-19, but backlog and cash improved



Data in €-M

Highlights	2020 Results		2019 Results
Backlog	736		669
Revenues	322		369
EBITDA Reported	35.2		42.6
EBITDA Adjusted	43.3		44
Net Income	14.9		27
Net Financial Position	62.6		57.9

*Projected on the EBITDA Reported Guidance plus the indication of €7 M of Non-recurring costs given in September 2020

**Min & Max values of consensus

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2020: a difficult year amid COVID and Vega challenges



2020

Ariane



VA251
January

VA252
February

COVID-19
Guiana Space
Center Shutdown



VA253
August

Ariane

Vega



Return to flight activities



VV16
September

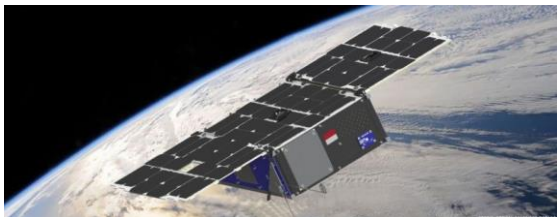
VV17
November

Vega

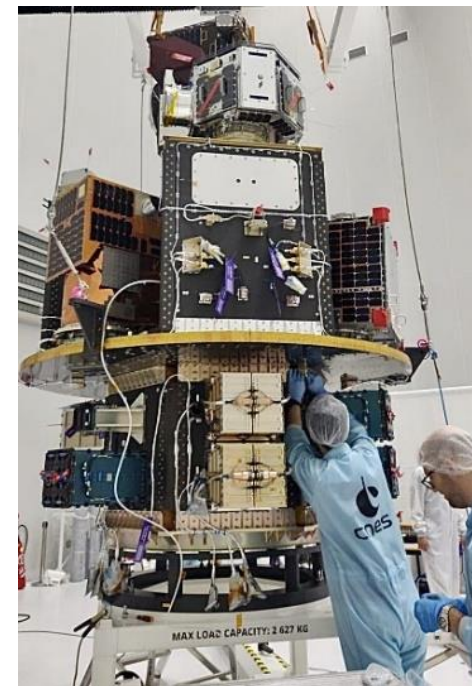
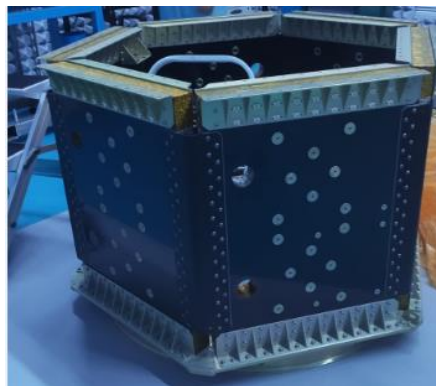
One remarkable success: 53 sats in orbit with SSMS



FSSCat B and A [UPC]



- Delivered to Space 53 satellites from 21 customers
- Sat mass from 1 to 150 kg
- Released on two different orbital planes (1st time)
- Next mission with a SSMS-derived module already on VV18 in April 2021



VV17 anomalies understood, corrective actions defined, return to flight with VV18 underway



Event

- At ~8:00 min. (242km altitude) degradation of trajectory observed, thrust vector control stroke anomaly

Root Cause Investigation

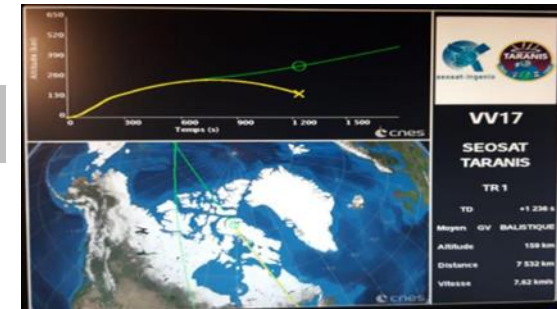
- Integration mistake in the electrical actuation system of the 4th stage (AVUM)
- Defined corrective actions for return-to-flight

Inquiry Commission Recommendations

- Full review of quality controls and check procedures
- Over-inspection for acceptance of flight hardware
- Longer-term improvement plan agreed
- VV18 scheduled for April 2020

Return to flight path

- Launcher Integration started early March
- Launcher readiness by second half of April



(*) Established on 18 November 2020, chaired by ESA and Arianespace with participation of CNES and Avio
SOURCE: Arianespace, ESA

