



**PIAGGIO  
GROUP**

**Piaggio Group  
First Half of 2017 Financial Results**

Conference Call | July 28<sup>th</sup> 2017

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## Highlights (1/3)

### First half results

#### Improving demand trend in all key reference markets, apart from Light Commercial Vehicles in India

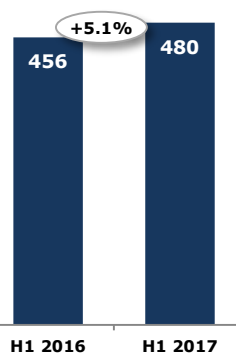
- Western Countries demand still slightly off PY, but sequentially improving across the semester:
  - European 2 Wheeler positive demand uptick in the latter end of the semester partially offset weak start to the year, thus confirming that, although bumpy, the long-awaited replacement cycle is well in place;
    - Scooter ended flat in Q2 after negative Q1 (~-5%) on the back of promising upswing in May and June (~+4.5%), as a result of dual speed market dynamic: 50cc up ~4% and over 50cc down ~3 %; Italy, France and Benelux all posting healthy growth still unable to fully counterbalance weak performance of other countries
    - Bikes ended down 1.5% on a challenging comparison base, but posting an encouraging upward trend at the end of the semester
  - North America still declining, although the negative trend softened as the semester progressed
- Asia Pacific posted mixed, but overall positive trends:
  - Vietnam positive demand dynamic accelerated throughout the semester, with scooters posting double-digit growth
  - Asia ex Vietnam posted positive demand trend, apart from Indonesia still slightly down
- India LCV demand still affected by several negative externalities:
  - 3 wheelers ended down ~ 25% reflecting diverging dynamics, with Cargo ending up ~ 7% while Pax declined ~ 30% reflecting an higher sensitivity to demonetization
  - Scooters ended up by ~ 10%, boosted by strong demand rebound in Q2 (~ +20%), thus confirming the segment long-lasting positive momentum

# Highlights (2/3)

## First half results

### Business Highlights

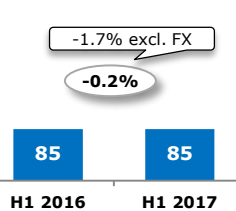
Western Countries: revenues (€m)



#### Western Countries: engine of growth in an improving market scenario

- Leadership in European 2 wheelers confirmed behind gain in Scooters (26.1%, +0.2 p.p. vs. PY), namely in the 50cc segment
- Europe 2 Wheelers volumes and revenues kept posting healthy growth mainly driven by Italy, Germany and the Netherlands
- North America good momentum strengthened across the semester, with volumes and revenues up double-digits behind healthy growth in Bikes
- Vespa performance stood out again, with volumes and revenues up double-digits across the board
- Strong performance of 50cc scooters, up ~20% both in volumes and revenues, bodes well for the remaining part of the year
- Average prices in line with PY, despite dilutive product mix effect

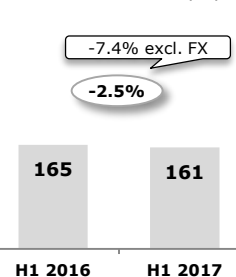
Asia Pac: revenues (€m)



#### Asia Pacific: improving performance in a tough competitive environment

- Vietnam performance on the mend, with volume and revenue slide halted in Q2
- Asia ex Vietnam relentless healthy growth confirmed, with Thailand and China being the bright spot with revenues surging ~ 60%
- Vespa strong momentum continued, with healthy growth in Vietnam and across the area
- Average regional prices kept above PY, also excluding FX effect

India: revenues (€m)



#### India: 3/4 Wheel still a drag, while good momentum in 2 Wheels strengthened

- 3 Wheel market share gain (~3 p.p.) unable to compensate for domestic and export demand drop
- 2 Wheels kept growing significantly above PY, mainly benefitting from Aprilia SR sales
- Average prices slightly below PY, due to Aprilia SR dilutive effect

