



The Clean Air Group  
Driving the Future

## Strategic Plan 2018-2022 Investor presentation

*Reggio Emilia, September 2017*

## Landi Renzo Group highlights

### History

Founded in 1954

### Evolution

Grew organically and through M&A

### HQ

Headquarter in Reggio Emilia

### Product leadership

Among the world leaders in CNG and LPG fuel systems

### Global presence

Wide-spread presence worldwide both in OEM and AM

### People

More than 760 employees worldwide








### Offices

14 branch offices in 12 countries

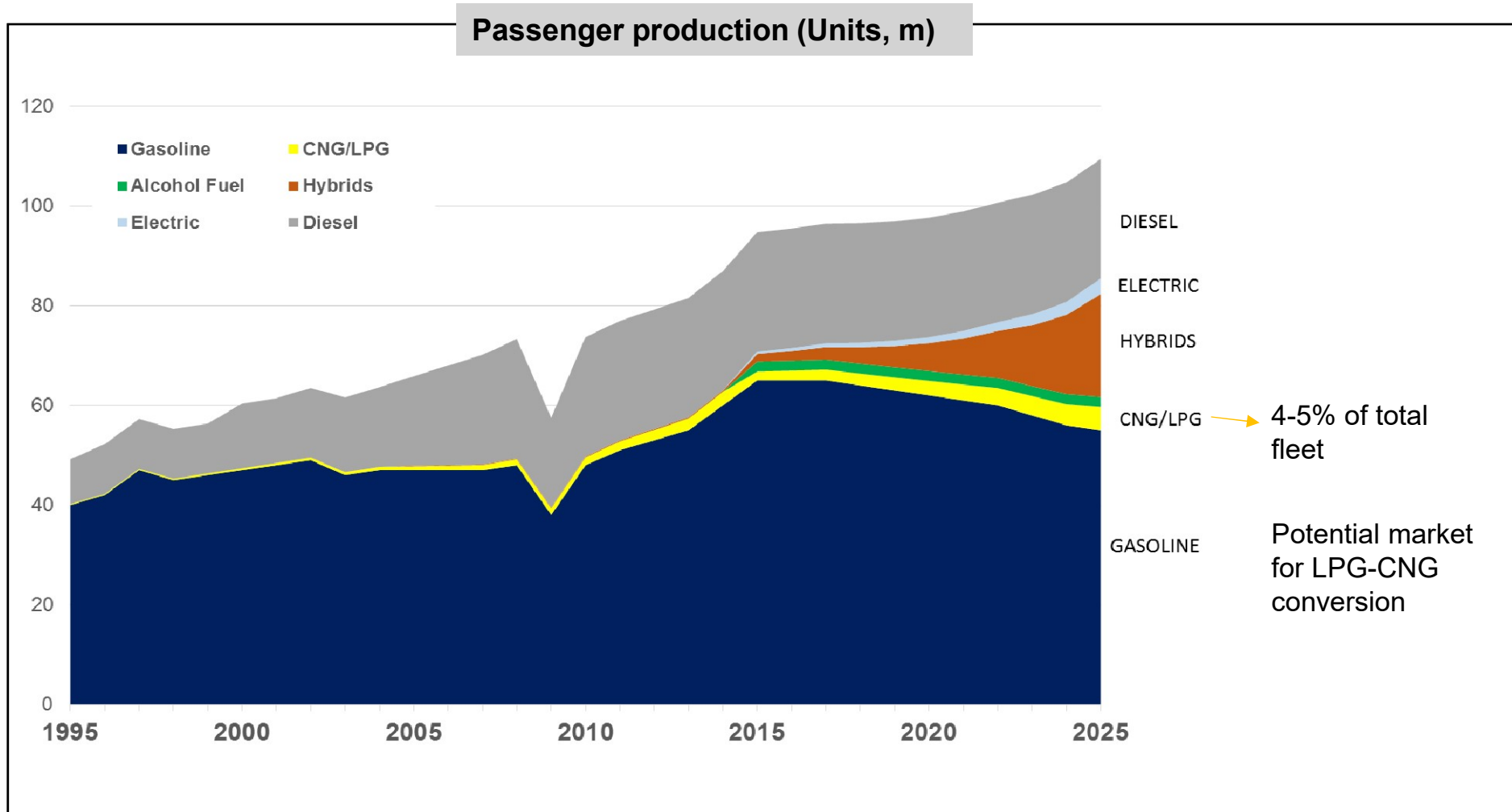
### Listing

Stock exchange listing in 2007 (MTA Star segment)

