

# FY2017 Results Presentation

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Rome, 15 March 2018





**Group Overview**

*Chief Executive Officer*

**2017 Results and Outlook**

*Chief Financial Officer*

# Outstanding achievement signed yesterday

- > € 3 bn helicopters deal for Qatar
- 28 NH90 (12 NFH and 16 TTH)
- Leonardo will act as prime contractor
- Key milestone for military helicopters
- International boost for our world class business



*...strongly committed to strengthen business approach*

# Back to sustainable profitable growth

- New 5 years Industrial Plan launched
- Confident about the opportunity for Leonardo
- We are going to set this business up to win
- Sustainable financial strategy
- Proposed dividend payment: 14 €/cents per share

*...fully committed to execute this plan*

# 2017 Results in line with revised Guidance

*2018 planting the seeds for growth*

		<i>FY2017 Revised Guidance</i>	<i>FY2017 Results</i>		<i>FY2018E (as presented in January)</i>
<b>New orders</b>	€ bn	11.3 – 11.7*	11.6	✓	12.5 – 13.0
<b>Revenues</b>	€ bn	11.5 – 12.0	11.5	✓	11.5 – 12.0
<b>EBITA</b>	€ mln	1,050 – 1,100	1,066	✓	1,075 – 1,125
<b>FOCF</b>	€ mln	500 – 600	537	✓	ca.100
<b>Group Net Debt</b>	€ bn	ca. 2.6**	2.6	✓	ca. 2.6

\*As of January, to take into account the postponement of C27J export contracts

\*\*Including the effect of US bond buy back

# Clear priorities set

*Doing the right things for the long-term*

*Return to top-line growth*

ca. **70**bn

2018-2022  
cumulated orders

**5%-6%**

5 yr. Revenue  
CAGR

*Strict cost control,  
reinvested in growth*

ca. **€200**mln

Annualised savings  
identified

ca. **80%**

Reinvested in  
competitiveness &  
capability

*Sustainable improvement  
in profitability*

ca. **10%**

ROS by 2020

**8%-10%**

5yr EBITA CAGR

*Focus on cash and a  
stronger capital structure*

ca. **50%**

Avg. 2015-2018 CF Conversion;  
Accelerating FOCF from 2020

**Investment  
grade**

Credit rating

*...2018 planting the seeds for growth*

# How to achieve double digit profitability by 2020

## Helicopters



- ↑ **Increasing volumes**
- ↑ Maturity of AW169 and AW189
- ↑ Specific issues addressed

RoS: Significant step up

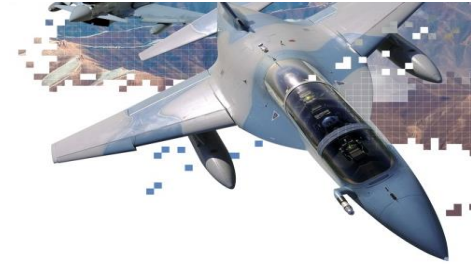
## Electronics, Defence & Security Systems



- ↑ **Increasing volumes**
- ↑ Strong backlog
- ↑ DRS momentum
- ↓ Mix of activities

RoS: Remain strong

## Aeronautics



- ↑ **Increasing volumes**
- ↑ Strong Aircraft performance
- ↓ Normalised ATR (strong 2016)
- ↓ Aerostructures