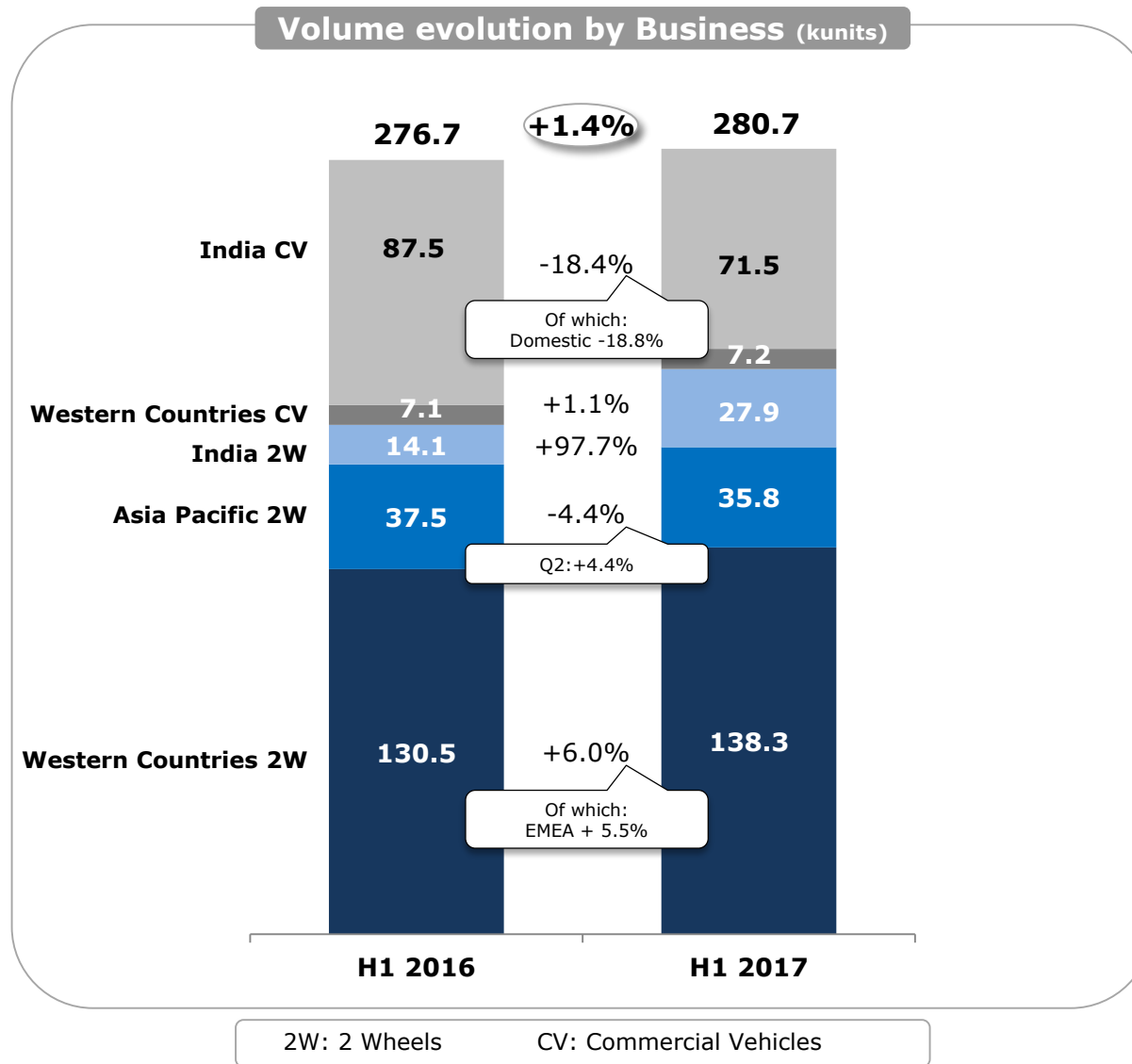
**Financial Highlights**

**H1 EBITDA margin @ 15.7%, the best performance to date**  
**Cash Flow generation of ~41€m, the best performance since 2008**