Ongoing VV18 integration at the CSG in Kourou

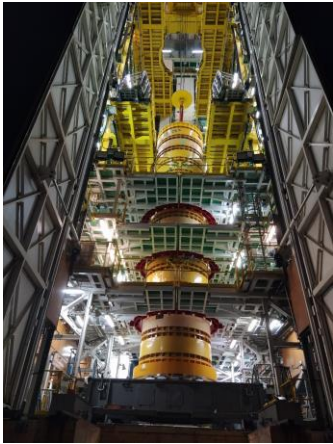


AVUM shipping

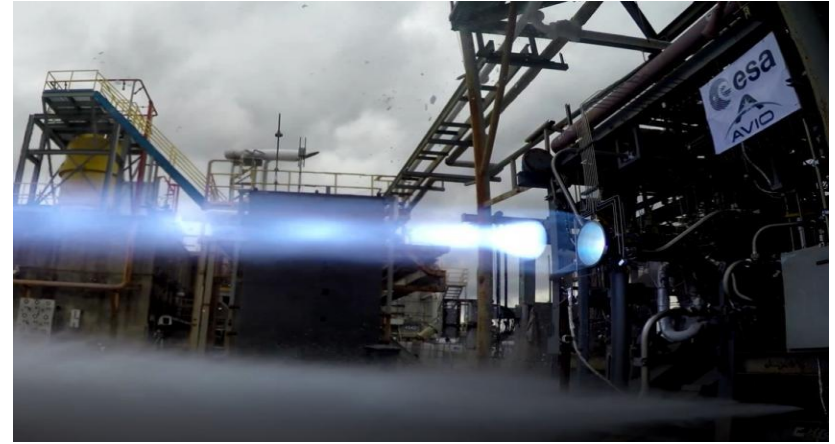
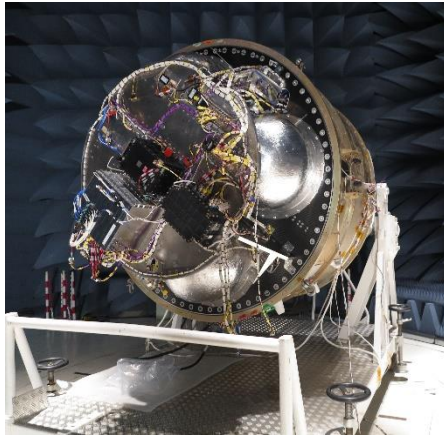


Solid stages already integrated

Development activities progressing with new projects



Vega C Ground Qualification Review



Vega E firing test in the USA



Space Rider contract signature



SPTF facility under construction in Sardinia

Vega backlog enriched by CO3D launch contract in December and supported by the Batch 4 signing today



Vega C Batch 4 production kicked-off

- 10 new Vega C missions for the 2023-26 period
- European institutional customers (ESA, EC, National Space Agencies)
- 9 Copernicus satellites launch contracts with Vega C under discussion with the European Commission expected by 2021



New launch contract: CO3D

- Jointly developed with the French Space Agency (CNES)
- 50 cm resolution optical earth observation satellites
- Constellation featuring 4x 300 kg satellites
- High revisit rate to quickly produce 3D maps of the planet surface
- Single rideshare Vega C launch to polar orbit at 500 km of altitude



SOURCE: Arianespace, ESA

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Vega C

2020: Secured robust backlog for both Ariane 6 and Vega C

Potential upside from a new European constellation



Ariane Backlog: >20 flights

- Ariane 5: 8 flights until program ends in 2022-23
- Ariane 6: >12 flights in backlog until 2025-26 including:
 - 9 EU institutional
 - 5 commercial/Export



- ~40 Galileo satellites for the EU Commission to be launched by 2030

Vega Backlog: 8 flights

- 8 Vega/Vega C flights in backlog until 2023-24:
 - 4 EU Institutional
 - 4 Commercial/Export



- ~10 Copernicus satellites EU Commission to be launched by 2030 (1 sat x flight)

New EU connectivity constellation under study:

- EU LEO-based broadband constellation
- Reliable, secure and cost-effective high-speed communication
- Launch and services expected from 2025-2030



New contracts signed for tactical propulsion



Aster

- Contract with **MBDA France S.A.S.**
 - Production activities for a first stock of boosters for ASTER-30
 - Start of the preparatory activities instrumental for the future production of additional boosters
 - Contract value 50+ Euro million
 - Production period of around 3 years with deliveries starting in 2022
-