## Landi Renzo Group structure

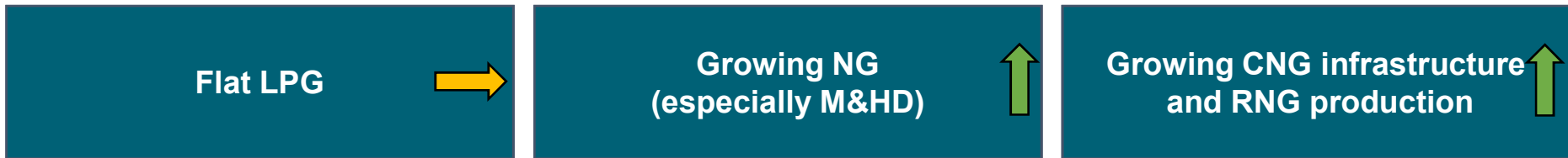
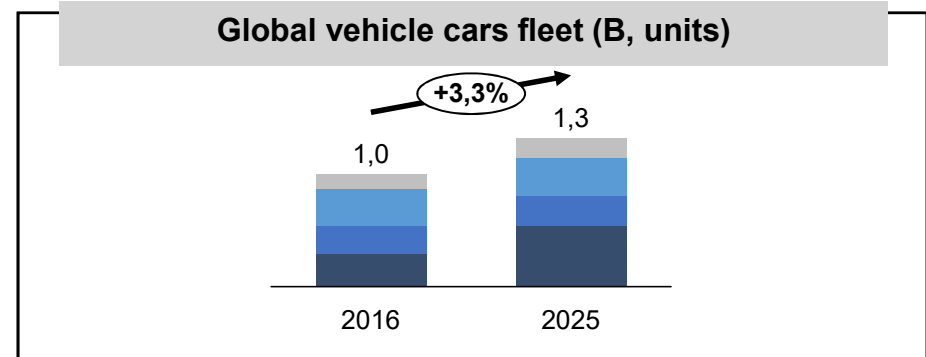
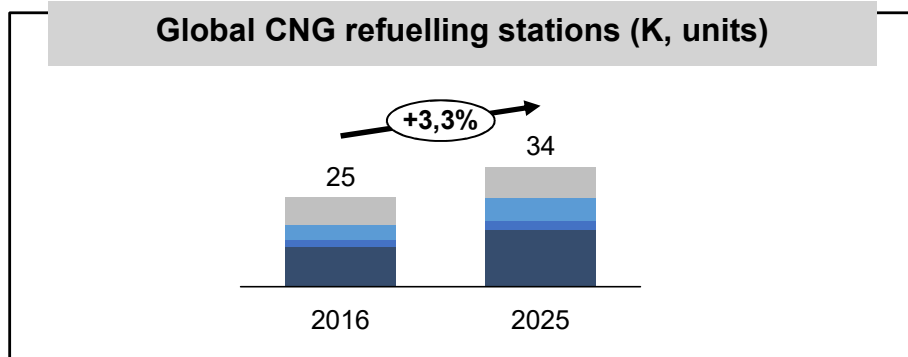
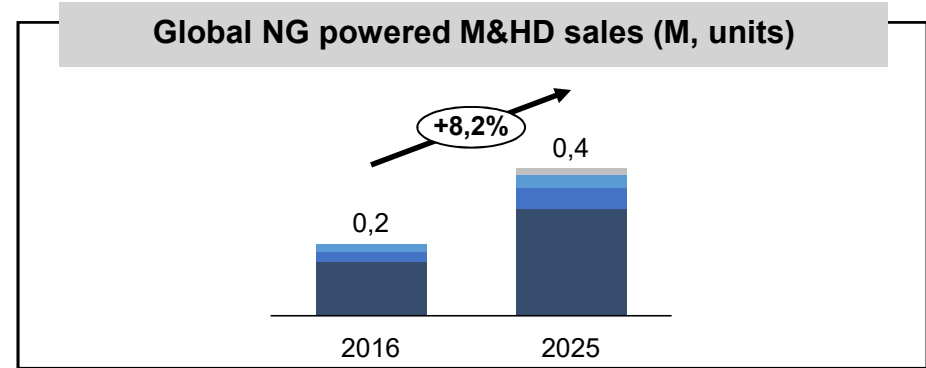
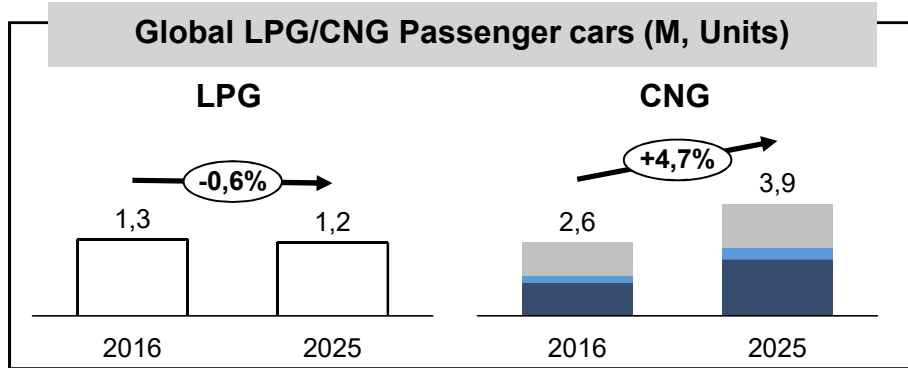
Automotive sector		Gas Distribution and Compressed Natural Gas Sector	Sound Sector
OEM	After Market		
	   		
<ul style="list-style-type: none"> <li>• Full LPG systems</li> <li>• LPG, CNG and LNG components</li> </ul>	<ul style="list-style-type: none"> <li>• Full LPG conversion kits</li> <li>• Components and systems for CNG and LPG conversion equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Equipment for CNG/RNG distribution stations and infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Professional loudspeakers</li> </ul>
<p>~80% of group revenues</p>		<p>~14% of group revenues</p>	<p>Non-core</p>