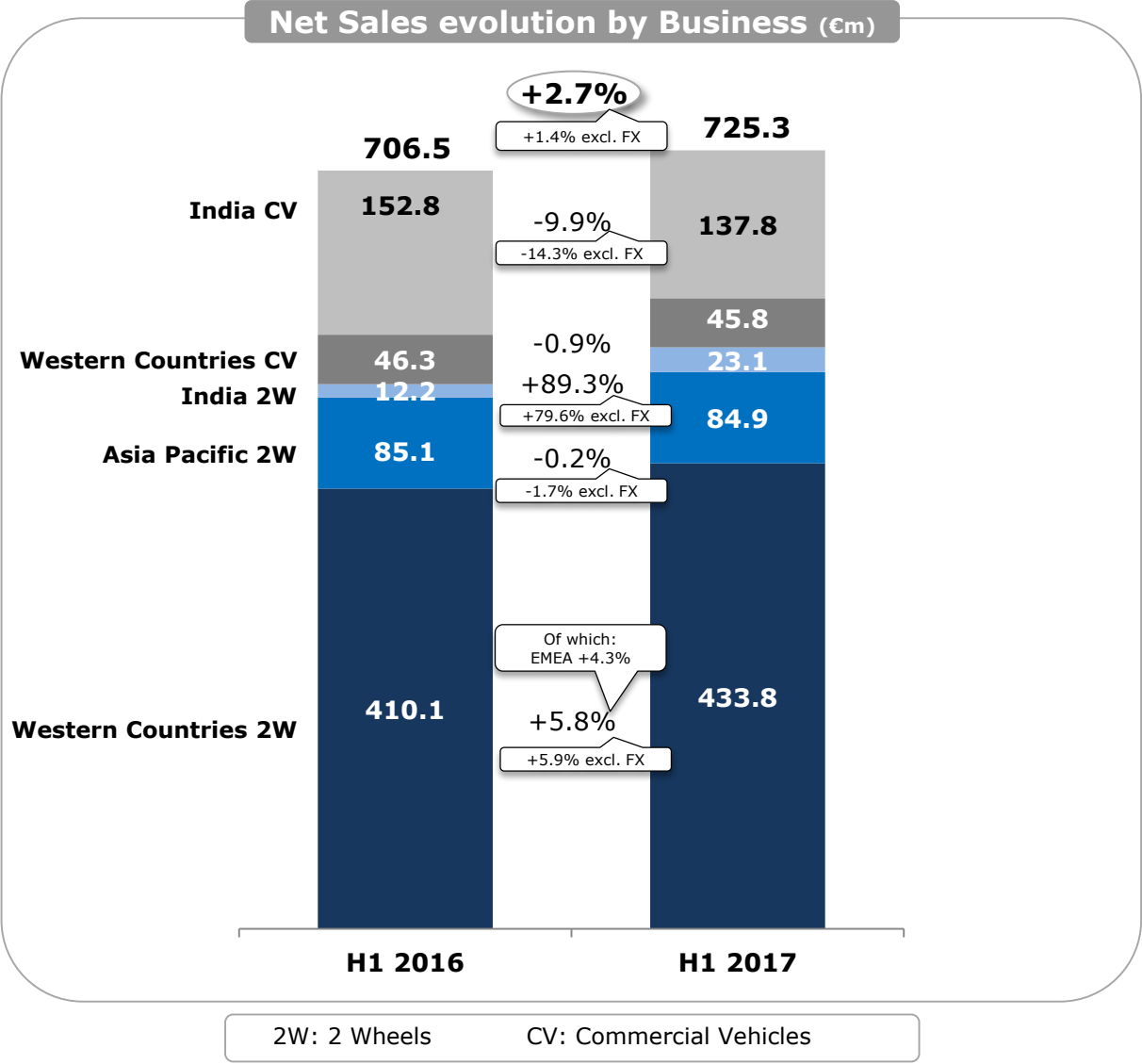
**Healthy performance, despite persisting demand headwinds in India, with all key financial metrics on the rise**