Pribes

- New training system for the Italian Armed Forces capable of validating the performance of national tactical air defence launchers
- Contract with the Naval Armaments Directorate (NAVARM) of the Italian General Secretariat of Defence and National Armaments Directorate
- Avio leader of a consortium with Politecnico di Milano



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Net Order Backlog increased by 10% versus 2019



Net Order Backlog evolution 2019-2020 (€ - M)



Comments

New contracts signed in 2020 include:

- Vega: new production batch for 135M and ground activities for 35M
- Space Rider development contract for €55M
- Tactical production Aster booster for ~€60M

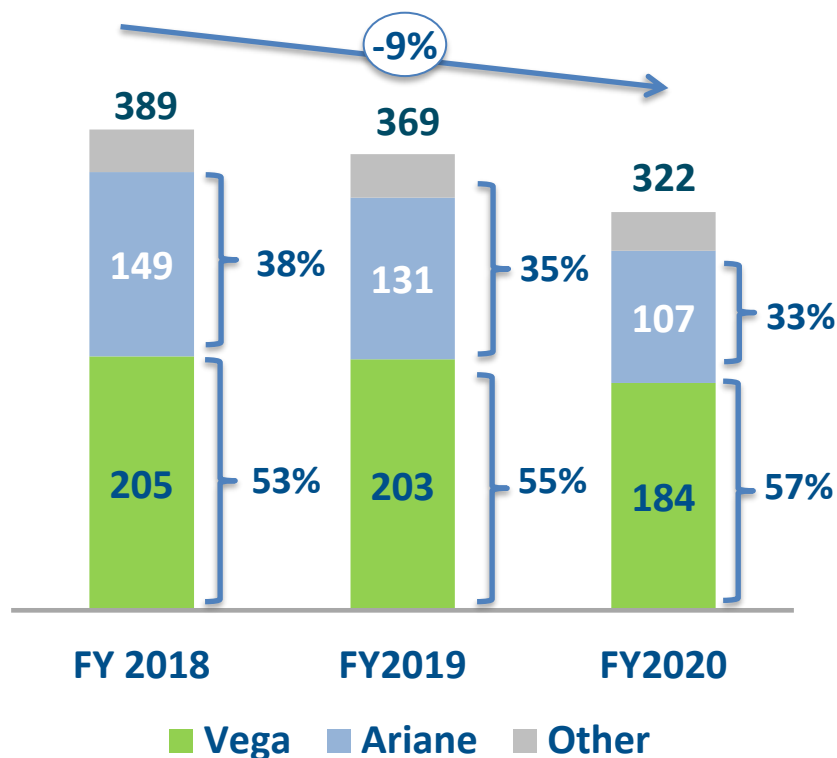
Contracts expected to be signed in 2021 include:

- Completion of new Vega Production Batch 4
- Residual ESA '19 Ministerial Council related development contracts
- Second part of Ariane 6 P120 contract
- Additional tactical propulsion contracts

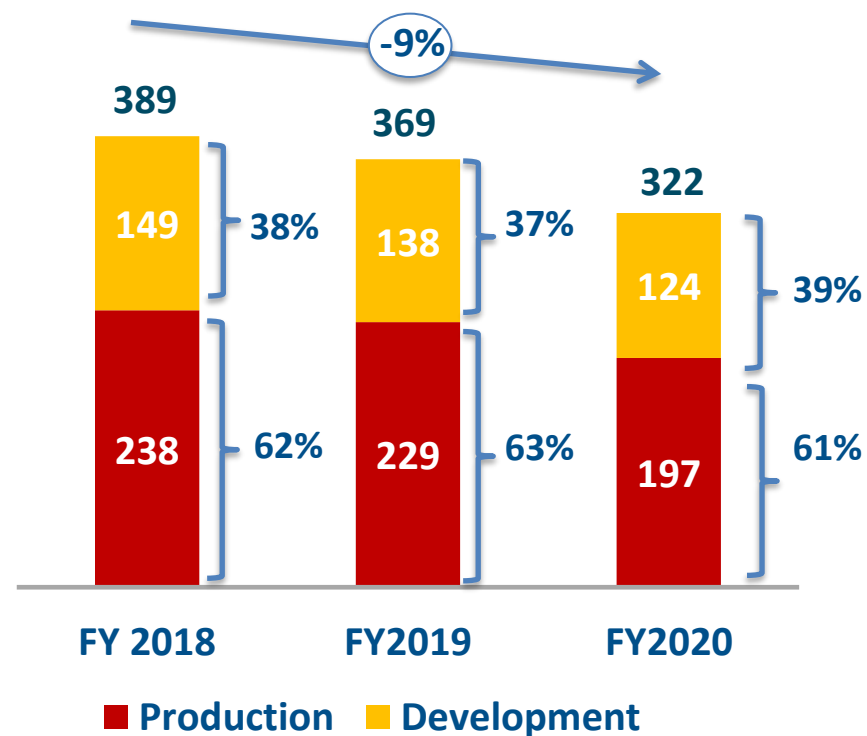
Net Revenues trend impacted by COVID-19



by Line of Business (€ - M)



by Activity (€ - M)

