

Avio FY 2021 Results

MARCH 14TH, 2022



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Agenda

- **Highlights (Giulio Ranzo, CEO)**
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- Outlook (Giulio Ranzo, CEO)
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2021 results within guidance, long-term visibility improved, challenging scenario in the near term

- 2021 Guidance achieved (Q4 strong as expected but growing energy costs)
- Vega back on robust performance: 3 successful flights in 6 months
- Non-recurring costs due to Vega RtF and Covid-19
- Vega C MF campaign ready to kick-off, Vega E LOX-CH4 engine ready for testing
- Improved backlog and stable cash (despite CAPEX focus) provide strong visibility
- Proposed 2022 dividend distribution, share buyback in progress
- Unstable scenario emerging due to Russia-Ukraine situation

Summary of 2021 results

Data in €-M

2020 Results	Highlights	2021 Results		2021 Guidance
736	Backlog	877		850-900
322	Revenues	312		300-330
35.2	EBITDA Reported	30.0		30-32
43.3	EBITDA Adjusted	37.7		35-37*
14.9	Net Income	9.1		10-12
62.6	Net Financial Position	57.2		44-50**

*Projected on the EBITDA Reported Guidance plus the indication of €5 M of Non-recurring costs given in September 2021

**Min & Max values of consensus

2021 launch activities: 3 Vega and 3 Ariane successes

2021



Star One D2
Embratel
Eutelsat Quantum
EUTELSAT



SES-17
SES
Syracuse 4A



James Webb
Space Telescope



VA254
July

VA255
October

VA256 Ariane
December

Pléiades
Neo
5 smallsats



Pléiades
Neo
4 smallsats



Ceres 1,2,3



Return to flight activities

VV18
April

VV19
August

VV20
November

Vega



Vega missions of 2021 combining flexibility and reliability

April

Vega VV18

~1,000 kg

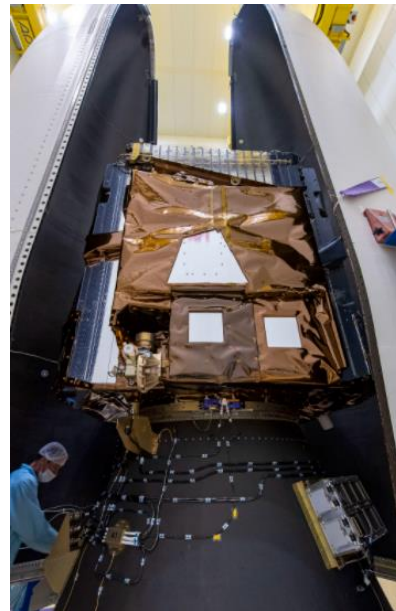


**Rideshare on SSMS
Hexa module**

August

Vega VV19

~1,000 kg



**Main passenger +
auxiliary payloads**

November

Vega VV20

~ 1,350 kg



**3 same-size
payloads**

90% Vega reliability after the first 20 launches (at par with Falcon 9, Soyuz and PSLV)

New launch contracts signed by Arianespace for both Vega and Vega C



Platino 1 & 2

- Multi-role smallsat platform
- 200 kg mass in SSO at 619 km and at <400 km respectively
- Launch expected between 2022 and 2024



Flex & Altius

- Earth-Observation satellites
- Flex to monitor photosynthesis on ground; Altius to measure ozone and other atmospheric gases
- Launch expected in mid 2025 on Vega C



Microcarb

- CO2 emissions and absorption monitoring
- 160 kg mass in SSO orbit
- Launch expected in 2023

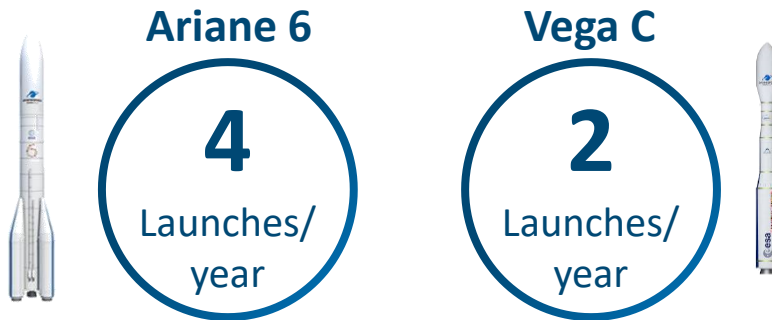


European institutional launch demand secured until the end of the decade via ESA resolution

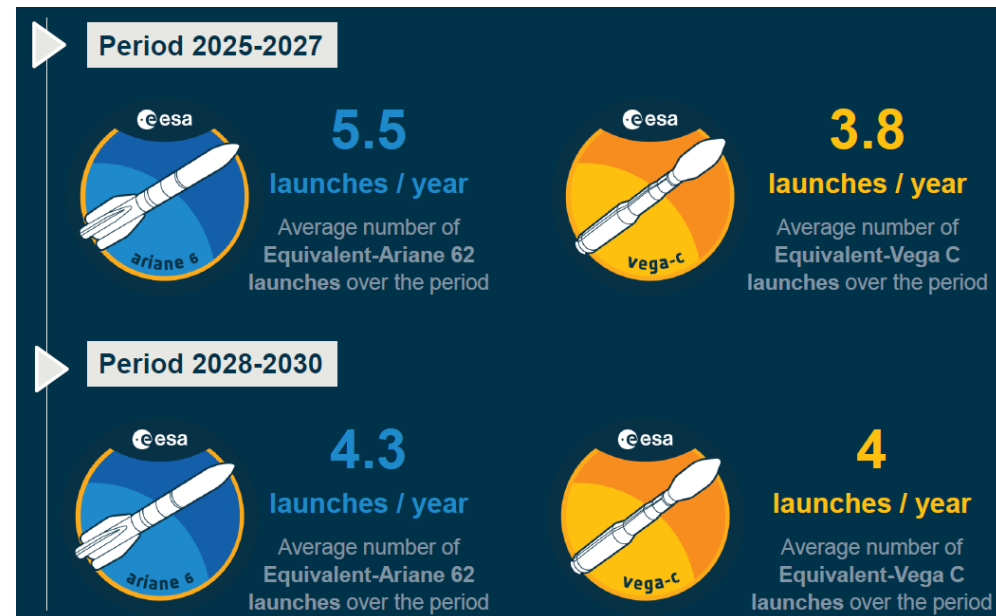


ESA launchers' exploitation framework

- Secured minimum annual launch volumes for European Institutions
- Secured support to maintain operational activities beyond minimum annual volumes
- Model applying by 2025 (i.e. beyond currently signed backlog) on 3-years rolling period