- **Net Sales up by ~19€m** (+2.7%; +1.4% at constant FX)
- **EBITDA up by ~13€m** (+12.3%; +12.1% at constant FX), **with ratio on net sales at 15.7%**
- **Net Profit up by ~3€m** (+17.4%)
  - **Gross Margin up by ~ 12€m**, with significant uplift of the ratio on Net Sales (31.4% vs. 30.6%) stemming from rigorous price discipline and enhanced efficiency on product costs
  - **Cash Opex below PY**, further proving the ability to curb SG&A despite higher marketing spending
  - **Total OpEx up** (+~6€m), resulting from higher D&A driven by prior years increased level of CapEx
  - **Tax rate at 42% vs. 40%**, reflecting different geographical mix
- **Capital Expenditures at ~39€m**, ~8 €m below prior year level, but consistent with FY target in the range 90-100 €m
- **Strong Cash Flow generation with the best performance since 2008** drove **Net Debt at 450€m**, ~30€m below June 2016 and ~41€m below December 2016

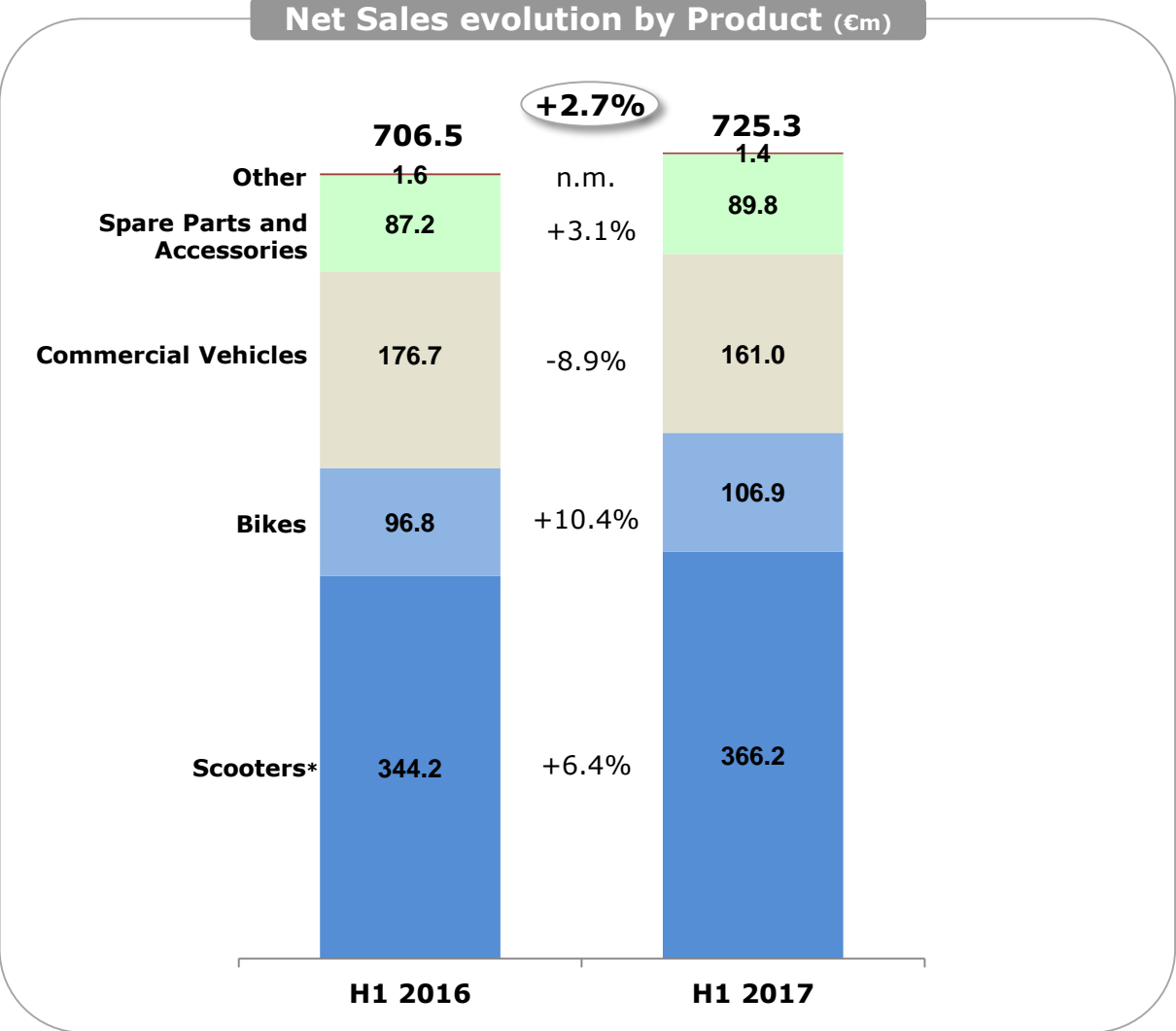
# Volumes ended slightly up vs. PY, behind healthy growth in Q2 in all areas apart from LCV India, ...