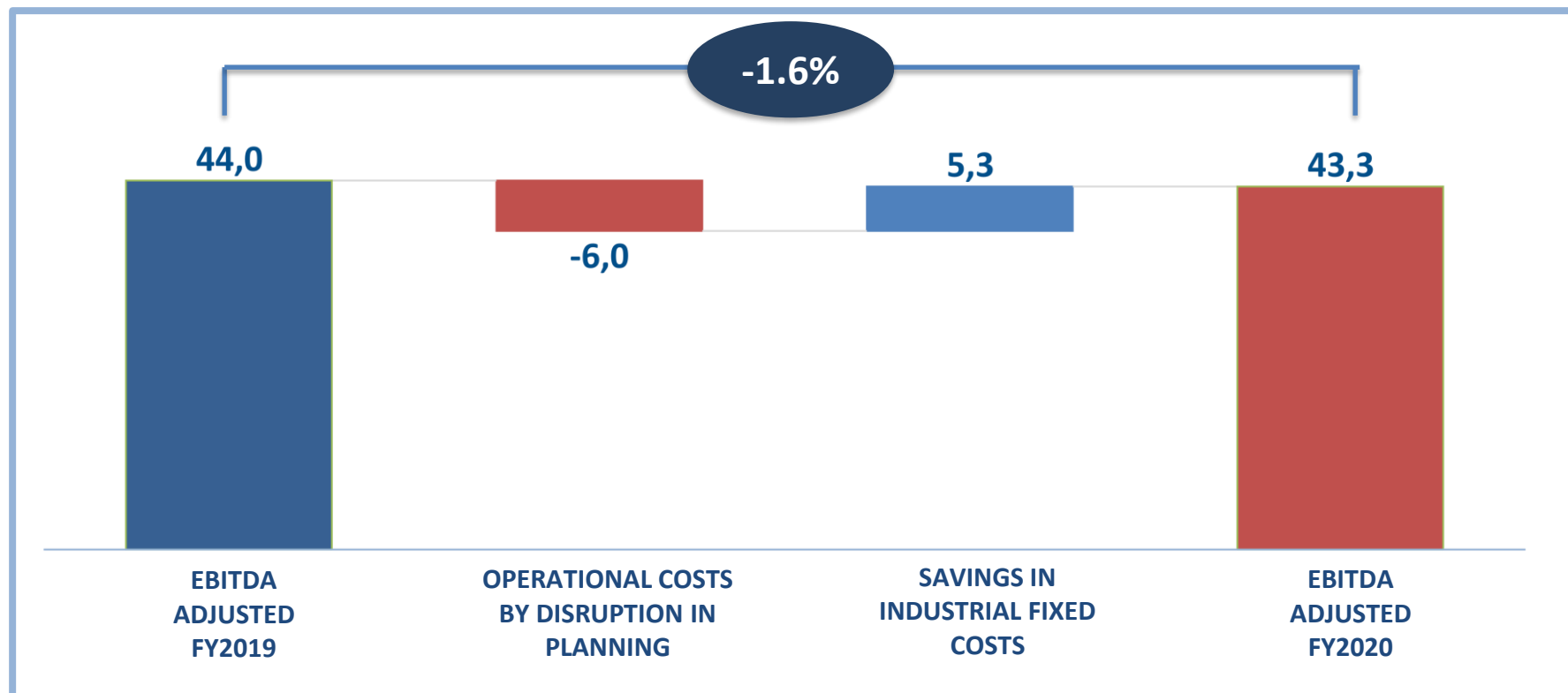


Revenues reduction in 2020 due to slowdown after Covid-19 outbreak and CSG closure