RoS: Stable

*...benefits of operating leverage and cost control across all businesses*



**Group Overview**

*Chief Executive Officer*

**2017 Results and Outlook**

*Chief Financial Officer*



# Key messages

*Entering a new phase: back to growth*



2017 in line with revised Guidance



2018 planting the seeds for growth

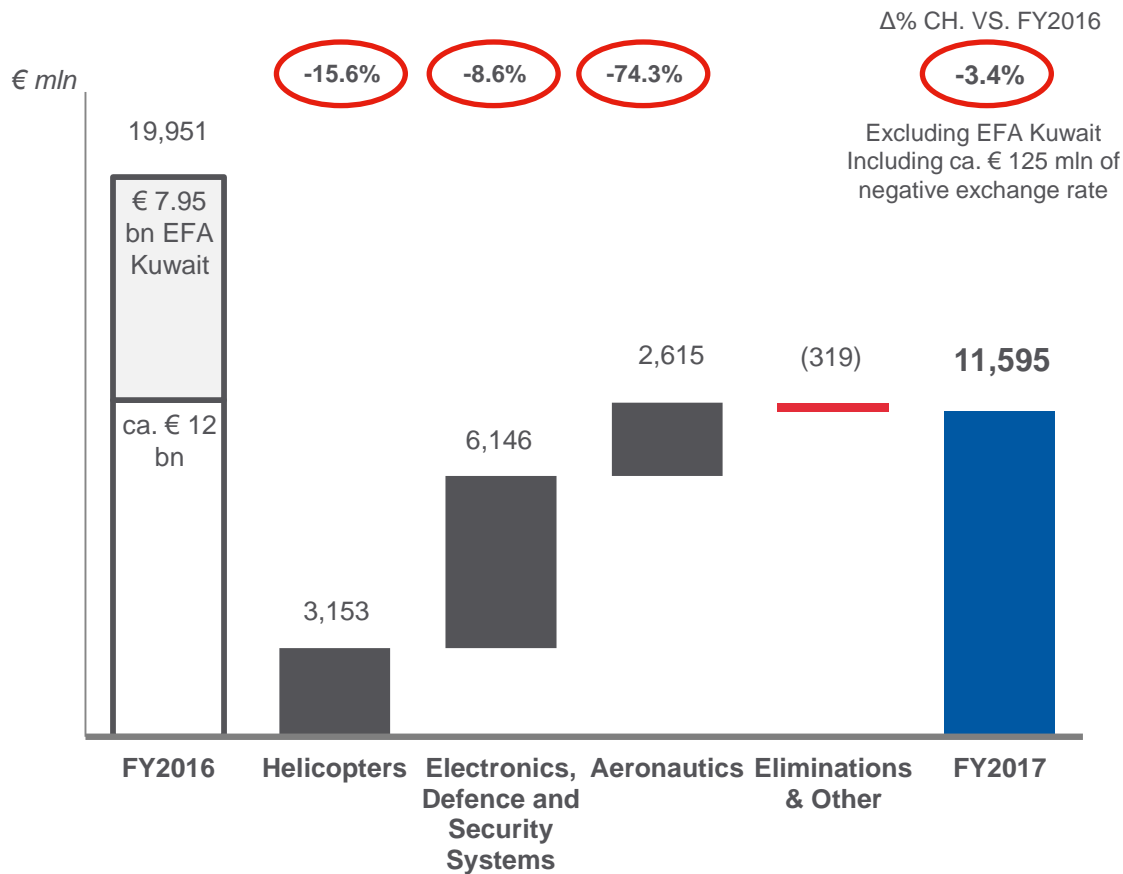


Fully focused on Industrial Plan execution

# Order intake

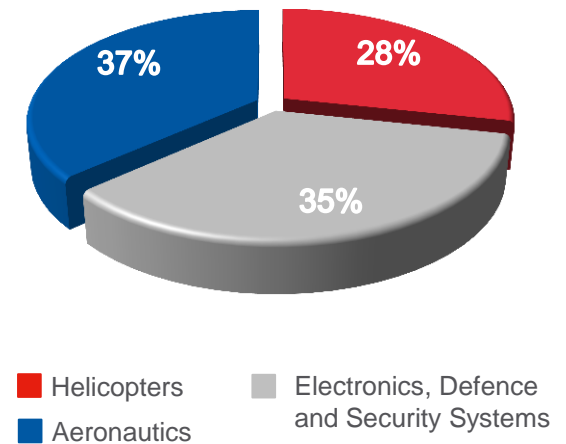
*Book to bill at 1x; Building and exploiting our backlog is the foundation of future growth*