...driving Net Sales growth, which benefited also from positive price effect



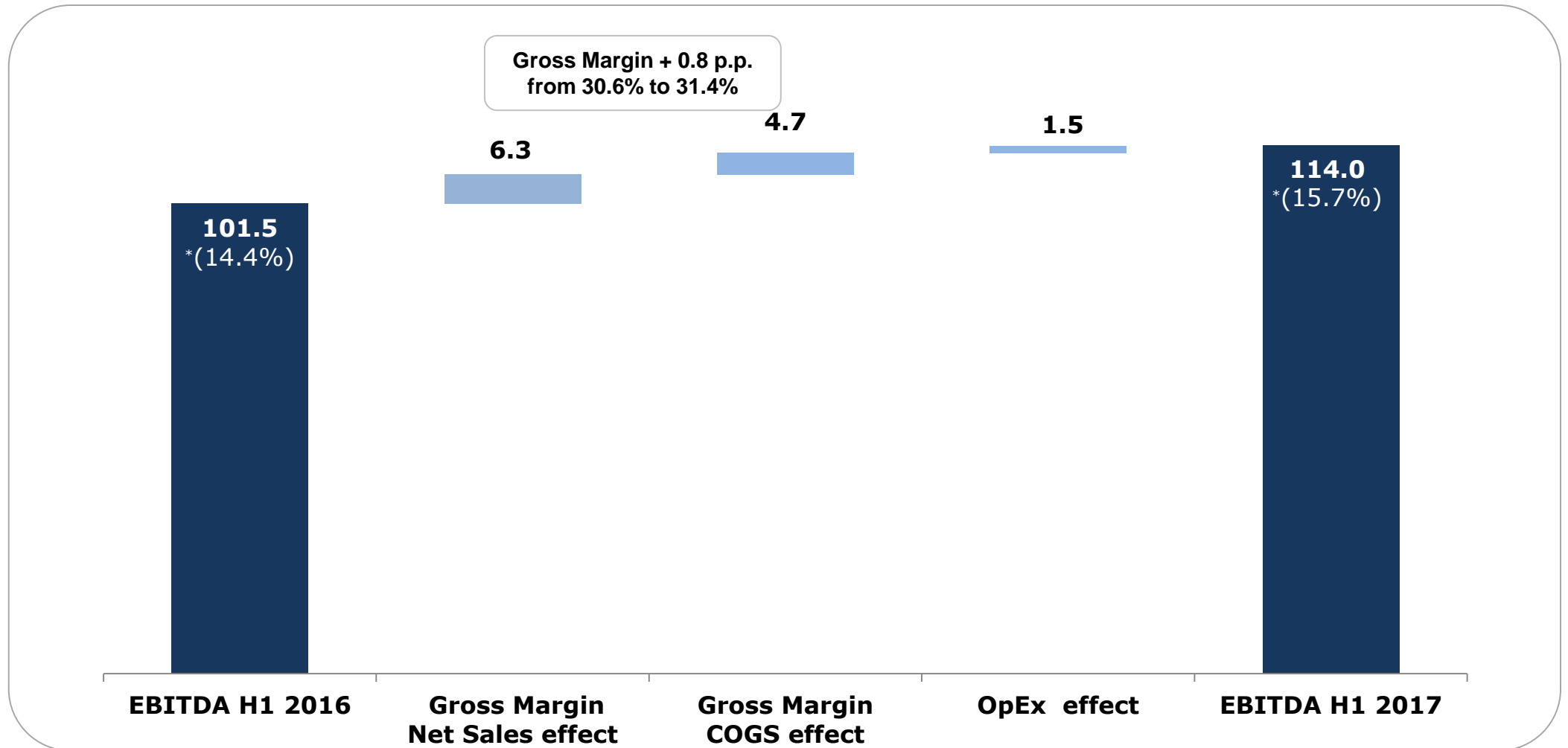
**Scooters revenue growth driven by Western Countries and India; noteworthy Vespa performance, with volumes and revenues on the rise in all geographic areas. Aprilia drove Bikes growth, on the back of bold contribution of RSV4 1000 and Tuono**



