

Avio FY 2022 Results

MARCH 14TH, 2023



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Agenda







- **Highlights (Giulio Ranzo, CEO)**
- FY 2022 Financials (Alessandro Agosti, CFO)
- Outlook (Giulio Ranzo, CEO)
- Appendix

2022 in Guidance, long-term visibility significantly improved

- **FY 2022 Revised Guidance achieved**
- **Better than expected backlog and cash provide long-term visibility**
- **Profits impacted by unforeseeable surge in energy costs driven by Russia-Ukraine conflict**
- **Successful Vega C Maiden Flight**
- **M10 successfully tested – 1st LOX-Methane engine in Europe**
- **VC02 failure: Vega RtF expected by summer 2023, Vega C by end of 2023**
- **Further delays in Ariane 6 Maiden Flight: slipped to end of 2023**
- **Higher than expected order intake in the defense business**
- **Share buyback completed, 2023 dividend distribution suspended**

Summary of 2022 results

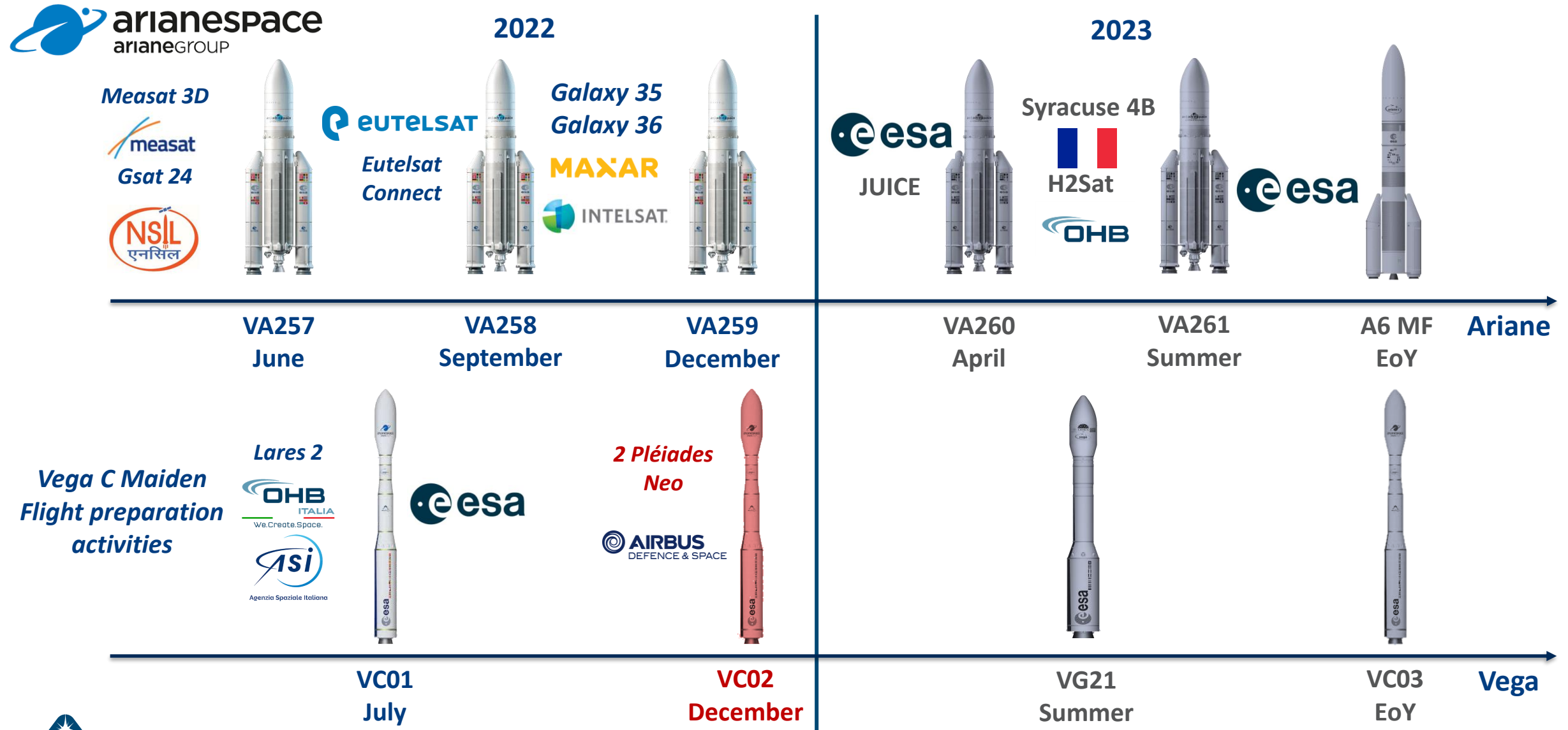
Data in €-M

2021 Results	Highlights	2022 Results		2022 Revised Guidance	2022 Initial Guidance
877	Backlog	1,014		870-920	870-920
312	Revenues	357		330-350	330-350
30.0	EBITDA Reported	21.4		17-25	24-30
37.7	EBITDA Adjusted	27.8		22-30*	29-35*
9.1	Net Income	1.3		-2/3	5-10
57.2	Net Financial Position	74.4		30-63**	30-63**