# The future is not only electric: CNG/LPG vehicles will keep an important role, especially in emerging markets



# The overall growth of reference markets will sustain Landi Renzo Group across all business lines

■ Asia ■ N. Am ■ Europe ■ Row □ Global



## Landi Renzo Group's Mission is a concrete journey to make few and very important concepts real

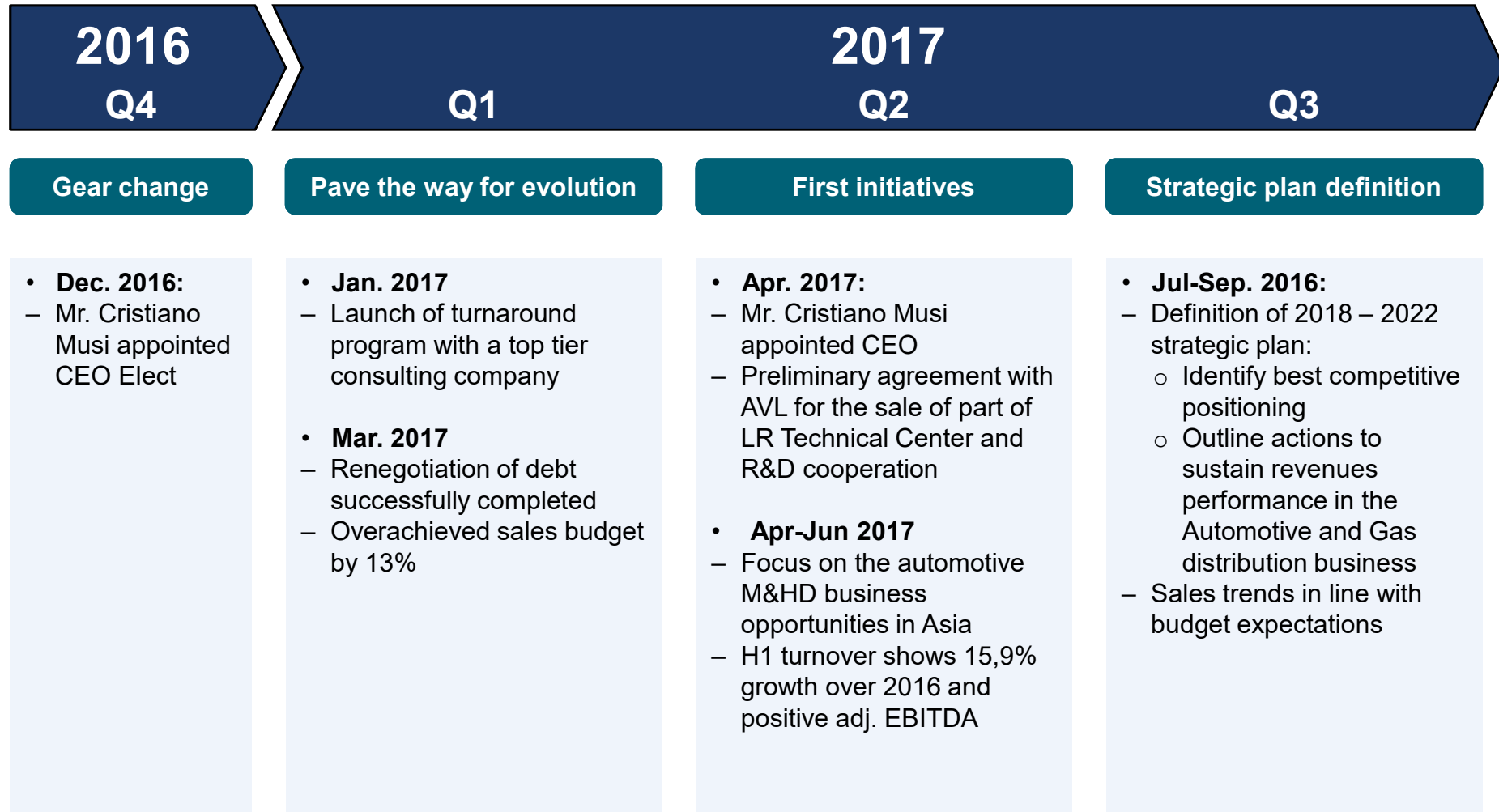


**Building a cleaner world by designing and promoting highly advanced integrated solutions from “well to engine”, being excellent when making it real**

### Our Mission

- **Lead the market** by inspiration with the most **innovative technology solutions** that provide maximum benefit to our customers and to the environment
- Ensure the **success of our customers** by offering high quality and top performing solutions (and being always able to **anticipate and listen their needs**)
- Encourage and foster a **culture of team-working, respect and integrity** and work with determination to achieve excellent results always focusing on **continuous improvement**
- **Partner with our Stakeholders** and promote a **culture of trust and collaboration** to achieve top performance results and create shared value

## At the beginning of 2017 LRG has undertaken a structured turnaround and re-launch project, which will be completed by mid 2018