\* Include Wi-Bike

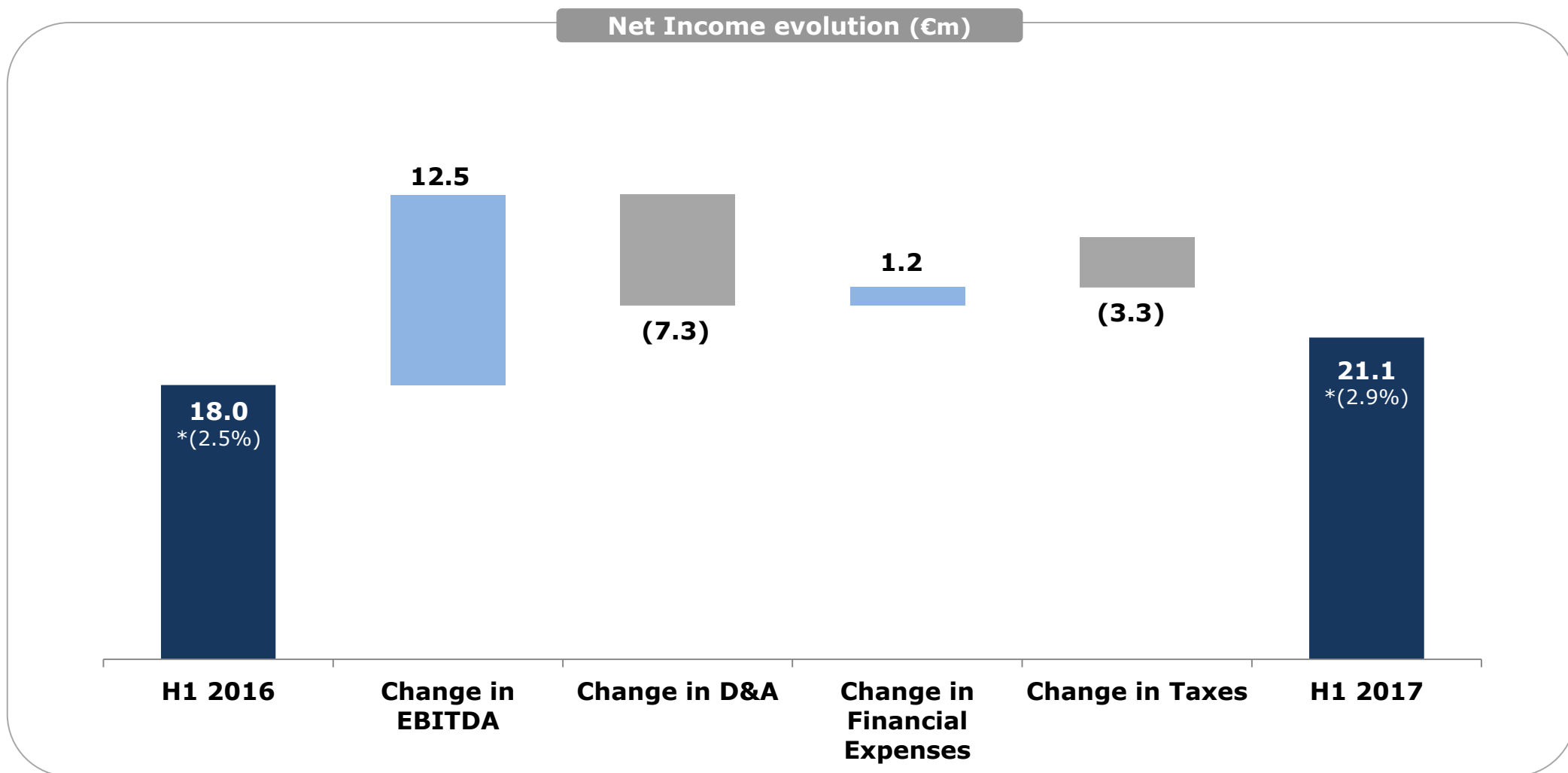


**Top line growth coupled with heightened product profitability and tight grip on Operating Expenses drove significant EBITDA uplift to 15.7 p.p. on Sales, the best performance in H1 to date, ...**



\* % on Net Sales

## ...and led Net Result well above prior year, despite significantly higher D&A and higher tax rate



\* % on Net Sales

## To sum up

### P&L (€m)

	2016	2017	Change 2017 vs. 2016		
			Absolute	%	% excl. FX(*)
<b>Net Sales</b>	<b>706.5</b>	<b>725.3</b>	<b>18.8</b>	<b>+2.7%</b>	<b>~ +1.4%</b>