2019-2020 EBITDA Adjusted Bridge



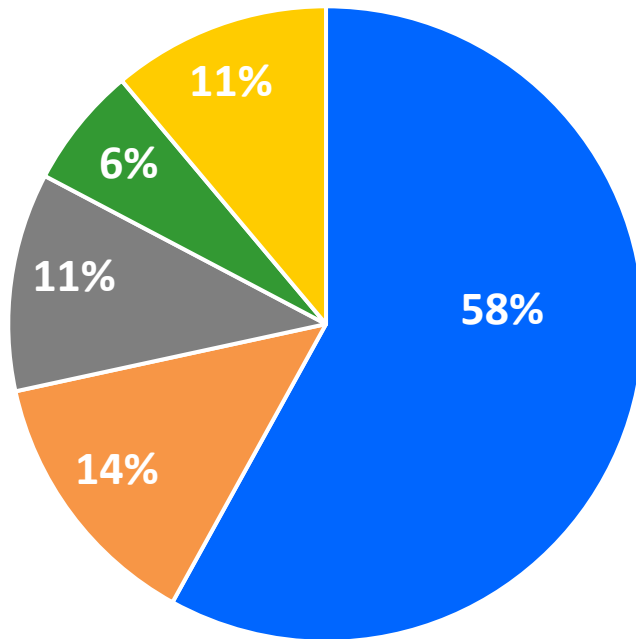
Data in €-M



EBITDA Adjusted 2020 substantially in line with 2019 excluding not-recurring costs confirming resilience

FY 2020 not-recurring costs by nature

FY 2020 Not-recurring Costs = 8.1 EUR Mln (100%)



- Extra costs for Vega VV16 return to flight
- Protection devices Covid-19
- HR costs Covid-19 related
- Donations Covid-19 related
- Other



Stable EBITDA Adjusted confirms business resilience



FY 2019	MAIN ECONOMICS	FY 2020	Comments
€ - M		€ - M	
368,7	NET REVENUES	322,0	Reduction from Ariane 5 ramp-down partially compensated by Ariane 6 ramp-up and decrease in Vega production due to impact from COVID-19 on return to flight
42,6 11,6%	EBITDA REPORTED % on net revenues	35,2 10,9%	€8M not-recurring costs driven by Covid-19 (launch base in Guyana closure, return to flight launch missions repetition)
44,0 11,9%	EBITDA ADJUSTED % on net revenues	43,3 13,4%	Increase in operational costs by disruption of planning activities compensated by savings in industrial fixed costs
26,5 7,2%	EBIT REPORTED % on net revenues	15,9 4,9%	Increase in amortization principally related to the start of exploitation of the new P120 engine (Ariane 6 / Vega C) and Zefiro 40 engine (Vega C) assets
28,0 7,6%	EBIT Adjusted % on net revenues	24,0 7,5%	
27,0 7,3%	PROFIT BEFORE TAXES % on net revenues	15,4 4,8%	In 2019 one-offs in interest income on VAT tax credits refunded and in taxes
27,0 7,3%	NET INCOME % on net revenues	14,9 4,6%	