## The long term vision is translated into an actionable strategic plan

### Long Term Mission and Vision

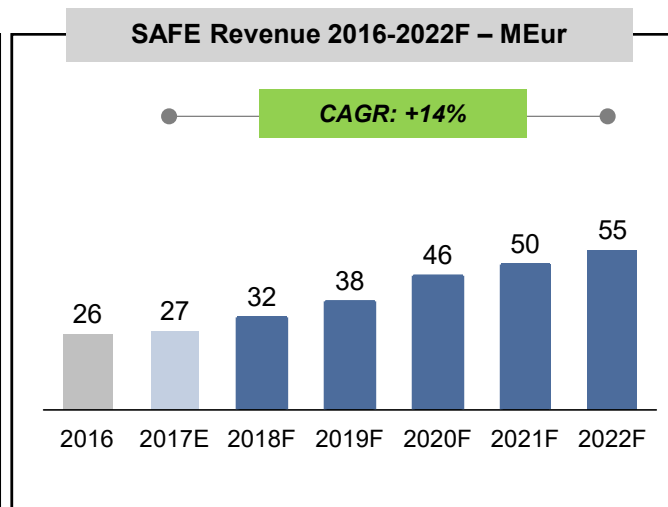
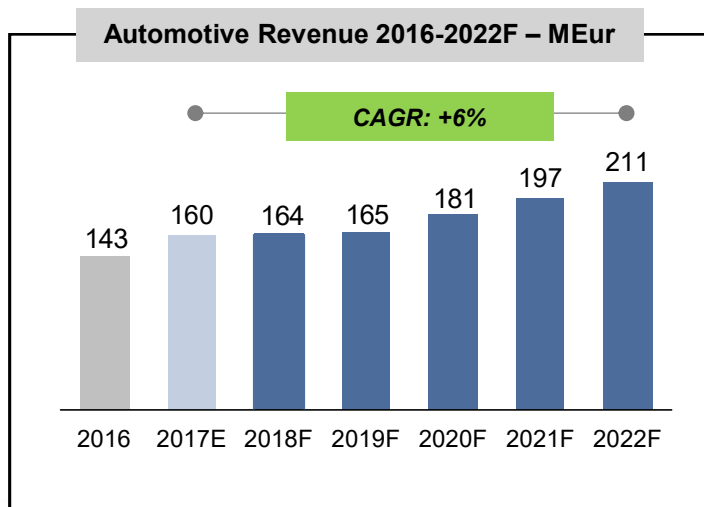
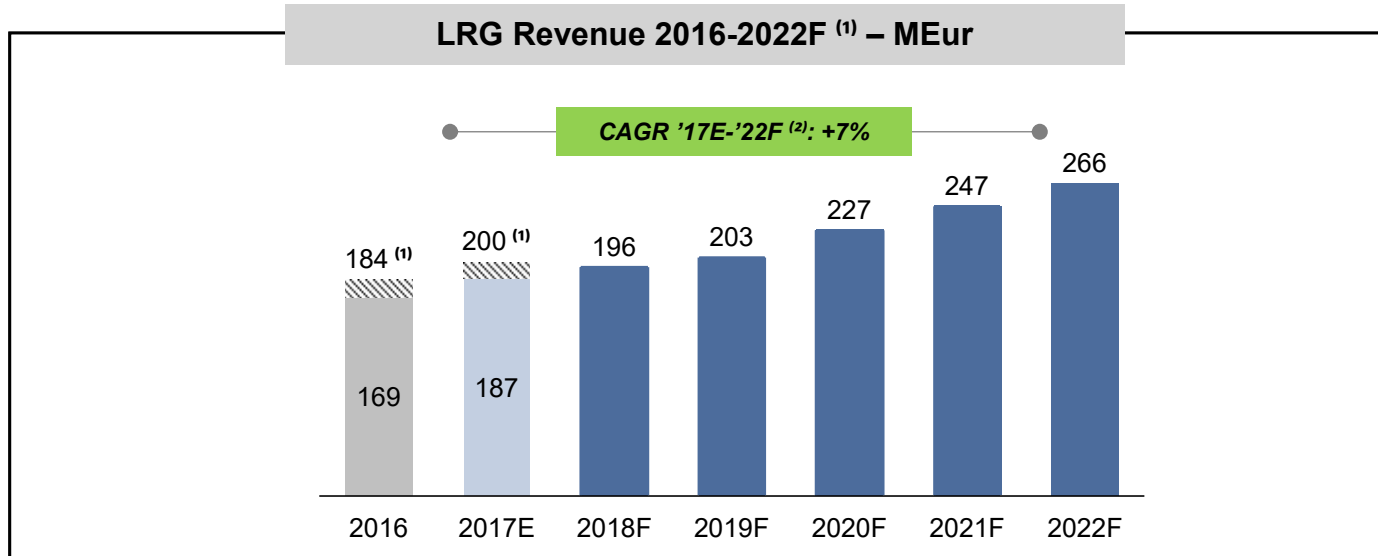
- To **be a leader in growing segments** \_ CNG Passenger Cars and especially Mid & Heavy Duty Vehicles \_ leveraging current leadership in LPG systems for both OEM and AM markets
- AFV global market new demand trends and changed conditions shape Landi Renzo Group long term mission and vision for the coming years
- Position **SAFE as a worldwide leader** in the covered market segment, also linked to growth of SAFE potential market world-wide

### Landi Renzo Group 2018 – 2022 Strategic Plan

- **Landi Renzo Group 2018 – 2022 Strategic Plan** sets the Company's **goals** in the next 5 years:
  - **Focus on core business** activities, new market opportunities (growing geographies and segments) and Product Innovation
  - Resume **value creation** for its shareholders and employees
  - **Attract new highly skilled resources** to foster innovation and build long-term competitive advantage



# Growing at a CAGR of 7% to 266MEur revenues, LRG plan to capture the opportunities offered by the market, expanding into new segments

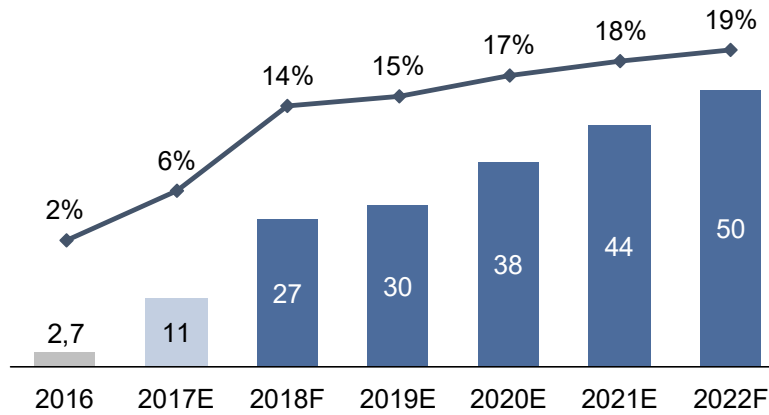


- **Sustained development** of CNG and LNG products, especially for M&HD vehicles
- **Penetration of the growing M&HD** segment
- **Consolidate AM** leadership position, through geographical expansion
- **Consistent growth of SAFE**, with turnover almost doubling over plan period

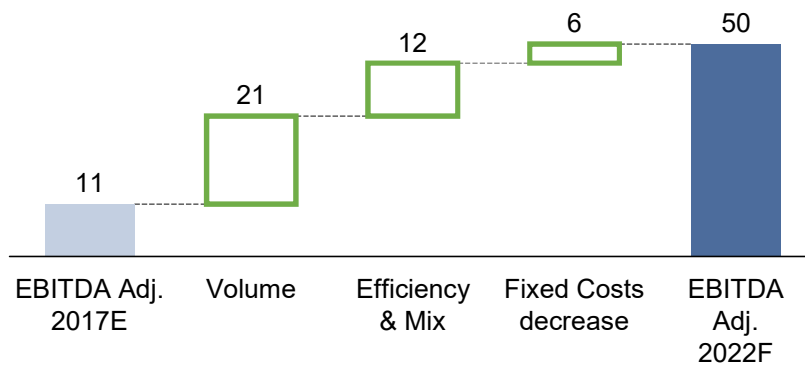
(1) Revenue Profile 2016 and 2017E include Sound business unit  
 (2) CAGR '17E-'22F does not include Sound 2017E revenue