<b>Gross Margin</b>	<b>216.4</b>	<b>227.9</b>	<b>11.5</b>	<b>+5.3%</b>	<b>~ +4.8%</b>
<i>% on Net Sales</i>	30.6%	31.4%	+0.8%		
<b>EBITDA</b>	<b>101.5</b>	<b>114.0</b>	<b>12.5</b>	<b>+12.3%</b>	<b>~ +12.1%</b>
<i>% on Net Sales</i>	14.4%	15.7%	1.4%		
Depreciation	(53.7)	(61.0)	(7.3)	+13.6%	
<b>EBIT</b>	<b>47.8</b>	<b>53.0</b>	<b>5.2</b>	<b>+10.9%</b>	
<i>% on Net Sales</i>	6.8%	7.3%	0.5%		
Financial Expenses	(17.7)	(16.5)	1.2	-6.9%	
<b>Income before tax</b>	<b>30.0</b>	<b>36.5</b>	<b>6.4</b>	<b>+21.4%</b>	
Tax	(12.0)	(15.3)	(3.3)	+27.5%	
<b>Net Income</b>	<b>18.0</b>	<b>21.1</b>	<b>3.1</b>	<b>+17.4%</b>	
<i>% on Net Sales</i>	2.5%	2.9%	0.4%		