## NEW ORDERS



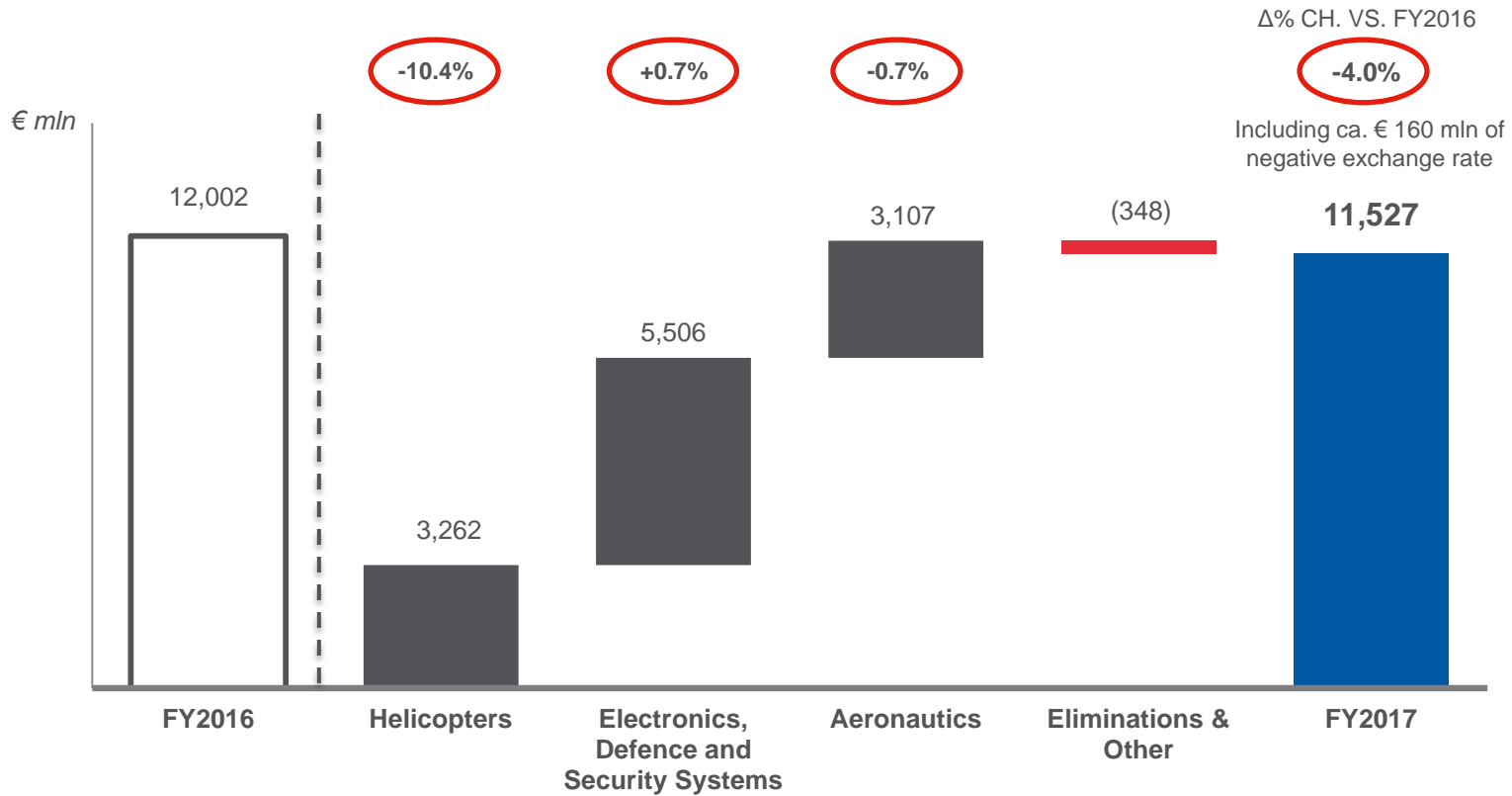
## ORDER BACKLOG

FY2017 ca. € 33.6 bn



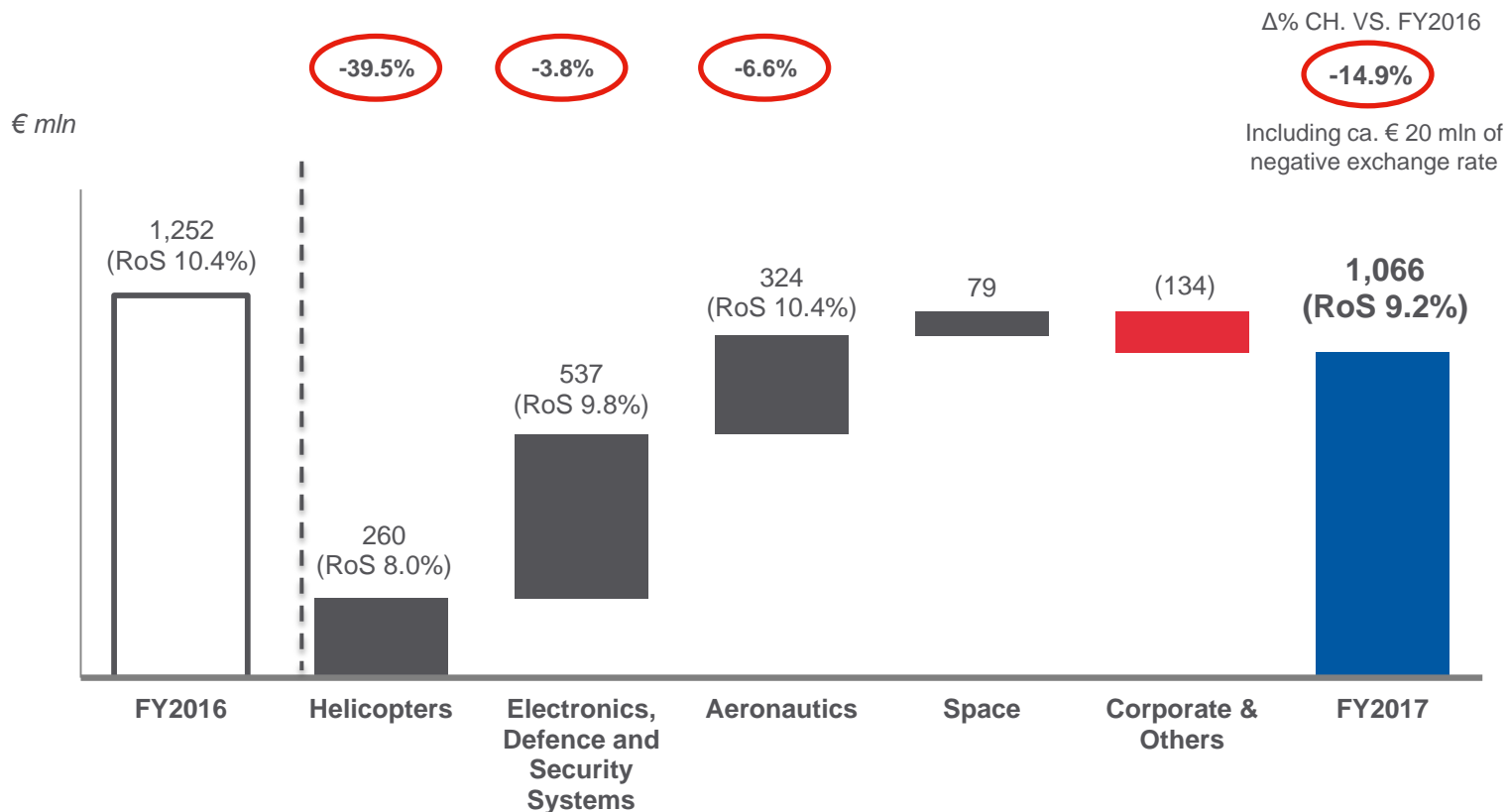
# Revenues

*Broadly stable