# Revenue growth, change in product mix and operational improvement will lead to an Adjusted EBITDA of 50MEur by 2022

LRG Adj. EBITDA evolution 2016-2022F – MEur



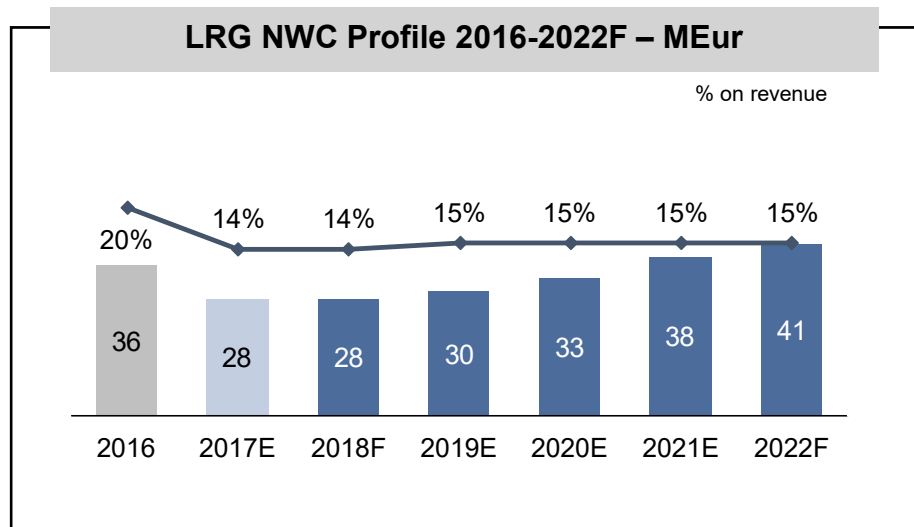
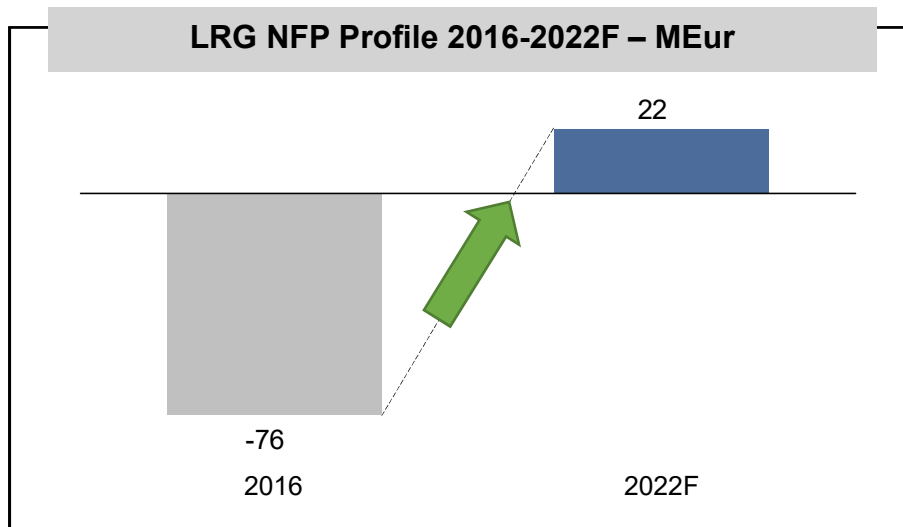
LRG Adj. EBITDA walk 2017E-2022F – MEur



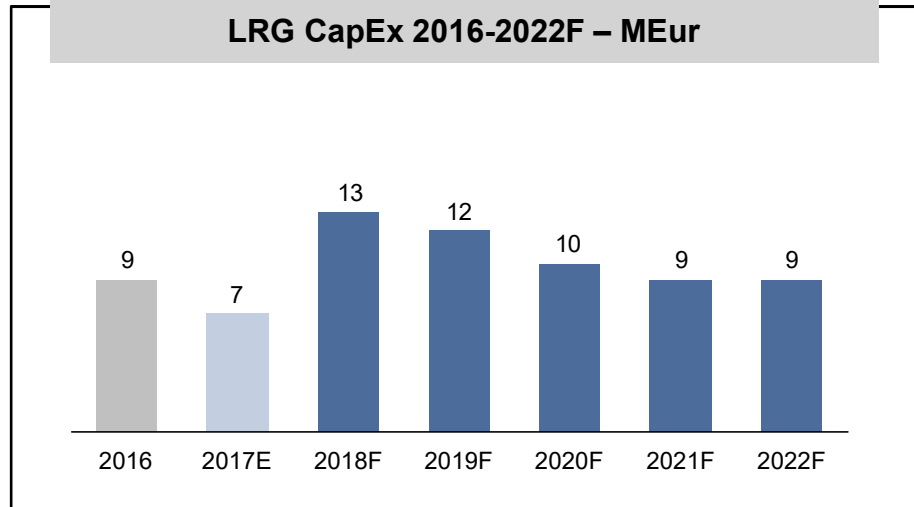
- **Adjusted EBITDA margin** increases from 6% expected in 2017 to 19% in 2022 thanks to:
  - **volume growth**
  - **change of product mix**, especially in the Automotive business (M&HD)
  - **savings and efficiencies** obtained within the “Excellence project”

**Adj. EBITDA growth of ~39 MEur over the plan period**

# Following the EBITDA improvement, Landi Renzo Group will turn cash positive in 2021 – net cash position of 22MEur in 2022



- **Net Financial Position (NFP)** back to positive in 2022
- **NFP overall increase of 98 MEur** (including March 2017 equity injection of 8,9 MEur)
- **Cumulated free cash flow** totalling 84MEur over the plan period to repay LRG debt
- **NWC stable at 15%** on revenues over the plan period