ESA expectation for European Institutional launch demand



Vega E development contract signed, M10 engine ready to test

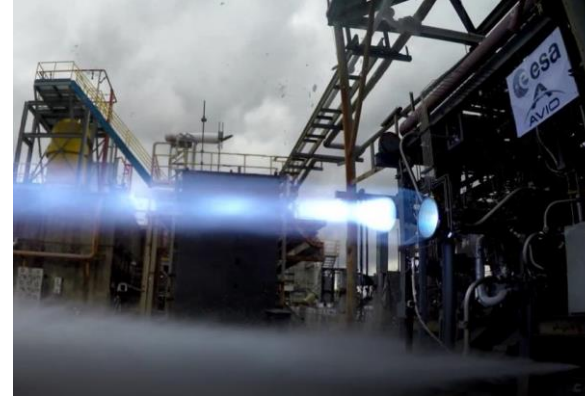
Vega E development contract

- ~€120 M development contract signed in July with ESA – first phase of Vega E
- Improved version of Vega with a new **LOX-CH** upper stage engine replacing the last 2 stages of Vega C
- Further improved performance, flexibility and cost competitiveness
- Maiden Flight expected in 2026

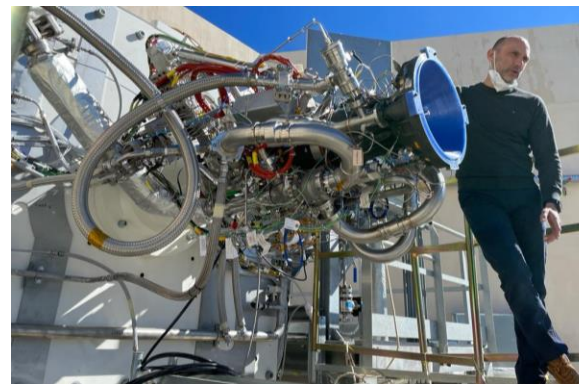


Vega E

M10 firing test-ready at the SPTF in Sardinia



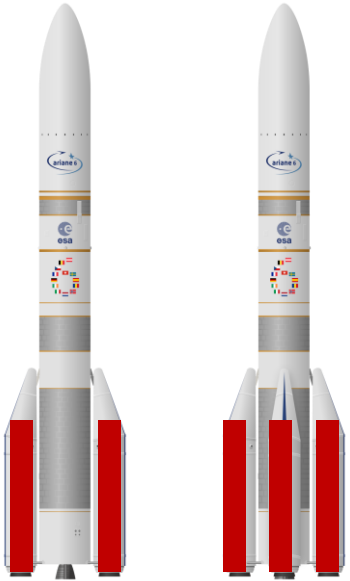
2019 TCA test @NASA, USA



M10 firing test model ready to fire at the SPTF



P120 engine production ramping-up – first series production contract signed



P120 solid motor production



- Frame contract for the **first 42 P120C motors signed by Europropulsion* with ArianeGroup**
- Covering initial **production phase until 2024**
- Expected production ramp-up for Avio part:
 - **11 motors/year in 2021**
 - **16 motors/year in 2022**
 - **30-35 motors/year in 2025**



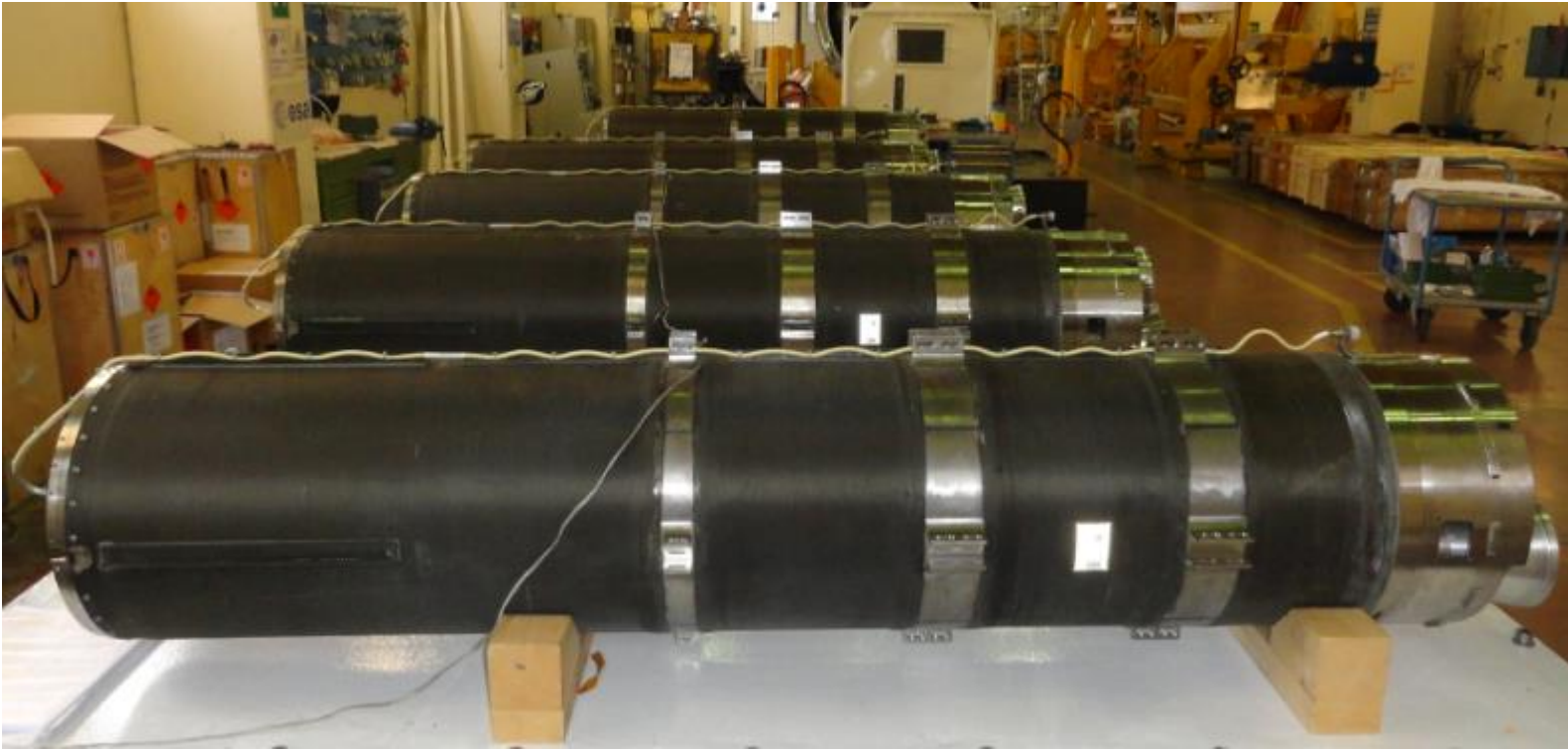
2017 ESA CNEC-Arianespace/Avio - www.esa-cneec.com