despite Helicopters softness*



# EBITA and Profitability

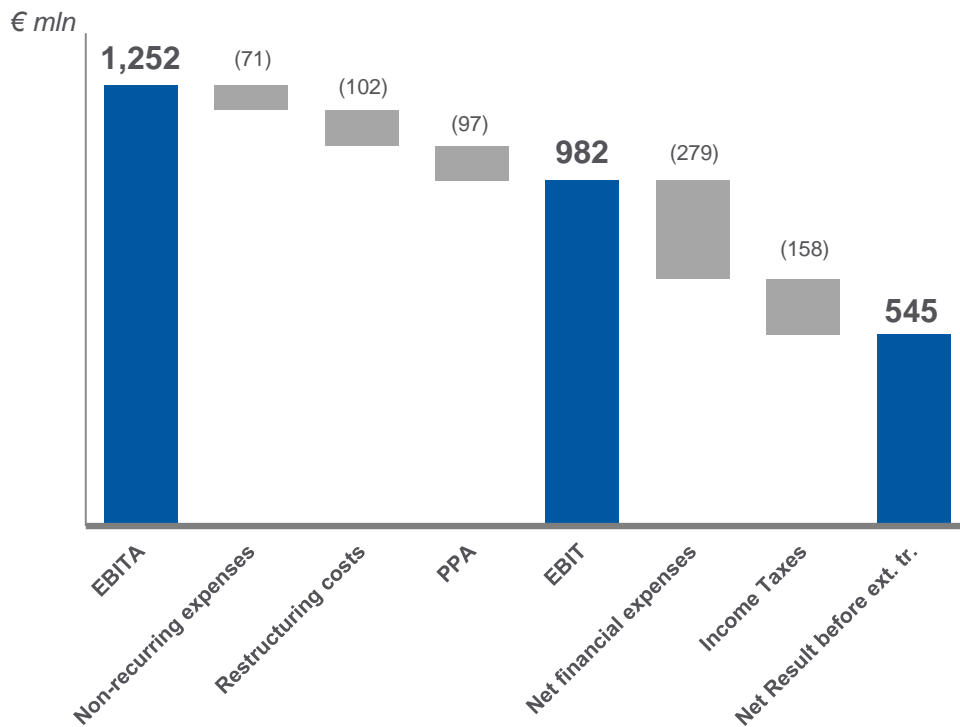
2017 mainly influenced by Helicopters short-term performance