## The strategic plan centers on business development, using dismissal of non-core assets to finance growth

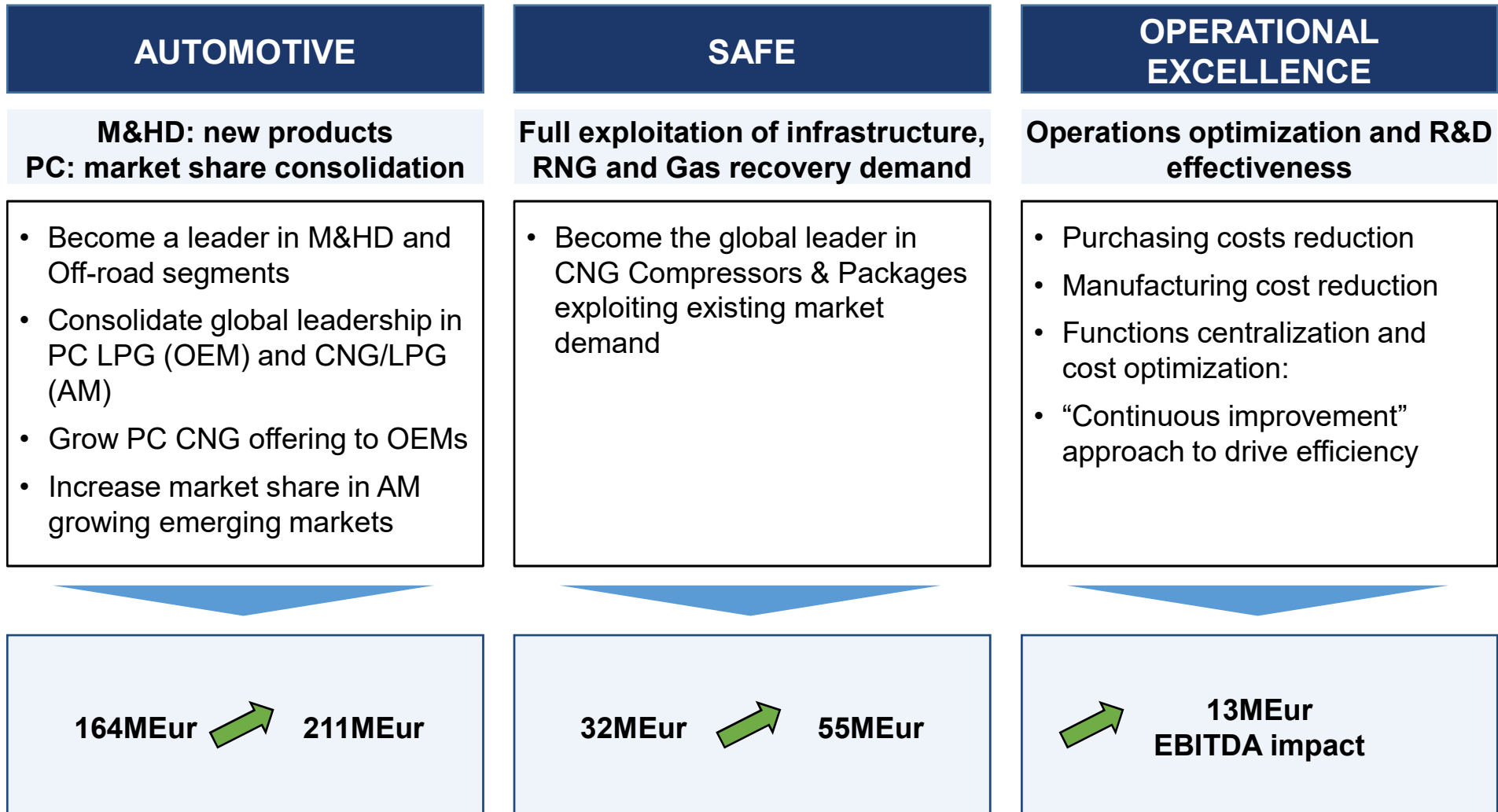


- Automotive Sector and SAFE to become the **core business** focus for 2018 – 2022
- **Restructure Automotive Sector Companies** to achieve:
  - Efficiency improvement
  - Product portfolio innovation
  - Sales effectiveness improvement
- **Relaunch** Infrastructure Business (**SAFE**)

- **Dismission of non core activities (18Sound and Med)** to finance:
  - Core Businesses restructuring and re-launch
  - Automotive Sector Companies product portfolio innovation to close gaps in high demand market segments (Heavy Duty and CNG for Passenger Car)