*Projected on the EBITDA Reported Guidance plus the indication of €5 M of Non-recurring costs given in September 2022

**Min & Max values of consensus

2022-23 flight schedule



VC02 anomaly and path to return to flight

Independent Enquiry Commission findings

- VC02 anomaly caused by an **over-erosion of the Z40 Carbon-Carbon nozzle throat insert** likely due to the inhomogeneity/weakness of the material
- The acceptance criteria used were not sufficient to detect the type of defect. However, **no weakness of Z40 design** has been revealed.
- **The launcher Safety System (SAS) behaved nominally**
- **The failure does not affect the Vega launcher** (with uses different material for Z23), which **will return to flight by the summer**.
- **Vega C launcher will return to flight by end 2023** with new C-C material (already ordered and in delivery now), after a static firing test of Z40
- A robust **Return-to-Flight plan** has been defined by the Commission. The European Space Agency announced a dedicated program to cover costs, funded with **~30M € drawn from available ESA funds**
- Risks associated with implementation of RtF plan accounted for within risk provisions in Avio accounts

Nozzle throat

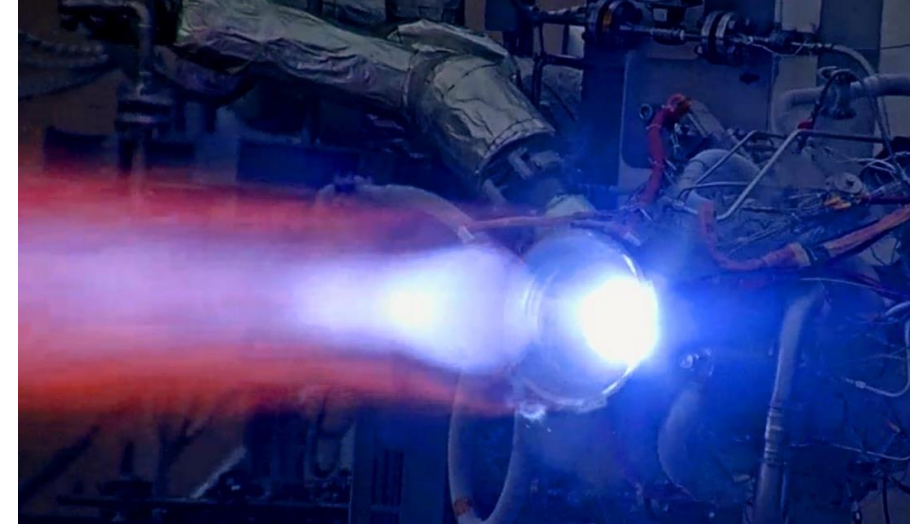


Z40 Nozzle

Successful tests of Vega E's M10 : 1st LOX-Methane engine in Europe

Vega E:

- M10 engine first prototype (DM1): first 24 firings completed in summer 2022
- More than 1,300 seconds of cumulative testing, all successful
- Development at completion funded at ESA 2022 MC
- Second set of static firing tests on development model 2 (DM2) in 2023

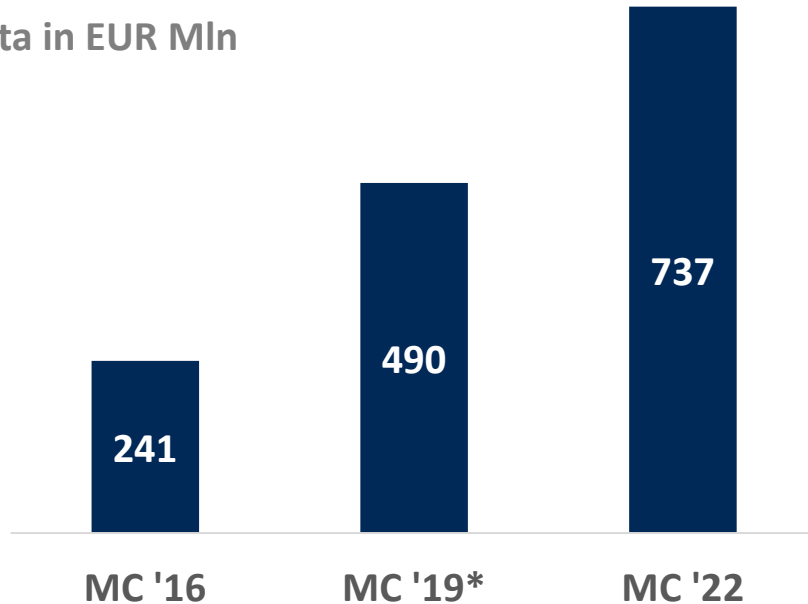


700M € of new developments from ESA for new launcher products



ITA Launchers budget in ESA

Data in EUR Mln



Vega C Adaptation Vega E Completion



P120C Performance upgrade



Space Rider at completion



Re-usable upper stage

€700 Mln new orders expected for Avio starting from 2023

*As announced at the 2019 ESA MC
SOURCE: ESA and ASI

Arianespace reached record-level backlog for Vega/Vega C



Booked



Under negotiation

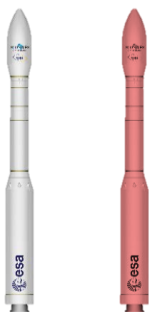


Prospect identified

Launch contracts in backlog:

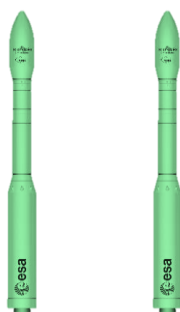
- ~20% Commercial/Export customers
- ~80% European Institutional Customers

2



2022

2



2023

4



2024

4-5



2025

4-5



2026

4-6



2027

Ariane 6 Maiden Flight slipped to the end of 2023



**Ongoing A6 combined tests
in Kourou**



**Hot firing test of the A6 upper stage in
Lampoldshausen, Germany, October 2022**

**ESA-Ariangroup Press Briefing on
October 2022 highlighting main
upcoming milestones before
Maiden Flight:**

- Successful completion of Vinci
test in Germany**
- Successful Vulcain test and
combined tests in French Guiana**
- System Design review before
launch**

“Next Gen EU” projects to develop next-gen launcher technology

**Next
Gen
EU**



Ministero delle Imprese
e del Made in Italy



Space Transportation Systems (STS) : €185 M

- Technological demonstrator of a LOX-Methane powered two stage to orbit small launcher
- Two experimental launches (single stage and two stage respectively)
- Composite cryo tanks, simplified Avionics (software-based) and non-pyro separation systems

High Thrust Engine (HTE): €100 M

- 60ton thrust class LOX-Methane engine
- Innovative thermodynamic cycle, delivering high specific impulse



Incremental orders in the defense business anticipate further growth

ASTER 30 Booster



Medium-Range Air Defense:

- More than 2,000 units produced to date
- New Production Orders expected in H1 2023 >€ 80 M
- Additional demand in the coming years requiring extended production rate

CAMM-ER SRM



Short Range Air Defense:

- First Production Contract for IT MoD signed in Q1 2023 >€ 20 M
- Additional opportunities expected to be finalized within FY 2023

Teseo Mk2E Booster



New Anti-Ship Missile:

- Development contract signed in FY 2022 for >€ 10 M

Undisclosed

New Initiatives:

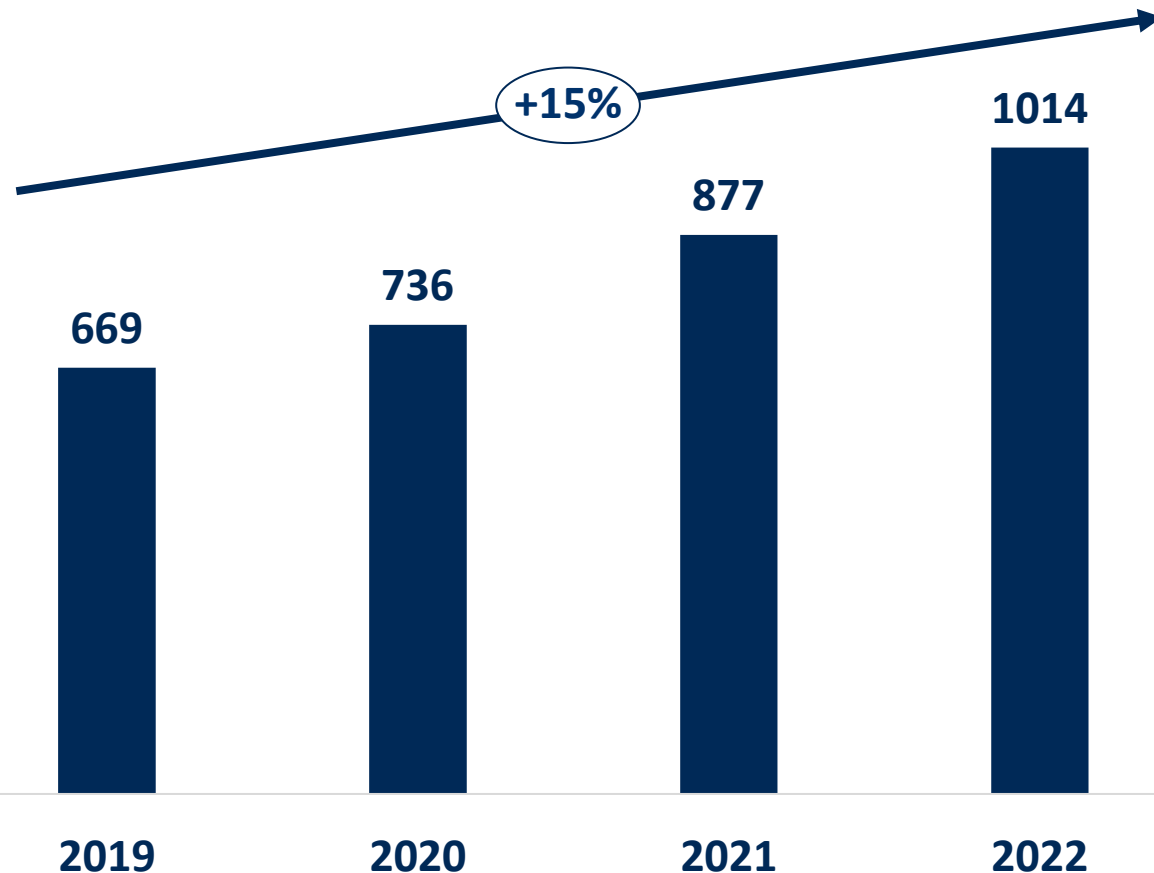
- Research Program ongoing for a new training system
- R&D for innovative propulsion systems for new European Defense Programs