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AVIO

*Europropulsion is the 50/50 JV between Avio and ArianeGroup in charge of the P120 motor

Aster 30 production ramping up to fullfil surge in demand



- Extension of product orders by MBDA France for the production of further lots of boosters for Aster-30
- Contract Extension Value > Euro 80 mln
- Delivery expected in 2022-2030

Update on PNRR: project management for the launcher segment assigned to ESA



PNRR + complementary funds: €2.3B in 2022-2026



esa Project management assigned to ESA



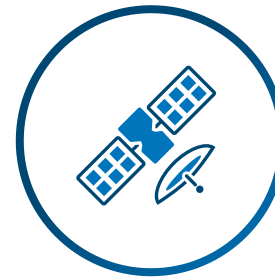
Satcom

- IoT & QKD1 constellations
- Infrastructure valorization



Earth Observation

- **High revisit rate EO constellation**
- Italy digital twin incubator for apps and services



In-Orbit Services

- Space tug services demonstration
- Telescopes



Space factory

- **Green & high-thrust engines dev**
- **In flight demonstrator**
- Industry 4.0 for MAIT2 smallsats

Value

~1.000€ Mln
including launches

~300€ Mln

Relevance
for Avio



Constellation to be launched on Vega



Evolution of M10 and mini-launcher opportunity

SOURCE: Press search, ASI report

Vega C Maiden Flight campaign ready to kick-off for a launch in first half 2022



P120 motor flight item



Z40 motor flight item



Fairing flight item



Vega C new control bench



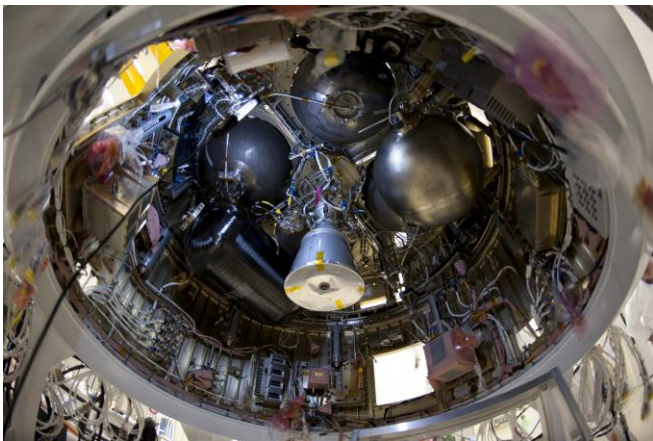
Z9 motor flight item



A4 upper stage avionics, environmental and fluidic testing in progress in Colleferro

Russia-Ukraine situation redefining scenarios for the global economy

- Russia/Ukraine conflict since 24th of February
- Huge surge in energy costs globally
- Soyuz banned to launch from French Guyana
- Ariane 6 and Vega C as potential backups?
- Vega AVUM engine procured from Ukraine: no risk for continuity of operations at present – situation to be monitored for the medium term