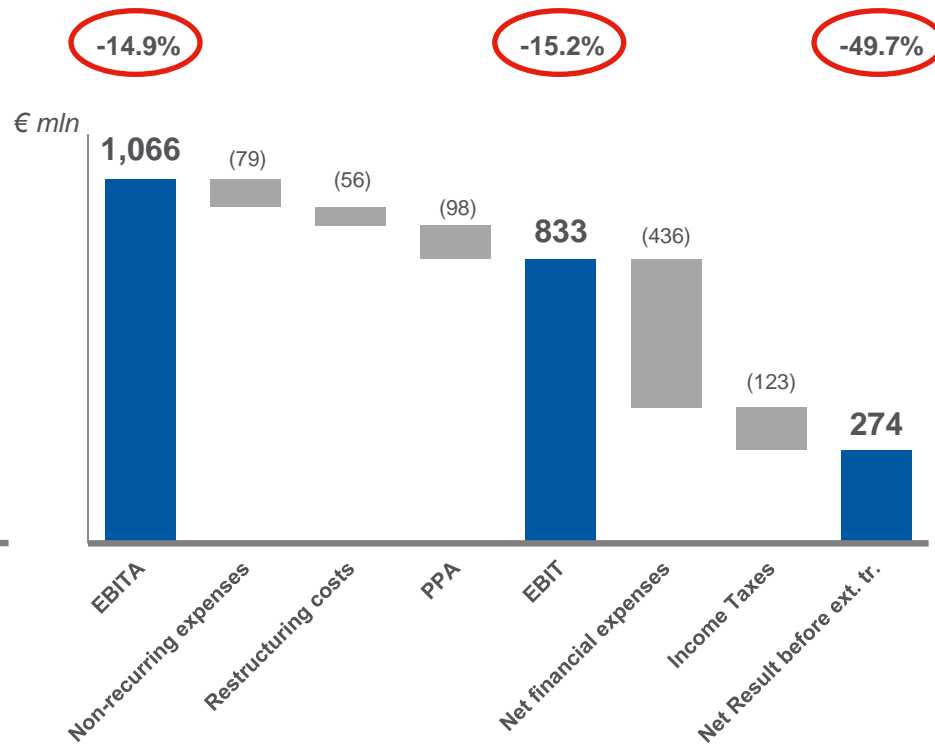
# Net Result Before Extraordinary Transactions

*Below the line under control*

**FY2016**



**FY2017**



# Deeper dive on FOCF

*Short-term pressures; longer term improvement*

Avg. FOCF 2015 – 2018

€400 mln

## KEY DRIVERS

2018E – 2019E

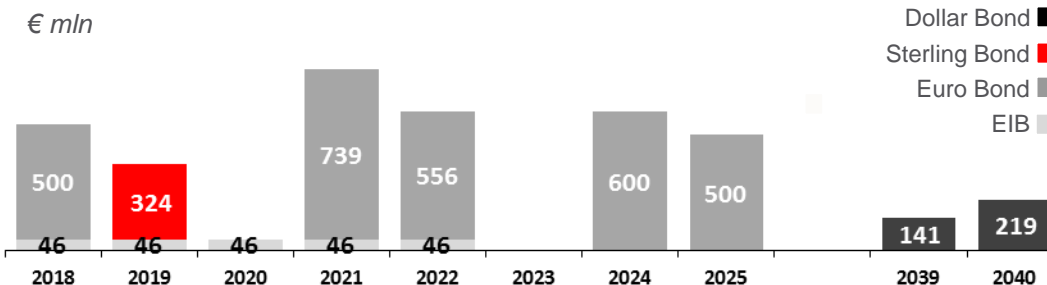
2020E – 2022E

- EFA Kuwait working capital build up
- Higher investments
- Customer advances winding down
- Aerostructures underperformance
- Higher order intake
- Higher volumes
- Profitability improvement
- Helicopters recovery
- EFA Kuwait contribution
- Lower financial charges

# Solid Financial Position

## DEBT MATURITY

Lower Gross Debt  
Average life: ≈ 6 years



## REVOLVING CREDIT FACILITY

Lower margin  
Longer life



RCF renegotiated lowering margin (from 100 bps to 75 bps) and amount (from € 2.0 bn to € 1.8 bn). The facility will expire in 2023