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Net order backlog evolution 2019-2022

Net Order Backlog evolution 2019-2022 (€ - M)



Comments

New contracts signed in 2022 for ~€500M include:

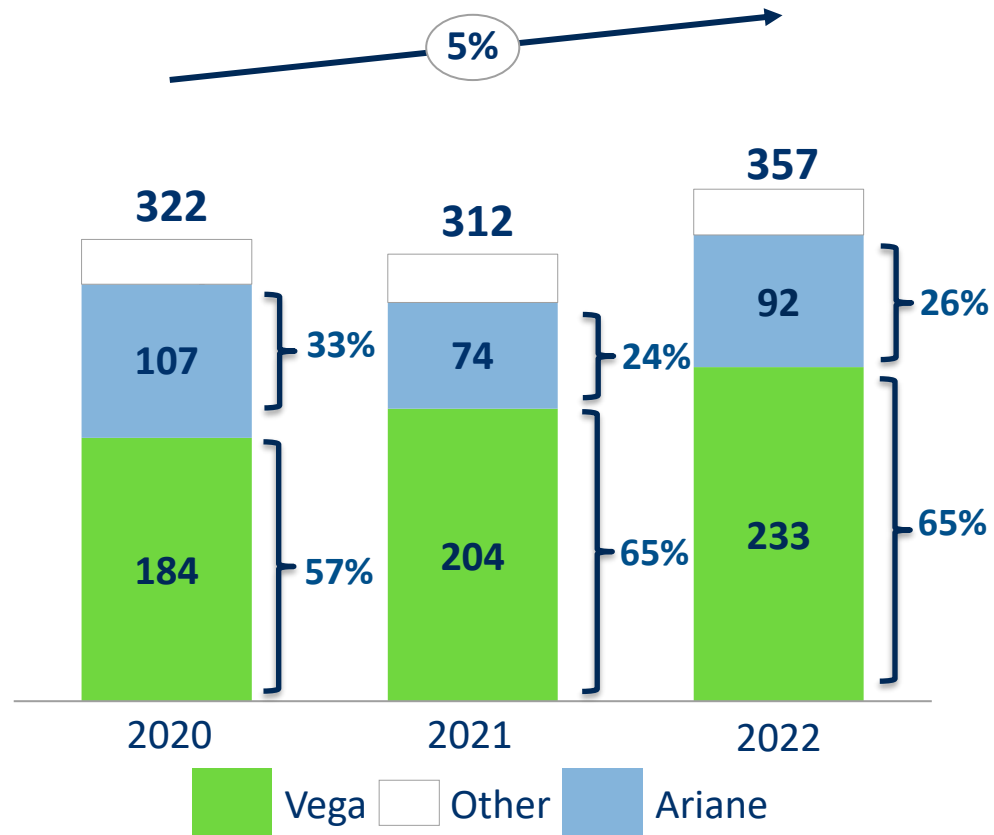
- Vega C Production B4 procurement and improvement program (~€200M)
- Vega C/E Development including PNRR contracts (~€80M)
- P120C production and development (~€100M)
- Tactical production and development (~€50M)

Order intake does not include:

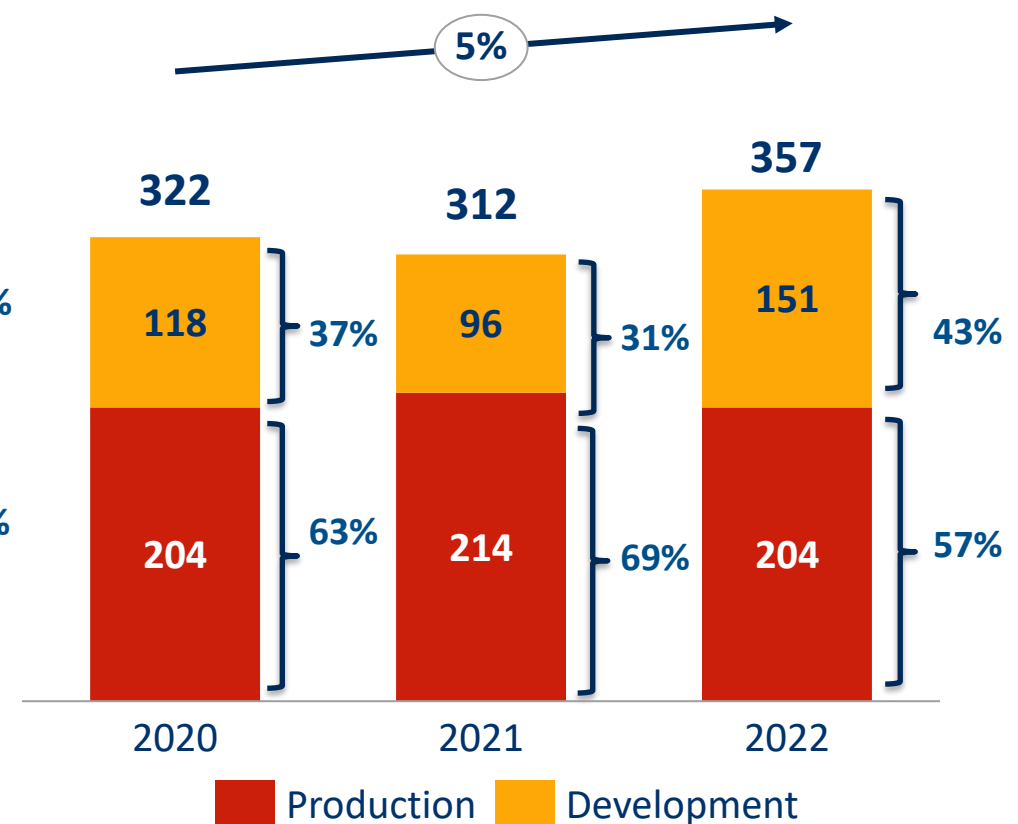
- Next Gen EU/PNRR signed yesterday for >285 € M
- Effects of 2022 ESA Ministerial Council