AVUM engine



Antonov jumbo aircraft destroyed



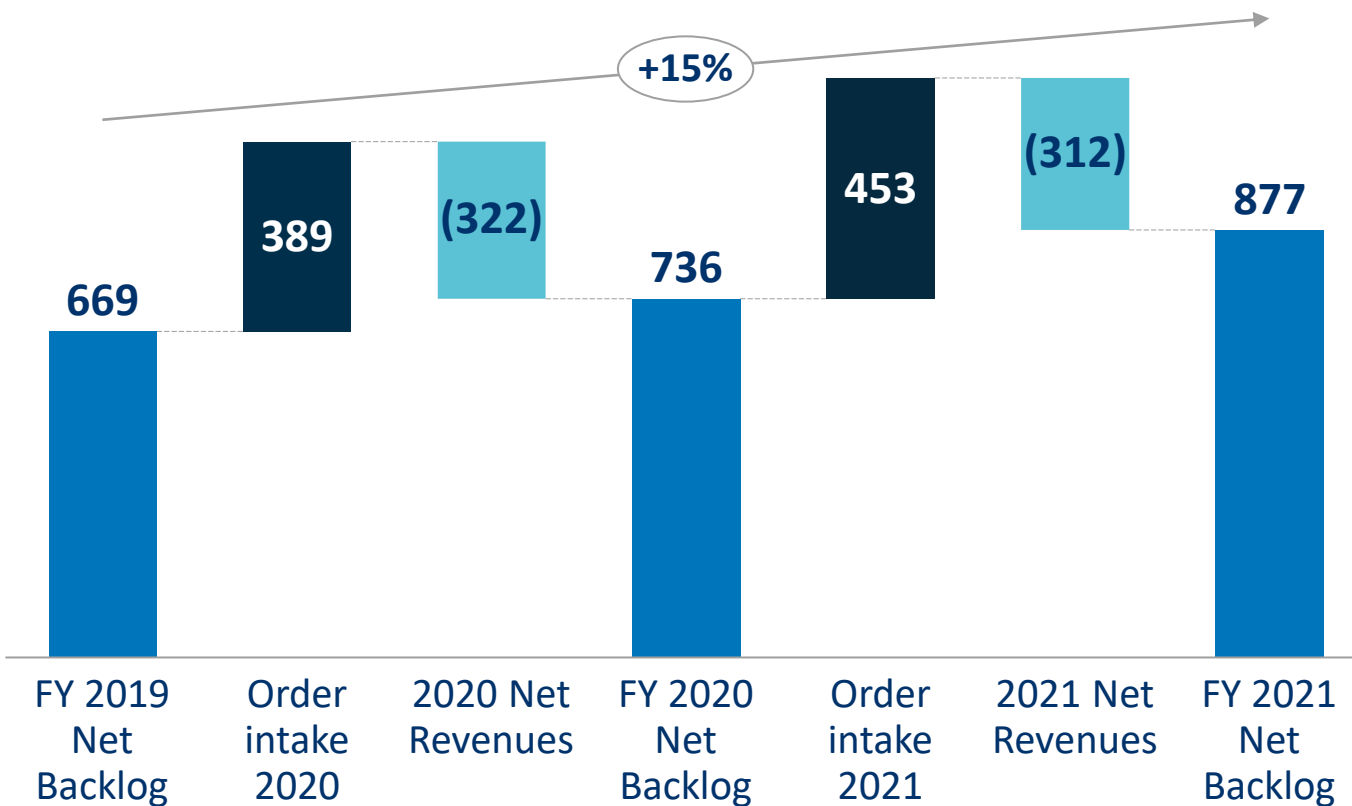
Soyuz launcher in French Guiana

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Net order backlog evolution 2019-21

Net Order Backlog evolution 2019-2021 (€ - M)



Comments

New contracts signed in 2021 include:

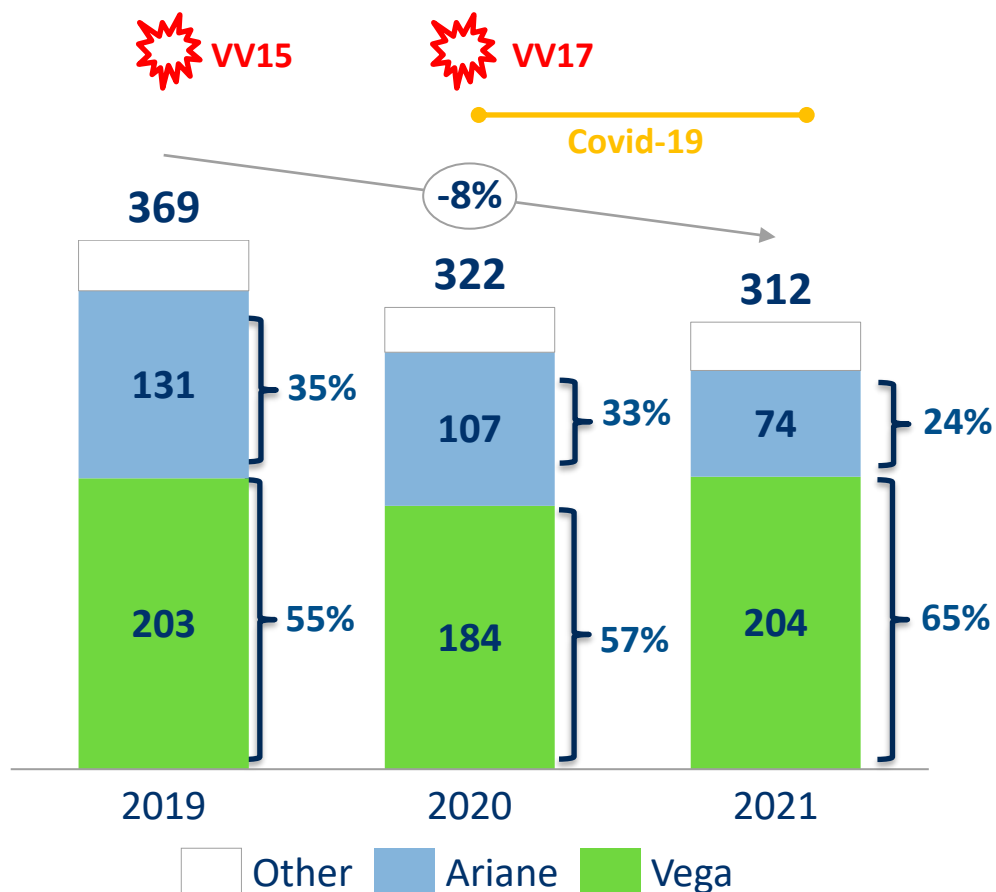
- Vega C Production B3 and B4 long-lead items procurement and improvement program (~€200M)
- Vega E development (~€90M)
- Tactical production Aster boosters for >€80M

Contracts expected to be signed in 2022 include:

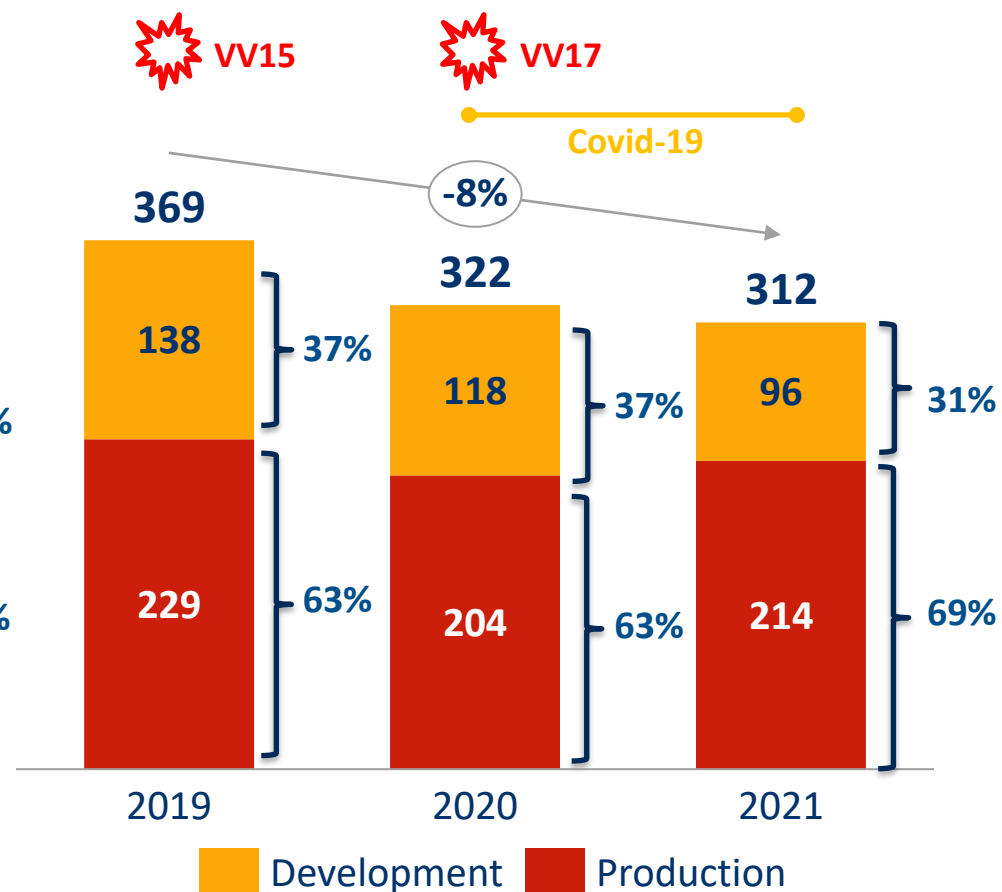
- Completion of Vega C Production Batch 4
- First Italian PNRR development contracts
- Second part of Ariane 6 P120 orders
- Additional tactical propulsion contracts

Net revenues evolution 2019-21

by Line of Business (€ - M)



by Activity (€ - M)



Net Revenues slightly lower than prior year for delay of Ariane 6 ramp-up, partially compensated by higher Vega C Production and Development