Cash generation in 2020 thanks to working capital contribution

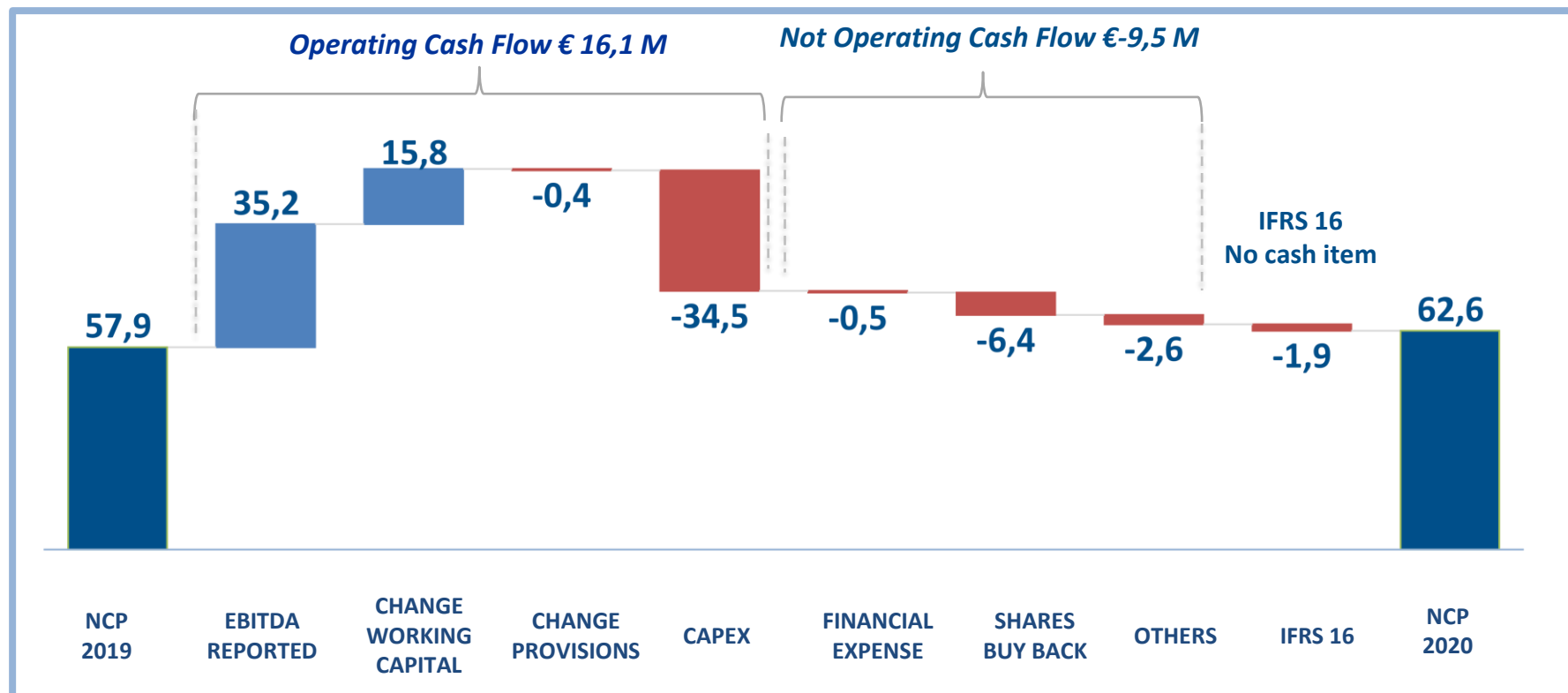


31 DEC 2019 ACTUAL	MAIN SOURCES AND USES	31 DEC 2020 ACTUAL	DELTA	Comments
€ - M		€ - M	€ - M	
(96,2)	WORKING CAPITAL	(111,9)	(15,7)	Working capital structurally negative with a timing improvement for the slowdown of certain activities by suppliers and sub-contractors due to the Covid-19 pandemic
(43,4)	PROVISIONS (EMPLOYEES' BENEFITS AND RISKS)	(43,0)	0,4	
77,8	DEFERRED TAX ASSETS	78,0	0,2	
61,0	GOODWILL	61,0	-	
36,6	CUSTOMER RELATIONSHIP ASSET	33,6	(3,0)	
204,0	FIXED ASSETS	225,4	21,4	Mainly for capex on P120,Vega cadence and development of new launchers of Vega family, net of depreciation
6,1	FINANCIAL RECEIVABLES	6,3	0,2	
245,9	NET INVESTED CAPITAL	249,4	3,5	
57,9	NET CASH POSITION	62,6	4,7	
(303,9)	EQUITY	(312,0)	(8,1)	Positive contribution of 2020 net income, less share buyback (€ 6.4M)
(245,9)	TOTAL SOURCES	(249,4)	(3,5)	

2019-2020 Net Cash Position bridge



Data in €-M



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2021 and beyond



- **No Quantitative FY 2021 Guidance at this stage as the 2021 prospects are still contingent upon COVID-19 evolution**
- **Flight activity:**
 - **Up to 3-4 flights for Ariane 5**
 - **Up to 3 flights for Vega**
 - **Vega C Maiden Flight preparation**
- **Production:**
 - **P120 production ramp-up: up to 50% vs 2020**
 - **Tactical propulsion production ramp-up: up to 20% vs 2020**
- **Progress on Space Rider and Vega E development**
- **Medium-term (2025) growth prospects more robust**
 - **Order backlog to improve while approaching A6/Vc maiden flights**
 - **Industrial efficiency to improve across A5/6 and V/Vc transition**

New dividend policy and share buyback program to remunerate investors



New dividend policy

FY 2020 proposed dividend

€ 0.285 dividend per share

Total dividend distribution = €7.3M

Proposed modification

- **Maximum dividend payout ratio from 50% to 60% of net earnings**

Objectives

- **Increase the flexibility for the return to shareholders part of the liquidity generated by Avio operational performance**