Net revenues evolution 2020-2022

by Line of Business (€ - M)



by Activity (€ - M)



Net Revenues higher than prior year for increase in Vega development and P120C activities, partially offset by lower Ariane 5 Production in phase-out

FY 2022 results vs 2021 and 2020

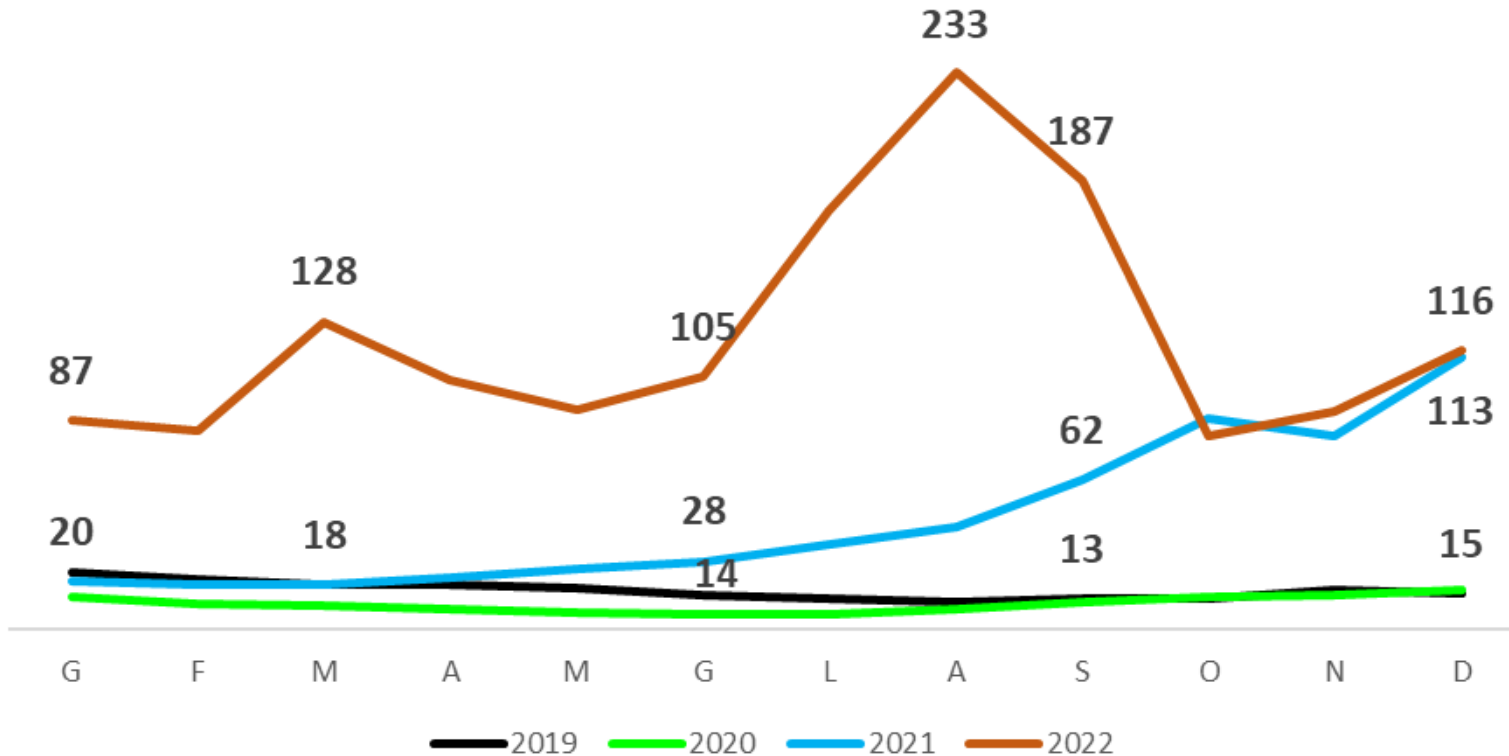
	FY 2020	FY 2021	MAIN ECONOMICS	FY 2022	Comments
	€ - M	€ - M		€ - M	
	322,0	311,6	NET REVENUES	357,3	• Increase in revenues driven by development of Vega C, M10 engine for Vega E and Space Rider
N/R 8.1	35,2 11,3%	30,0 8,4%	EBITDA REPORTED % on net revenues	21,4 6,0%	• EBITDA lower than in 2021 for sharp increase in energy costs and inflation
	43,3 13,9%	37,7 10,6%	EBITDA ADJUSTED % on net revenues	27,8 7,8%	
	15,9 5,1%	8,9 2,5%	EBIT REPORTED % on net revenues	2,2 0,6%	
	24,0 7,7%	16,6 4,6%	EBIT Adjusted % on net revenues	8,6 2,4%	• Decrease in Vega P80 depreciation
	15,4 4,9%	8,6 2,4%	PROFIT BEFORE TAXES % on net revenues	1,4 0,4%	• Net income neutral tax effect
	14,9 4,8%	9,1 2,5%	NET INCOME % on net revenues	1,3 0,4%	