## CREDIT RATING

	As of today	Before last review	Date of review
<b>Moody's</b>	Ba1 / <i>Positive Outlook</i>	Ba1 / <i>Stable Outlook</i>	May 2017
<b>S&amp;P</b>	BB+ / <i>Stable Outlook</i>	BB+ / <i>Negative Outlook</i>	April 2015
<b>Fitch</b>	BBB- / <i>Stable Outlook</i>	BB+ / <i>Positive Outlook</i>	October 2017

*...fully committed to Investment Grade*

# 2018 Guidance: planting the seeds for growth

		<i>FY2017A</i>	<i>IFRS15 Impact</i>	<i>FY2017 Restatement</i>	<i>FY2018E</i>
<b>New orders</b>	€ bn	11.6		11.6	12.5 – 13.0
<b>Revenues</b>	€ bn	11.5	0.2	11.7	11.5 – 12.0
<b>EBITA</b>	€ bn	1.07	0.01	1.08	1.075 – 1.125
<b>FOCF</b>	€ mln	537		537	ca.100
<b>Group Net Debt</b>	€ bn	2.6		2.6	ca. 2.6

2018 exchange rate assumptions: €/USD 1.20 and €/GBP 0.90

.....moving to growth



# Q&A

THANK **YOU** FOR YOUR ATTENTION





# **SECTOR RESULTS**

# Helicopters

*Short term issues affecting results, well positioned to capture growth opportunities*

€ mln	4Q			FY		
	2016	2017	% Change	2016	2017	% Change
Orders	2,199	1,443	(34.4%)	3,737	3,153	(15.6%)
Revenues	1,074	907	(15.5%)	3,639	3,262	(10.4%)
EBITA	145	22	(84.8%)	430	260	(39.5%)
ROS %	13.5%	2.4%	(11.1) p.p.	11.8%	8.0%	(3.8) p.p.

## 2018 OUTLOOK

- Healthier market outlook driving higher volumes
- Well placed in most attractive segments, leveraging high quality product range
- Profitability gradual improvement; back to double digit in 2020

# Electronics, Defence & Security Systems

*Good 2017 commercial results, benefitting from growing outlook*

	4Q			FY		
	2016	2017	% Change	2016	2017	% Change
€ mln						
Orders	2,487	1,746	(29.8%)	6,726	6,146	(8.6%)
Revenues	1,901	1,846	(2.9%)	5,468	5,506	0.7%
EBITA	289	262	(9.3%)	558	537	(3.8%)
ROS %	15.2%	14.2%	(1.0) p.p.	10.2%	9.8%	(0.4) p.p.

*Of which DRS:*

	4Q			FY		
	2016	2017	% Change	2016	2017	% Change
\$ mln						
Orders	439	475	8.2%	1,923	2,016	4.8%
Revenues	583	616	5.6%	1,753	1,914	9.2%
EBITA	65	62	(4.6%)	128	143	11.7%
ROS %	11.1%	10.0%	(0.9) p.p.	7.3%	7.5%	0.2 p.p.

Avg. exchange rate €/€/\$ @1.1293 in 2017

Avg. exchange rate €/€/\$ @1.1069 in 2016

## 2018 OUTLOOK

- Revenues and profitability almost flat YoY
- Upward trends in some business areas
- Efficiency improvement
- Lower Contribution of some profitable programmes
- DRS benefitting from positive market trend

# Aeronautics

*Aircrafts positive results and outlook offsetting Aerostructures*

€ mln	4Q			FY		
	2016	2017	% Change	2016	2017	% Change
Orders	368	652	77.2%	10,158*	2,615	(74.3%)
Revenues	1,070	920	(14.0%)	3,130	3,107	(0.7%)
EBITA	149	117	(21.5%)	347	324	(6.6%)
ROS %	13.9%	12.7%	(1.2) p.p.	11.1%	10.4%	(0.7) p.p.

*\*Including EFA Kuwait order*

## 2018 OUTLOOK

- Revenues expected almost flat YoY
    - Aircraft benefitting from EFA Kuwait and C-27J export
    - Aerostructures volumes expected to decline
  
  - Profitability in line with 2017
    - Efficiency improvement
    - Higher Aircraft performance
- Offsetting** →
- Lower ATR contribution
  - Unsatisfactory Aerostructures performance

# Space

*2017 benefitting from lower taxes*

€ mln	4Q			FY		
	2016	2017	% Change	2016	2017	% Change
EBITA	34	42	23.5%	77	79	2.6%