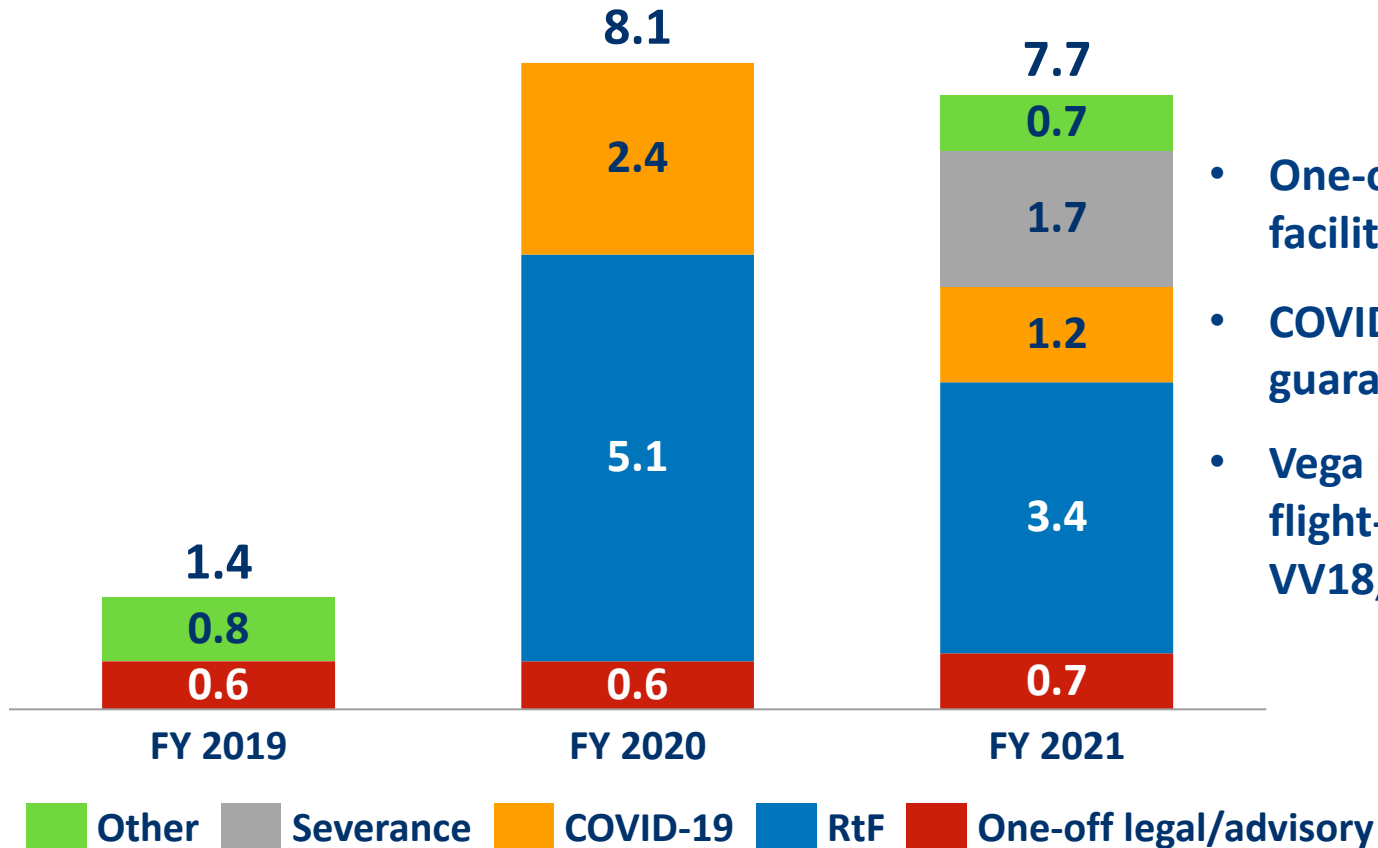
FY 2021 results vs 2020 and 2019

	FY 2019		FY 2020	MAIN ECONOMICS	FY 2021		Comments
	€ - M		€ - M		€ - M		
	368,7		322,0	NET REVENUES	311,6		• Slowdown in revenues for delay in Ariane 6 ramp-up partially compensated by Vega C
N/R 1.4	42,6 11,6%	N/R 8.1	35,2 10,9%	EBITDA REPORTED % on net revenues	30,0 9,6%	N/R 7.7	• EBITDA lower than in 2020 for sharp and unexpected increase in energy costs towards the end of 2021
	44,0 11,9%		43,3 13,4%	EBITDA ADJUSTED % on net revenues	37,7 12,1%		• NR costs still present for RtF recommendations implementation and COVID-19 related costs
	26,5 7,2%		15,9 4,9%	EBIT REPORTED % on net revenues	8,9 2,9%	##	• Increase in depreciation for Vega C and P120 investments
	28,0 7,6%		24,0 7,5%	EBIT Adjusted % on net revenues	16,6 5,3%		
	27,0 7,3%		15,4 4,8%	PROFIT BEFORE TAXES % on net revenues	8,6 2,8%		
	27,0 7,3%		14,9 4,6%	NET INCOME % on net revenues	9,1 2,9%		• Positive contribution from deferred taxes

Evolution of non-recurring costs

Data in €-M

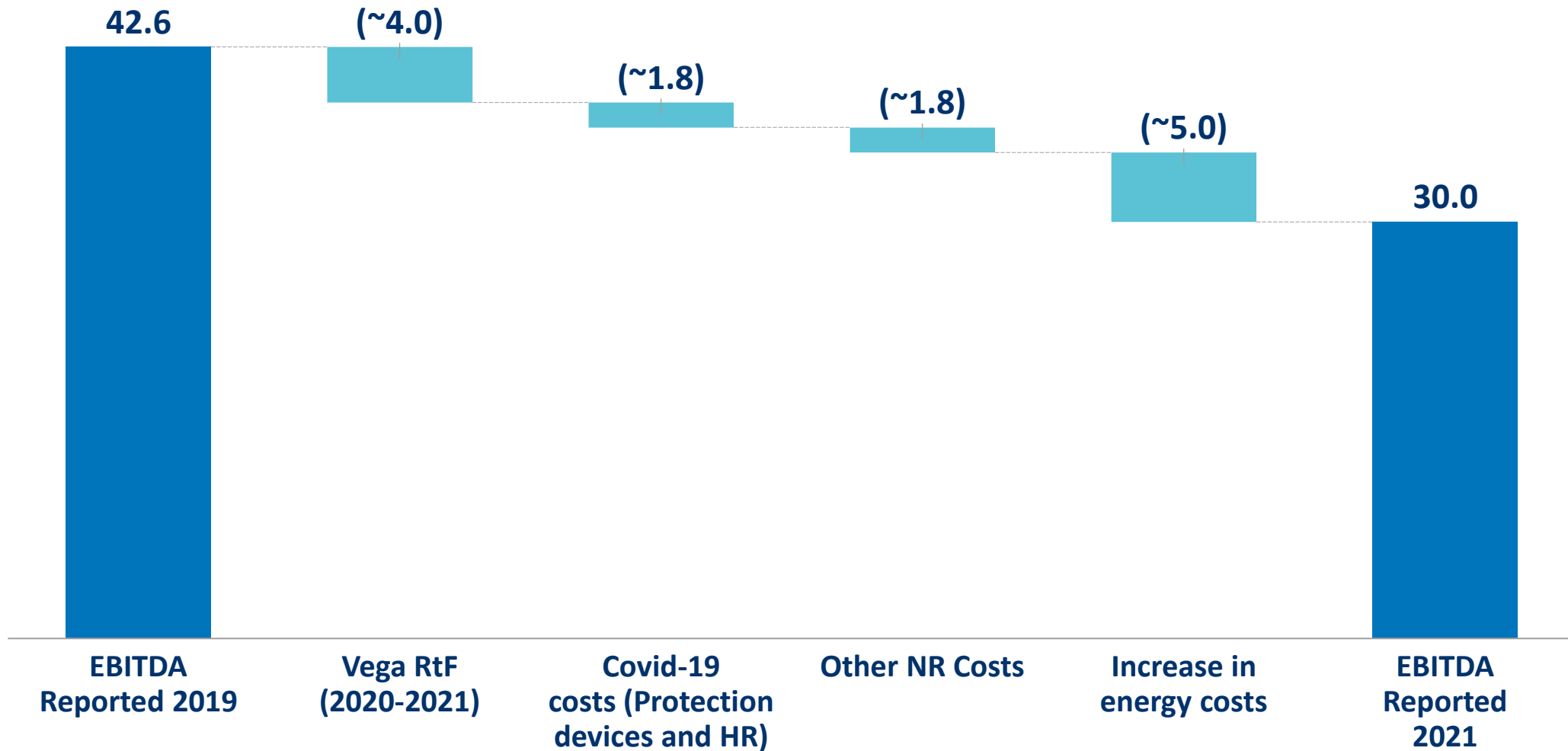
Non recurring costs by nature



- One-off severance payments to facilitate succession
- COVID-induced extra-costs to guarantee employees' protection
- Vega RtF costs in 2021 linked to flight-worthiness requirements for VV18, VV19 and VV20