(1) One-off positive contribution resulting from other revenues from settlement of Law 808/85 payables, extraordinary provisions for risks for Vega C return to flight activities and for the execution of future programs . Law 808/15 concerns the public financial support for the development of certain projects in the aerospace and defense sector

Gas price increase since 2H 2021 with hit in 2022 impacted industrial production costs



Italian average monthly gas prices 2019-2022 (€/MWh)



Ongoing actions

- Investment in a new thermoelectric steam generation equipment
- Assessment of investments in photovoltaic and solar plants

Year	Yr avg Gas price €/MWh
2022	123
2021	46
2020	10
2019	16

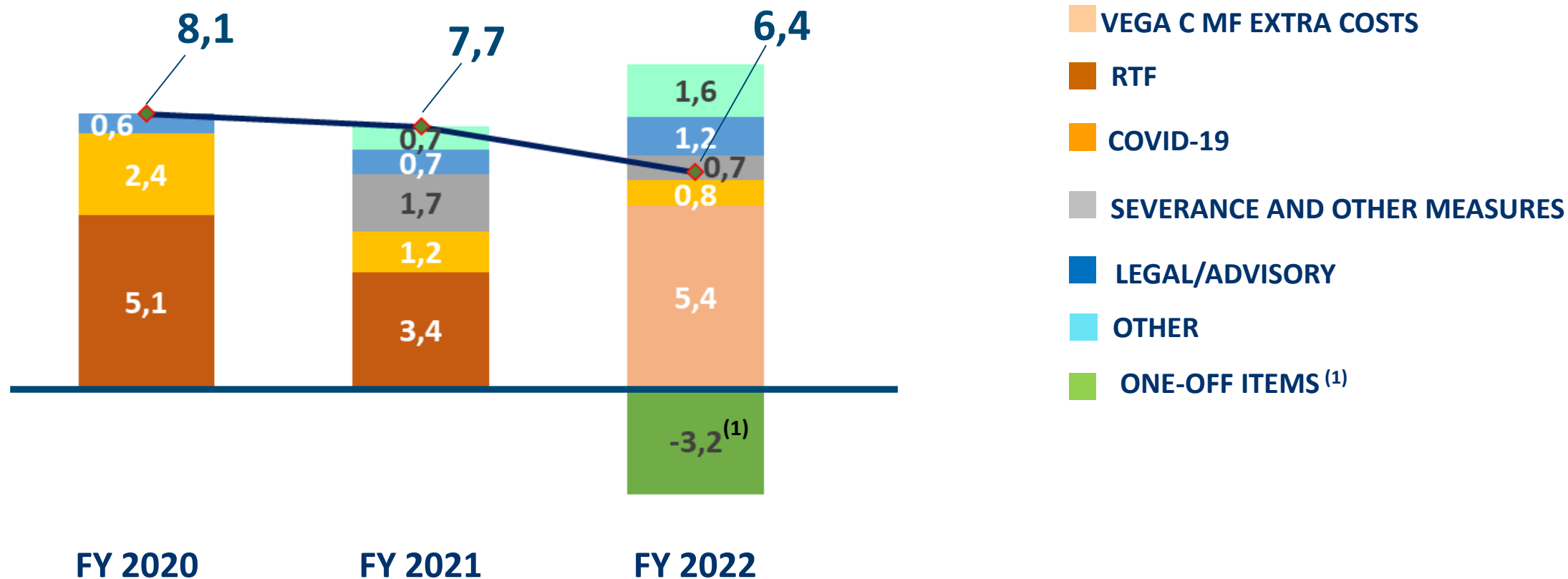
Expected in near future

- Expected trend for 2023 Gas price with current forecast¹: 55 €/Mwh

Evolution of non-recurring costs

Data in €-M

Non recurring costs by nature



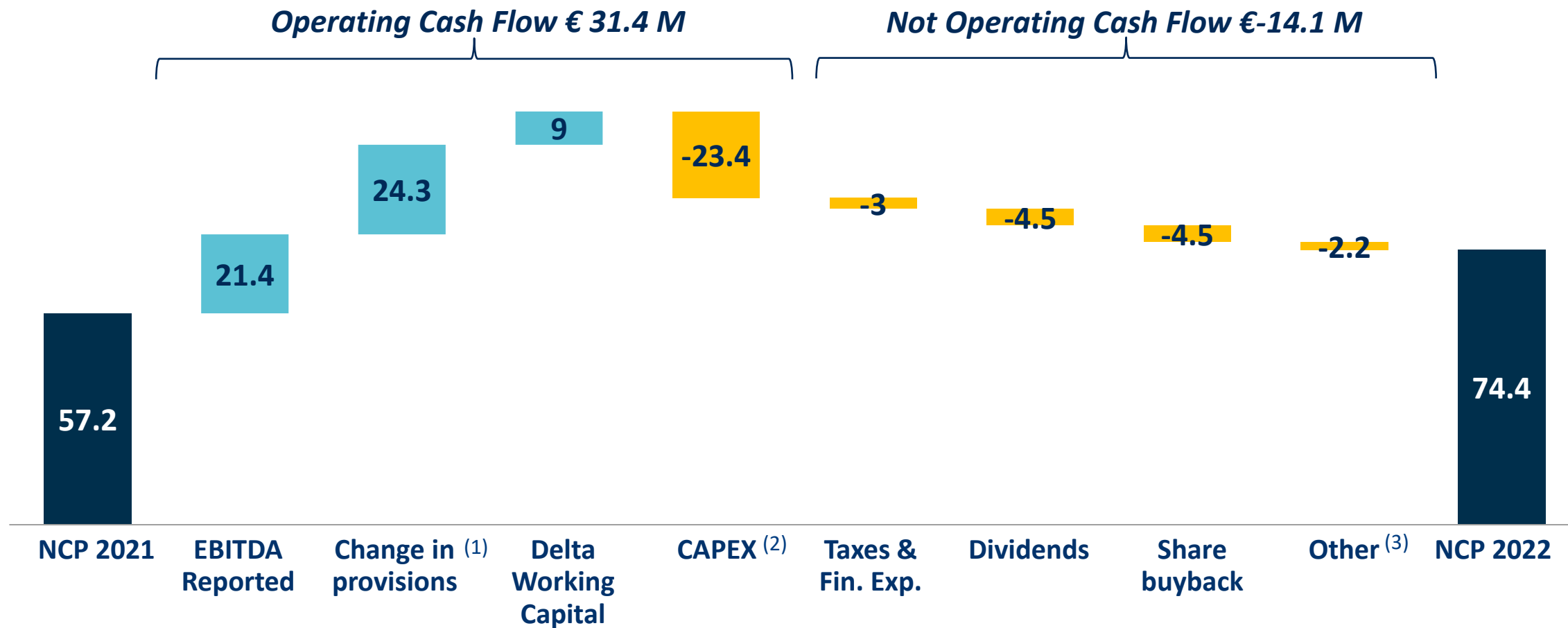
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Cash from new contracts contributes to negative working capital and strong financial structure, despite sustained level of capex