## 2018 OUTLOOK

- Revenues and profitability expected almost in line with 2017



# **APPENDIX**

# No material impact from IFRS15

- Leonardo will apply retrospectively IFRS15 in 2018
- FY2017 and 2017 quarterly will be fully restated in accordance with IFRS15 when presenting the 2018 corresponding quarterly accounts
- Not material preliminary impacts on FY2017 KPI's (higher revenues by ca. 2% and higher EBITA by ca. 1%)
- Cumulative estimated catch-up adjustment to be recognised in equity; ca. 5% reduction of Group net equity as of 31 December 2017
- More exposed area of activity is civil helicopters



# FY2017 Results

## Group Performance

	4Q			FY		
	2016	2017	% Change	2016	2017	% Change
€ mln						
New Orders	4,447	3,650	(17.9%)	19,951	11,595	(41.9%)
Backlog				34,798	33,578	(3.5%)
Revenues	3,968	3,543	(10.7%)	12,002	11,527	(4.0%)
EBITA	506	363	(28.3%)	1,252	1,066	(14.9%)
ROS %	12.8%	10.2%	(2.6) p.p.	10.4%	9.2%	(1.2) p.p.
EBIT	351	262	(25.4%)	982	833	(15.2%)
EBIT Margin	8.8%	7.4%	(1.4) p.p.	8.2%	7.2%	(1.0) p.p.
Net result before extraordinary transactions	202	2	(99.0%)	545	274	(49.7%)
Net result	154	2	(98.0%)	507	274	(46.0%)
EPS (€ cents)	0.267	0.002	(99.3%)	0.879	0.474	(46.1%)
FOCF	1,094	1,509	37.9%	706	537	(23.9%)
Group Net Debt				2,845	2,579	(9.3%)
Headcount				45,631	45,134	(1.1%)

*Free Operating Cash-Flow (FOCF): this is the sum of the cash flows generated by (used in) operating activities (which includes interests and income taxes paid) and the cash flows generated by (used in) ordinary investment activity (property, plant and equipment and intangible assets) and dividends received.*

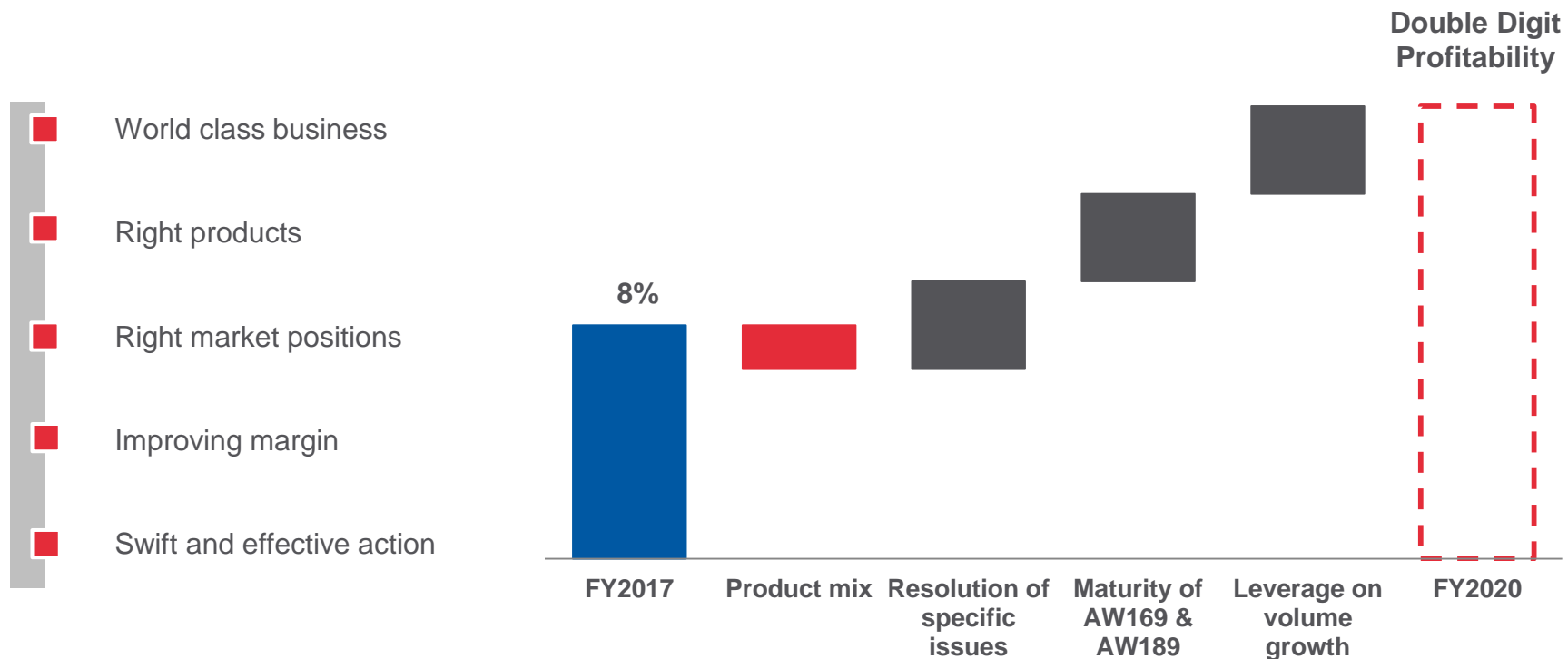
# Development costs capitalised as intangible assets at 31 December 2017