New share buyback program

Objectives

- **Efficient use of liquidity** generated by the ordinary business activities through a **medium-long term investment**
- Offer an additional **return to shareholders** along with dividend payments
- Possible use **own shares in M&A transactions**
- Possible use to **serve incentive plans**

Program scheme

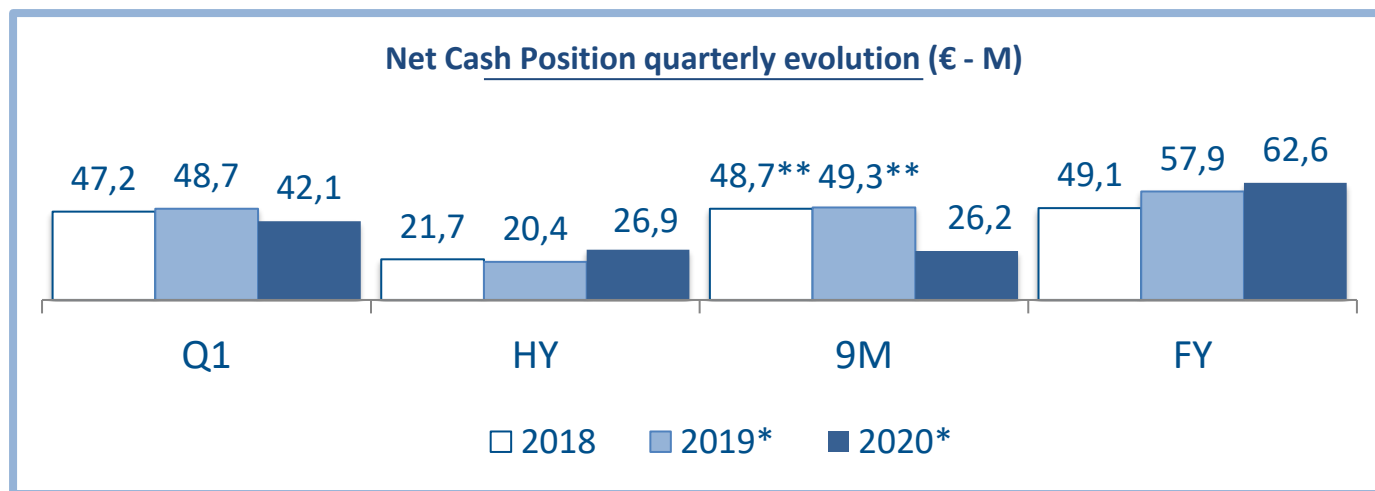
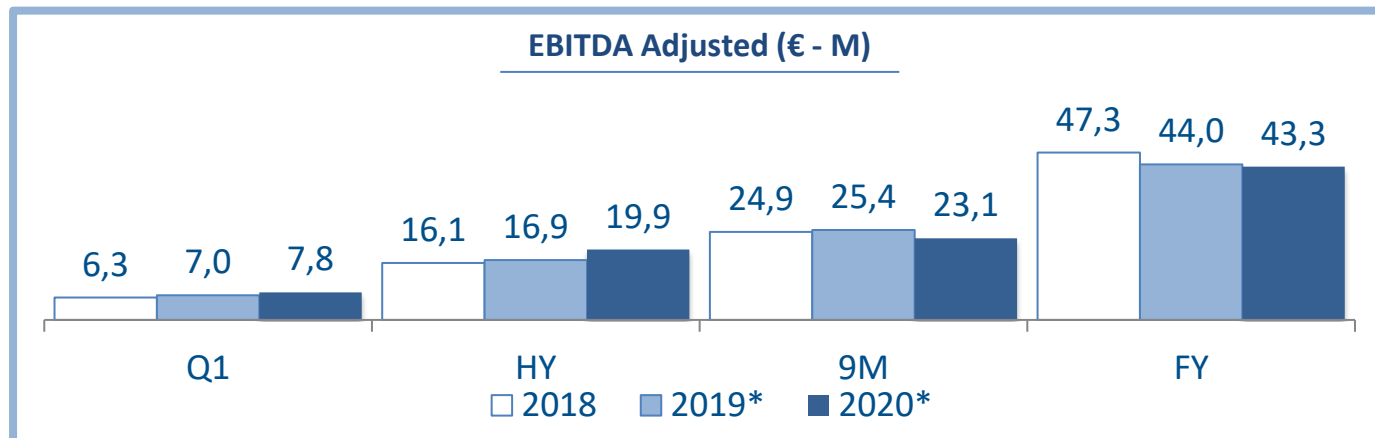
- **€9.1M maximum investment amount** (as in the first program already completed)