31 DEC 2021	MAIN SOURCES AND USES	31 DEC 2022	DELTA	Comments
€ - M		€ - M	€ - M	
(131,9)	WORKING CAPITAL	(140,9)	(9,0)	Working capital structurally negative with positive trend in 2022
(38,6)	PROVISIONS	(62,9)	(24,3)	Increase in provisions for extraordinary accruals for risks for Vega C Return to Flight activities (net of expected ESA compensations) and for the execution of future programs
79,4	DEFERRED TAX ASSETS	81,5	2,1	
61,0	GOODWILL	64,1	3,1	
30,6	CUSTOMER RELATIONSHIP ASSET	27,6	(3,0)	
246,2	FIXED ASSETS	257,4	11,2	Mainly for capex for P120 Vega cadence improvement and development of new launchers of Vega family, net of depreciation
6,4	FINANCIAL RECEIVABLES	2,0	(4,4)	
253,2	NET INVESTED CAPITAL	228,9	(24,3)	
57,2	NET CASH POSITION	74,4	17,2	Increase for cash from new contracts
(310,3)	EQUITY	(303,3)	7,0	Principally for dividends distributed in May 2022 (-€4.5M), share buy back (-€4.5M) and 2022 net income
(253,2)	TOTAL SOURCES	(229,0)	24,2	