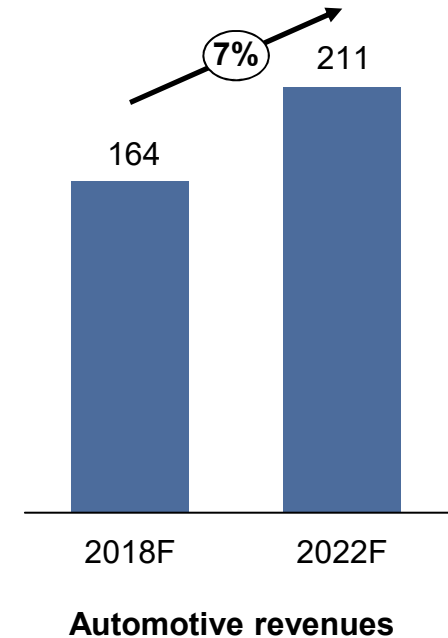
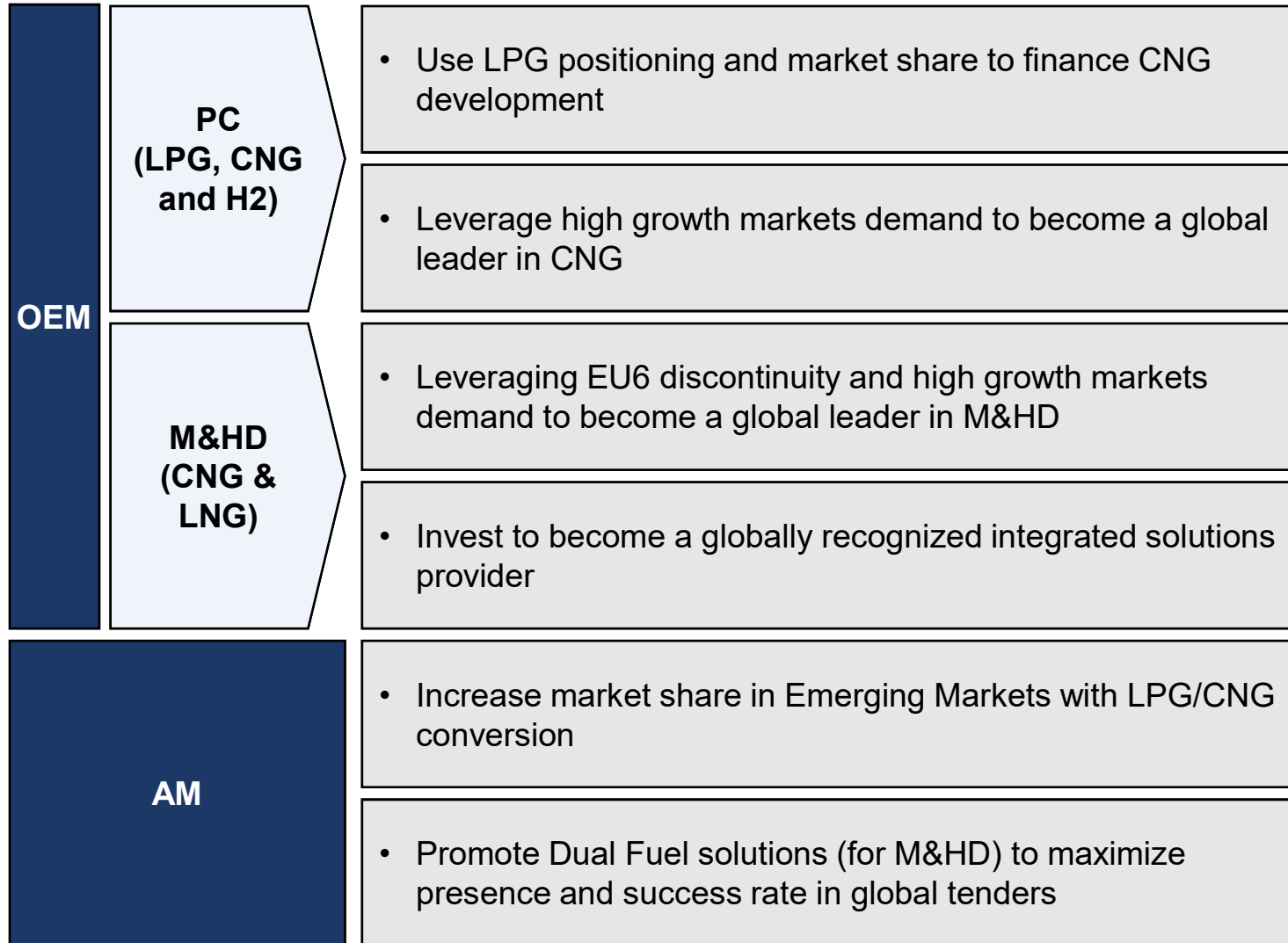


## The 2018 – 2022 Strategic Plan development is funded on 3 pillars





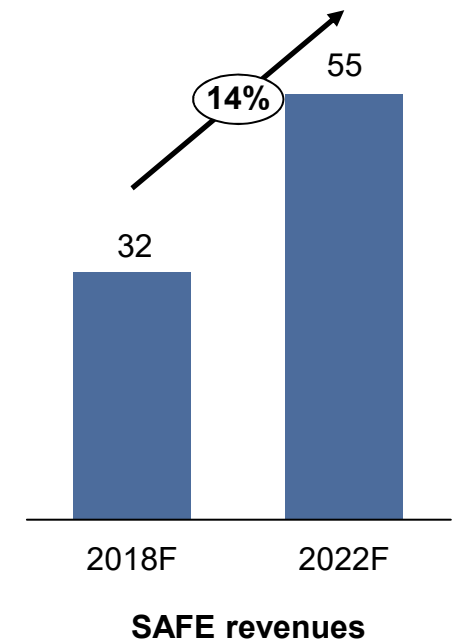
# Defend current position, invest in product development and grow into new segments





## Increase market share through a focused commercial strategy and product optimization

<p>1 <b>CNG Compressors &amp; Packages</b></p>	<ul style="list-style-type: none"> <li>• <b>Become market leader</b> with <b>market share up to 7%</b>, exploiting <b>brand reputation</b></li> <li>• <b>Standardize</b> product components &amp; processes</li> <li>• <b>Diversify and expand product offering:</b> (1) tailor made turnkey solutions (2) ready-made products (3) dispensing equipment</li> </ul>
<p>2 <b>RNG Components &amp; System</b></p>	<ul style="list-style-type: none"> <li>• Explore <b>partnership opportunities</b> with upgrading specialists</li> <li>• <b>Proactively</b> approach market opportunities becoming a key reference player</li> <li>• Upon request, offer <b>complete solutions</b> from upgrade to compression and dispensing</li> </ul>
<p>3 <b>Gas Recovery</b></p>	<ul style="list-style-type: none"> <li>• <b>Tactical approach</b> to the market, serving Medium sized EPC and Small and medium Oil companies</li> <li>• Limit commercial investments</li> <li>• Already existing broad product portfolio &amp; system</li> </ul>