2019-21 EBITDA Reported bridge

Data in €-M



Surge in energy prices reflected in EBITDA performance

Italian average monthly gas purchase prices (€/MWh)



Actions already implemented

- New partnership in December 2021 with Cogenio/EnelX for Termica Colleferro to economically manage the thermoelectric cogeneration project financing plant (Cogenio/EnelX 60% - Avio 40%)

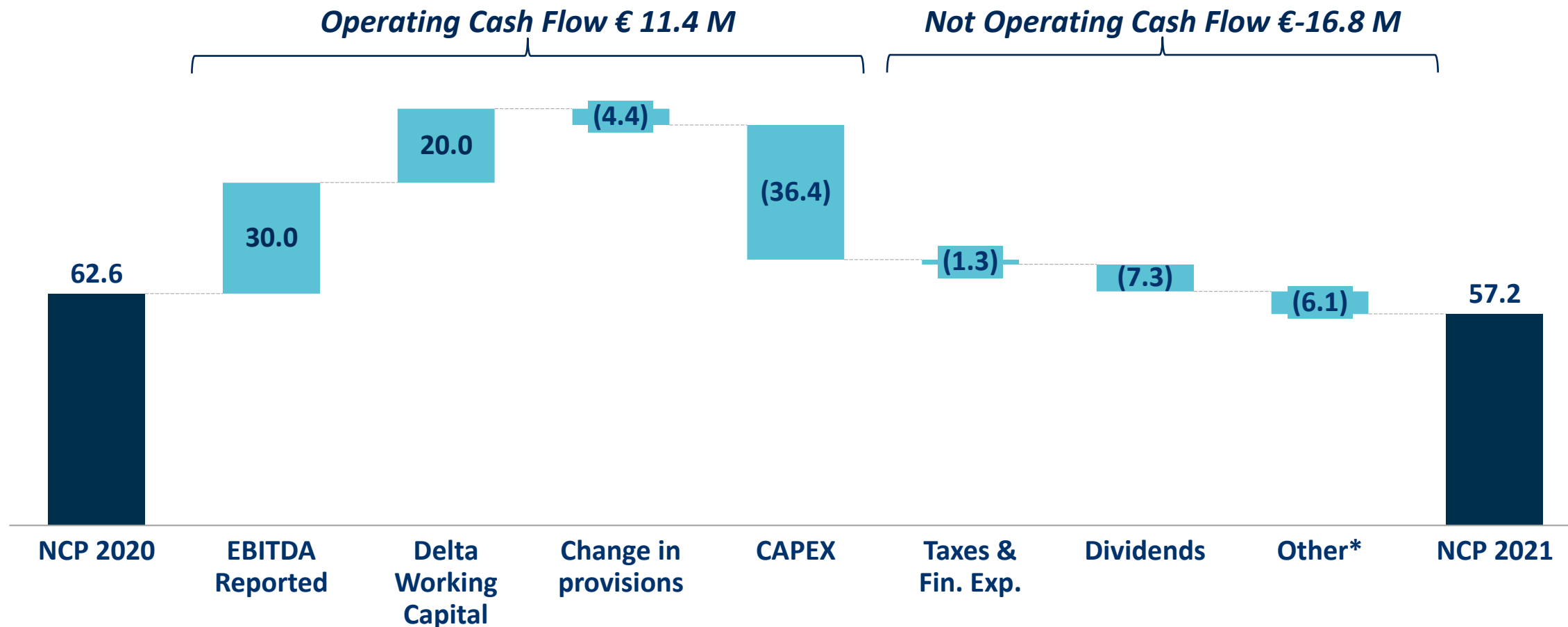


Stable cash contributes to a strong financial structure

31 DEC 2020	MAIN SOURCES AND USES	31 DEC 2021	DELTA	
€ - M		€ - M	€ - M	Comments
(111,9)	WORKING CAPITAL	(131,9)	(20,0)	Working capital structurally negative with positive trend in 2021
(43,0)	PROVISIONS (EMPLOYEES' BENEFITS AND RISKS)	(38,6)	4,4	
78,0	DEFERRED TAX ASSETS	79,4	1,4	
61,0	GOODWILL	61,0	0,0	
33,6	CUSTOMER RELATIONSHIP ASSET	30,6	(3,0)	
225,4	FIXED ASSETS	246,2	20,8	Mainly for capex for P120 Vega cadence and development of new launchers of Vega family, net of depreciation
6,3	FINANCIAL RECEIVABLES	6,4	0,1	
249,4	NET INVESTED CAPITAL	253,2	3,7	
62,6	NET CASH POSITION	57,2	(5,4)	
(312,0)	EQUITY	(310,3)	1,7	Principally for dividends distributed in May 2021 (€ 7.3M) and net result of 2021
(249,4)	TOTAL SOURCES	(253,2)	(3,7)	