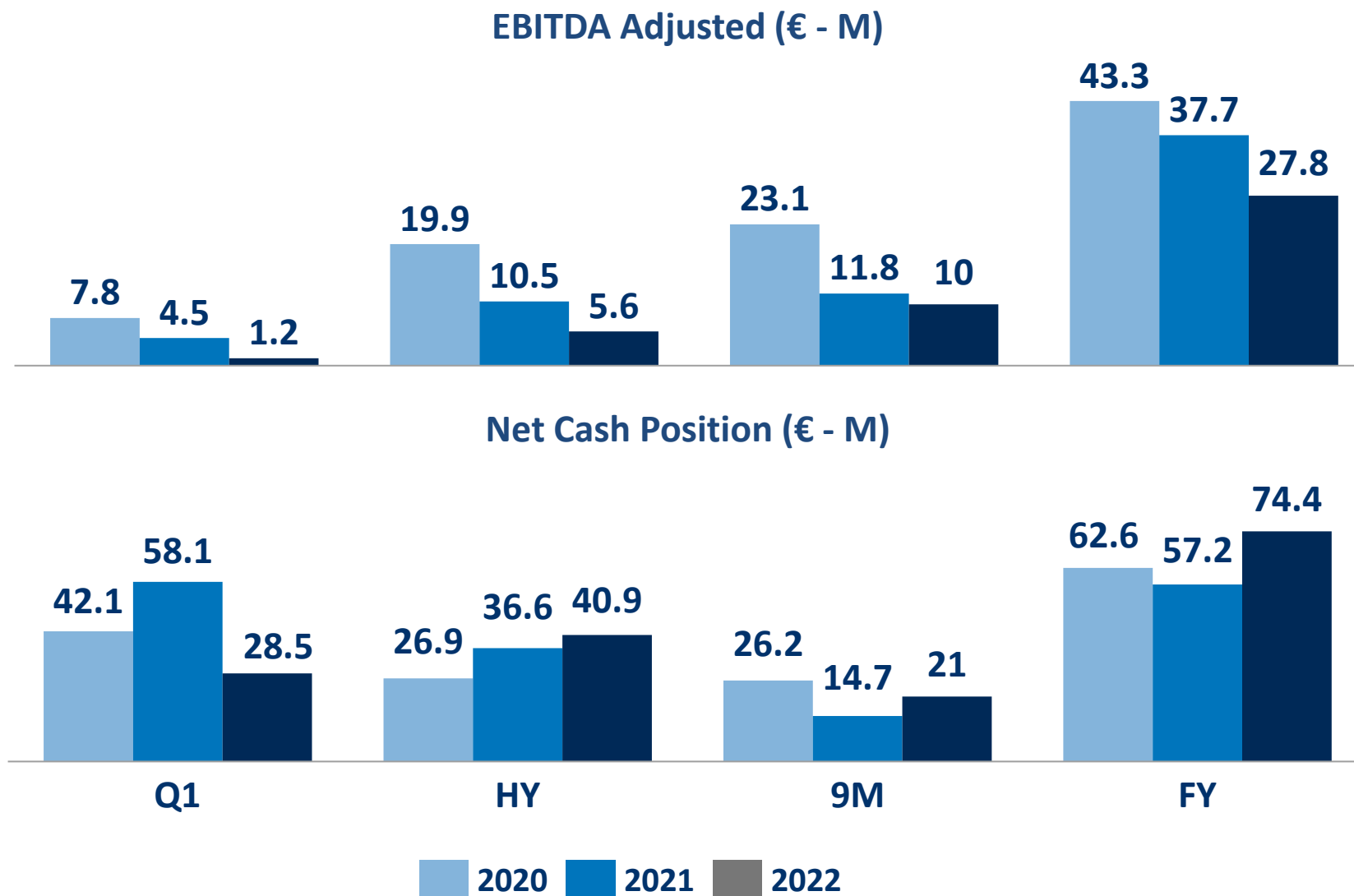
2021-2022 Net Cash Position bridge

Data in €-M



- (1) Increase in provisions for extraordinary accruals for risks for Vega C Return to Flight activities (net of expected ESA compensations) and for the execution of future programs
- (2) Net of P80 assets offset within settlement of Law 808/85 payables
- (3) Net effect from goodwill and other items

EBITDA and Cash generation heavily concentrated on Q4s



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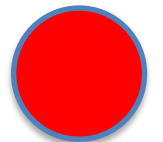
Avio : medium-term opportunities outweigh short-term challenges



Opportunities

- Vega C+/Vega E/Space Rider roadmap defined and funded at ESA MC 2022
- Vega backlog full until 2027
- Robust Ariane 6 flight backlog
- Defense business growing
- PNRR unique opportunity to strengthen product/technology base (STS, HTE) for competitiveness in the long term

Challenges



- P120 slower than expected ramp-up in 2023-24 due to Ariane 6 delay
- Vega C Return to flight post VV22 to slow down Vega production for 2023
- Energy prices and inflation volatility continues

FY 2023 Guidance

• Net Order Backlog	• €1,150M – €1,250M	}	• New orders expected for both development and production
			• ESA MC 2022 subscriptions and Italian PNRR contracts to turn into backlog
• Net Revenues	• €330M – €350M	}	• New development projects ramp-up (Vega E, Space Rider, VegaC+, liquid propulsion)
• EBITDA Reported	• €19M-25M	}	• Enduring impact of inflation and under-absorption of fixed costs due to reduced production
			• Estimated impact of 6M non-recurring costs*
• Net Income	• €2M - €6M	}	• Marginal effect of financial charges and taxation

Outlook beyond 2023



Increasing backlog and net cash position **support expectation for double-digit revenue growth in 2024-27**



Market **demand growing more than anticipated** (2X market growth by 2031) in both space launch and tactical propulsion – **full commercial backlog for Vega, Ariane and Aster**



Secured EU and ESA institutional funding support across the decade for both Ariane and Vega development and production support activities



PNRR (Next Gen EU) projects providing additional opportunity for **new strategic technologies and products** focus on **liquid propulsion** to open new markets



Further opportunities coming for **defense and tactical propulsion** systems due to the evolution of the geo-political situation



Improved scenario **for energy prices but still challenging for inflation**

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