Following the purchases made in the first buyback program, Avio S.p.A. holds no. 671,233 own shares, corresponding to 2.55% of the total Avio's shares (August 2019 – October 2020)

Appendix



Quarterly pattern of Adjusted EBITDA and Net Cash Position



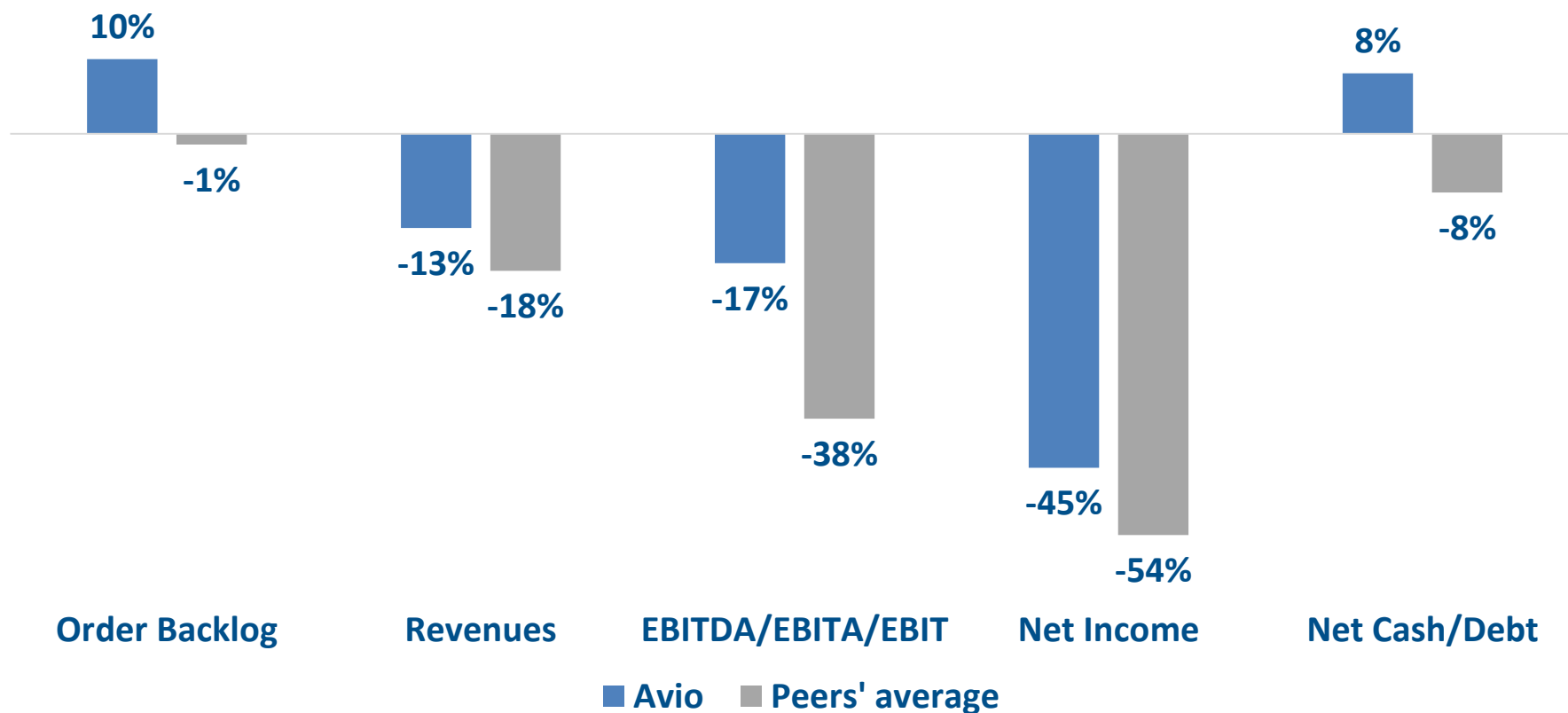
- Includes effects of IFRS 16
- Includes Non-recurring tax effect

Economics in line with industry performance, backlog and cash generation better than average



Data in €-M

Delta 2020 vs 2019 performance



Benchmark includes: Leonardo, Airbus, Safran, Dassault, Thales, OHB

SOURCE: FY 2020 Results' Presentations