### NFP (€m)

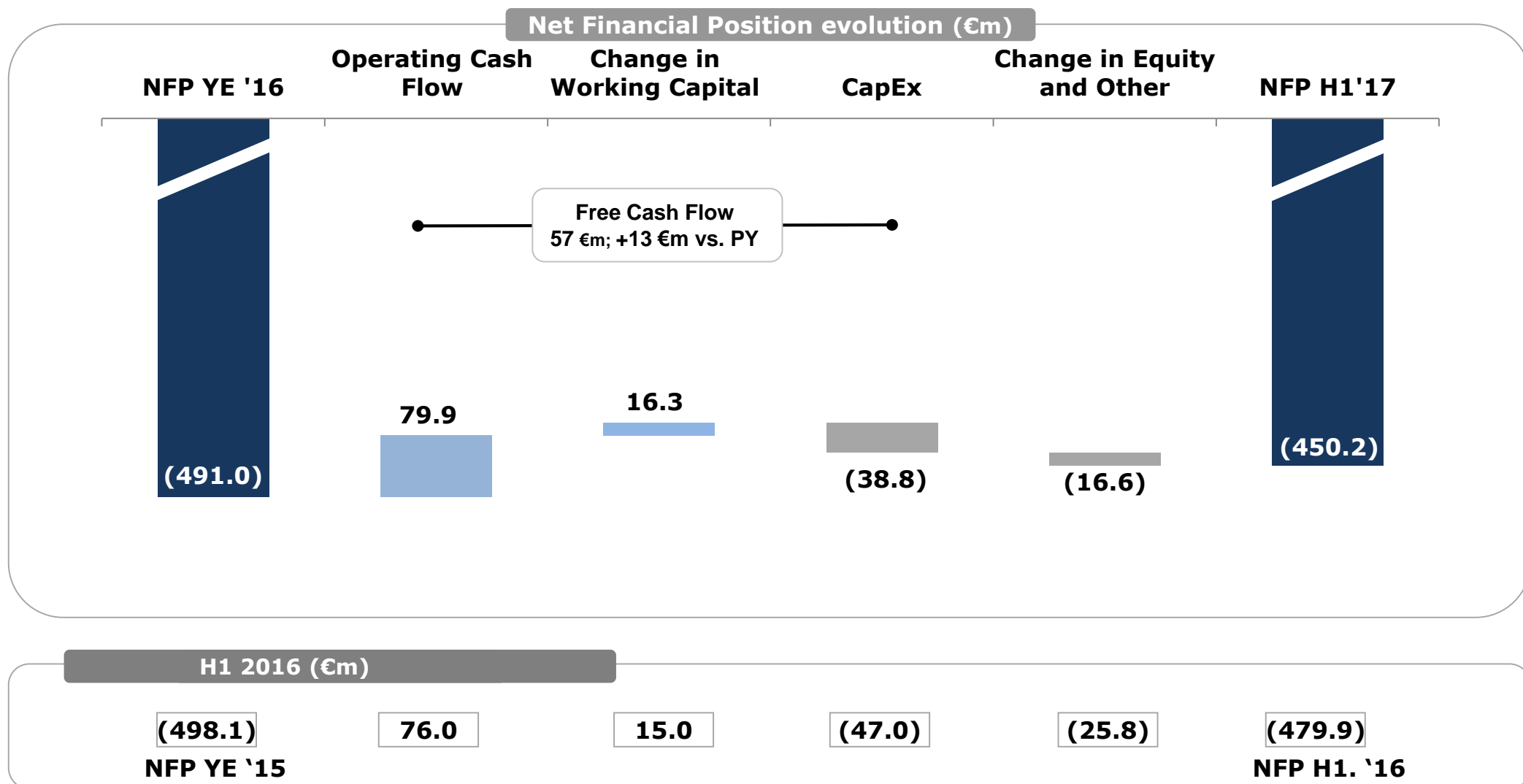
	30.06.2016	30.06.2017	Change
<b>NFP</b>	<b>(479.9)</b>	<b>(450.2)</b>	<b>29.7</b>

### Cash Flow (€m)

	H1 2016	H1 2017	Change
<b>Cash Flow</b>	<b>18.2</b>	<b>40.8</b>	<b>+22.6</b>

(\*) Figures at constant exchange rates are management estimates calculated using the average exchange rates for the corresponding period in the previous year

## Strong Cash Flow generation drove NFP well below H1 and PY level



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