2020-2021 Net Cash Position bridge

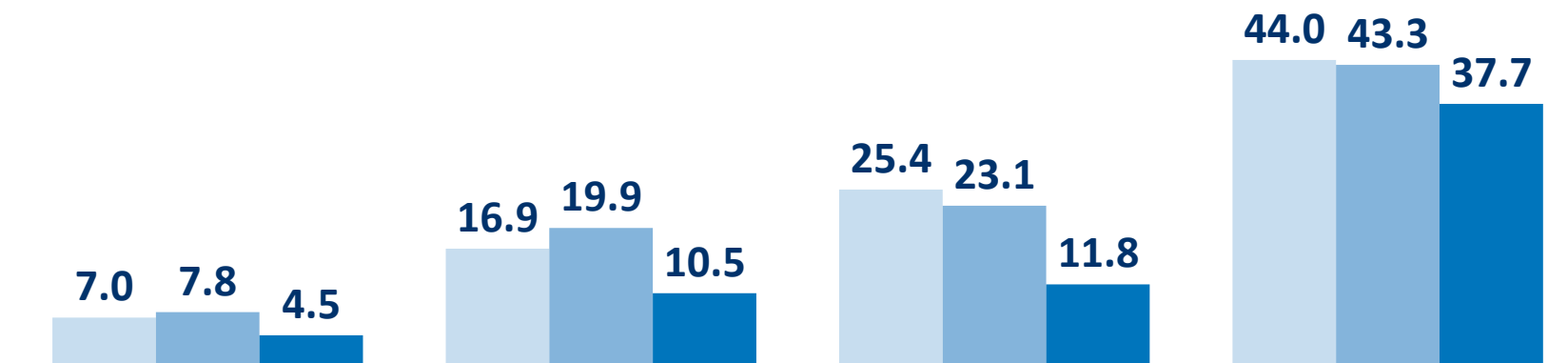
Data in €-M



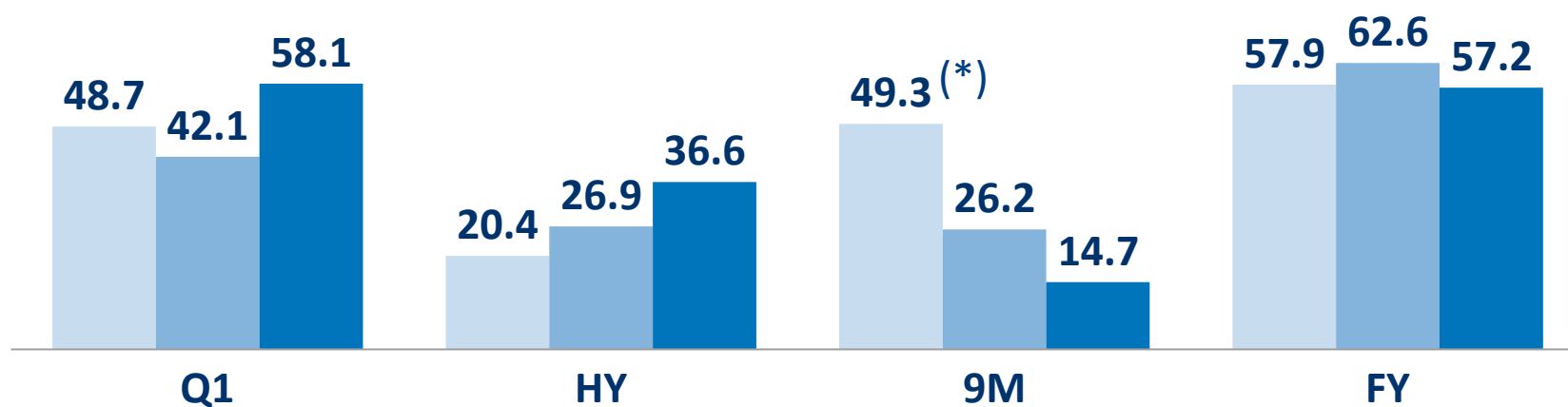
*Includes reimbursement of capital to ASI following the acquisition by Avio S.p.A. in 2018 of Vega business from Spacelab S.p.A. (controlled by Avio S.p.A. at 70% and participated by ASI at 30%) and increase in the value of the investment in the EuroPropulsion JV evaluated with the equity method in the financial statements

EBITDA and Cash generation heavily concentrated on Q4 2021

EBITDA Adjusted (€ - M)



Net Cash Position (€ - M)



2019 2020 2021

**Includes non-recurring tax effect*

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FY 2022 Guidance

• Net Order Backlog • €870M – €920M

• Net Revenues • €330M – €350M

• EBITDA Reported • €24M-30M

• Net Income • €5M - €10M

- New orders expected for both development and production
- ESA MC 2022 subscriptions (although not to be in backlog by 2022 year-end)

- Production activities ramp-up (P120)
- New development projects ramp-up (Vega E, Space Rider, VegaC+, liquid propulsion)

- Enduring impact of high energy costs (hardly predictable)
- Estimated impact of 5M non-recurring costs*
- Strong performance focus on Q4 (Q1 and Q2 soft) as in 2021

- Marginal effect of financial charges and taxation

Outlook beyond 2022



Increasing backlog and net cash position **support expectations for double-digit revenue growth in 2022-26**, pending evaluation of current conflict effects on the economy



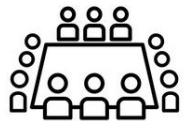
Market **opportunities growing more than anticipated** (2X market growth by 2030) in both space launch and tactical propulsion – **full commercial pipeline**



Secured EU institutional demand across the decade favoring industrial opportunities for both Ariane 6 and Vega C across production ramp-up (with opportunities for upside)



Vega E and PNRR projects to provide additional opportunity for **new strategic technologies and products** until 2026 (with focus on **liquid propulsion**)



Getting ready for the 2022 ESA Ministerial Council **to secure new development and production support contracts** to secure product roadmap and operations until 2026



Challenging scenario **for energy prices and trade with Ukraine**, potentially hampering ability to maximize profits in 2022-23



Appendix

Update on the second 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 as an incentive to employees and stakeholders**

Program scheme

- **€9M maximum investment amount** (as decided by shareholders in April 2021)
- Mandate by BoD in February 2022 for €9M lasting until **October 2022**
- **Share Buyback** carried out **by an independent broker (Equita SIM, S.p.A.)**

Following the purchases made so far, Avio S.p.A. holds no. 1,035,233 own shares, corresponding to 3.93% of total Avio's share capital (2nd August 2019 – 11th March 2022)*

*Daily purchases capped by law at 25% of average daily volumes of the previous 20 trading days

CONTACTS

Investor.relations@avio.com



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