**Expand after sales & spare part offering and leveraging the installed compressor base**



## Operational excellence targets 13MEur savings per annum



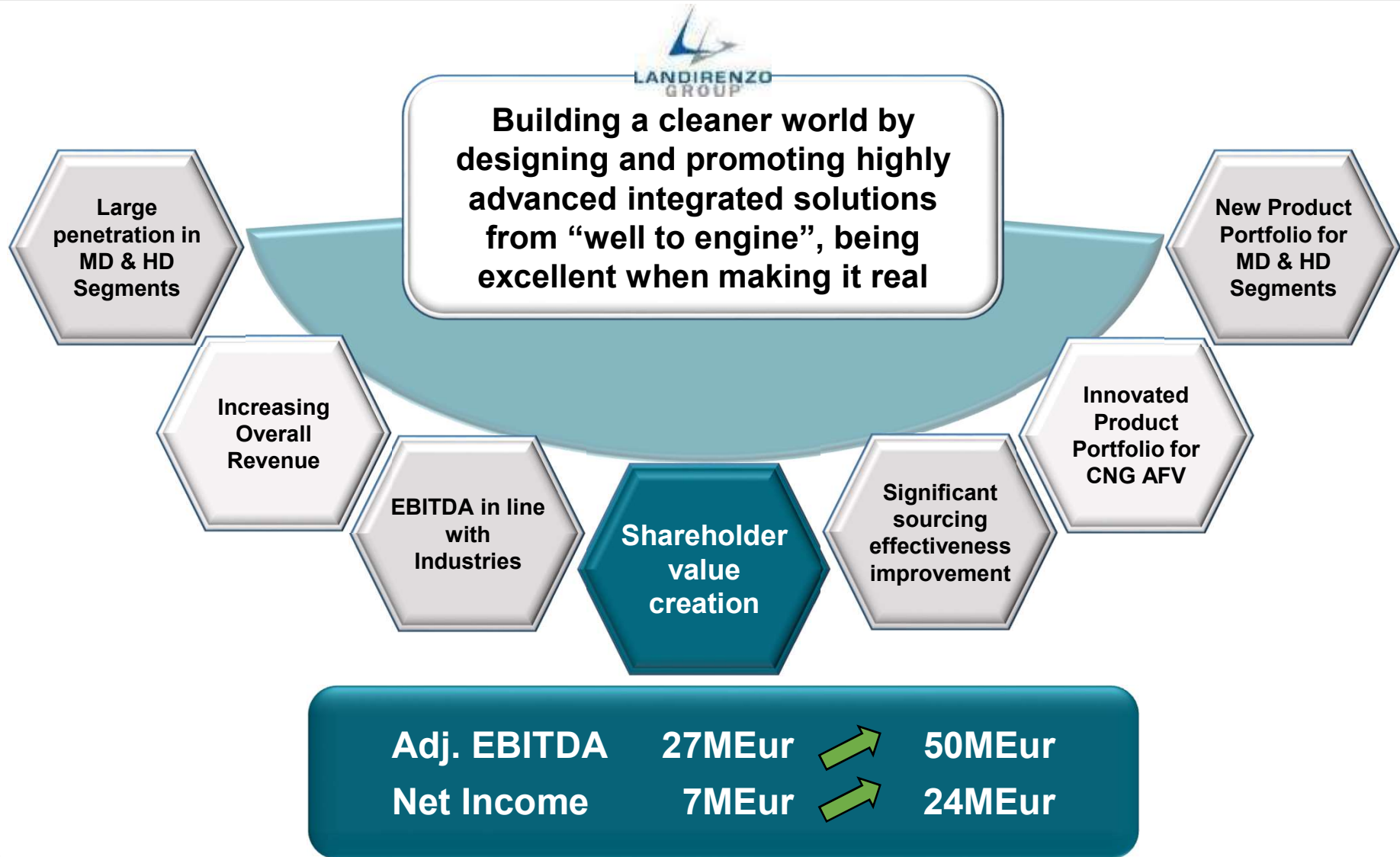




# Disinvestment Strategies are finalized to make LRG focus on core businesses and finance turnaround and product Innovation

<p><b>Disinvestment Overall Strategies</b></p>	<ul style="list-style-type: none"> <li>• LRG today owns companies in “non core” and “non functional” businesses</li> <li>• Release resources to accelerate Turnaround and Product Innovation processes making LRG financial position sustainable along the journey</li> </ul>
<p><b>Professional Loudspeakers</b></p> 	<p><b>Activity to be completed by end of 2017</b></p> <ul style="list-style-type: none"> <li>• Completed turnaround program of 18Sound</li> <li>• The company is now ready for a new phase of business development and growth that needs additional financial resources</li> <li>• To speed up company growth, LRG has started a sale processes with already identified potential buyers</li> </ul>
<p><b>Others</b></p> 	<p><b>Activities to be completed by end of 2018</b></p> <ul style="list-style-type: none"> <li>• <b>Med - Antitheft</b> and other products (additives, lubricants, ..) – Prepare the business unit to be sold in 2018</li> <li>• <b>LRG building in China</b> – LRG directly owns a facility in Beijing currently leased to a third party. The facility will be sold in 2018 (negotiation ongoing)</li> </ul>

# 2018 – 2022 Strategic Plan expected solid economical and financial results ensure value creation for all our stakeholders



## Landi Renzo Group economics and financial targets

		<u>2018F</u>	<u>2022F</u>
<b>Turnover</b>	<ul style="list-style-type: none"> <li>Group turnover growing with a <b>CAGR of 8%</b> over the five year plan period</li> </ul>	<b>€196M</b>	<b>€266M</b>
	<ul style="list-style-type: none"> <li><b>Automotive Sector</b> growth (CAGR: 6%) driven by expansion into new segment (M&amp;HD) and markets</li> </ul>	<b>€164M</b>	<b>€211M</b>
	<ul style="list-style-type: none"> <li><b>SAFE</b> revenues (<b>CAGR: 14%</b>) leveraging on market penetration</li> </ul>	<b>€32M</b>	<b>€55M</b>
<b>Adjusted EBIDTA<sup>(1)</sup></b>	<ul style="list-style-type: none"> <li>LRG <b>Adj. EBIDTA</b> growing from <b>14% to 19% over revenues</b></li> </ul>	<b>€27M</b>	<b>€50M</b>
<b>EBT</b>	<ul style="list-style-type: none"> <li>Positive starting from 2018 (still negative in 2017)</li> <li>EBT growing up to <b>13% over revenues</b> at the end of the plan</li> </ul>	<b>€10M</b>	<b>€35M</b>
<b>Cash Flow</b>	<ul style="list-style-type: none"> <li><b>Cumulated free cash flow</b> totalling €84M over the plan period, to repay LRG debt and <b>finance growth</b>, including sale of non-core asset</li> </ul>	<b>Cum. FCF 84M</b>	

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