<i>€ mln</i>	Self Funded National Security	Self Funded Other	Total
<b>01 January 2017 Opening Balance</b>	<b>1,472</b>	<b>490</b>	<b>1,962</b>
Gross R&D capitalised	195	43	238
Depreciation and write offs	-44	-68	-112
Disposals	0	0	0
Other Changes	9	-9	0
<b>Net R&amp;D capitalised</b>	<b>160</b>	<b>-34</b>	<b>126</b>
<b>31 December 2017</b>	<b>1,632</b>	<b>456</b>	<b>2,088</b>

# Return to double digit profitability 2020

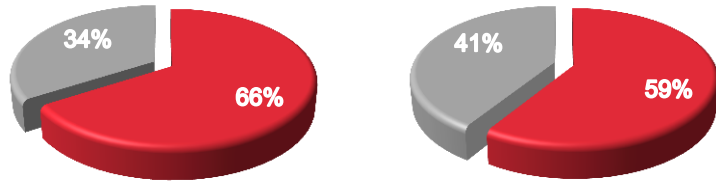
*Helicopter recovery*

## BUILDING BLOCKS OF THE RECOVERY



# Helicopters

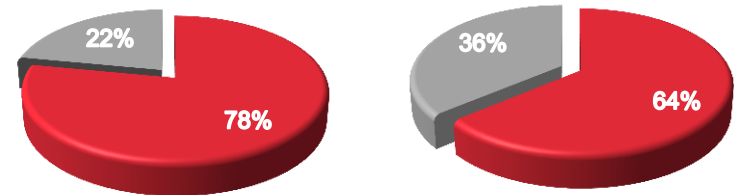
## 2016 REVENUES BY CUSTOMER/SEGMENT



■ Military / Governmental  
■ Commercial

■ OE  
■ CS&T / Other

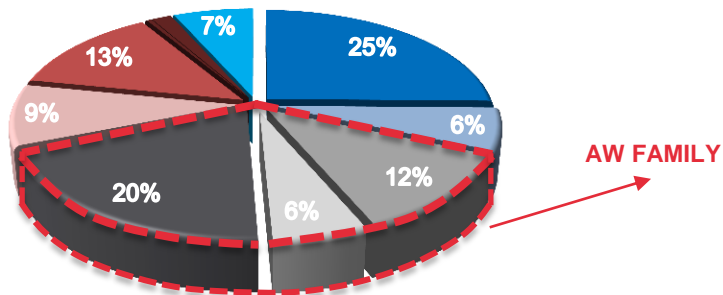
## 2017 REVENUES BY CUSTOMER/SEGMENT



■ Military / Governmental  
■ Commercial

■ OE  
■ CS&T / Other

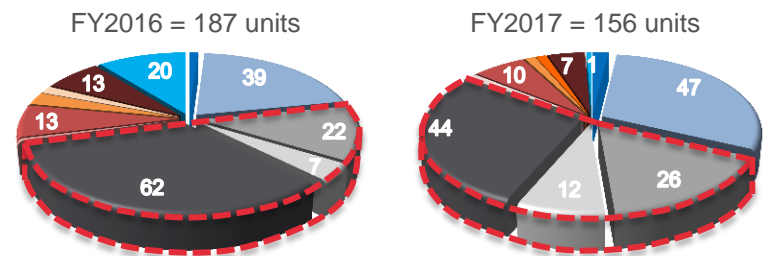
## BACKLOG BY PROGRAMME



AW FAMILY

■ AW109 / AW119 / SW4    ■ AW189 / AW149    ■ T129  
 ■ AW159 / Lynx    ■ AW169    ■ NH90  
 ■ AW101    ■ AW139    ■ Other

## DELIVERIES BY PROGRAMME

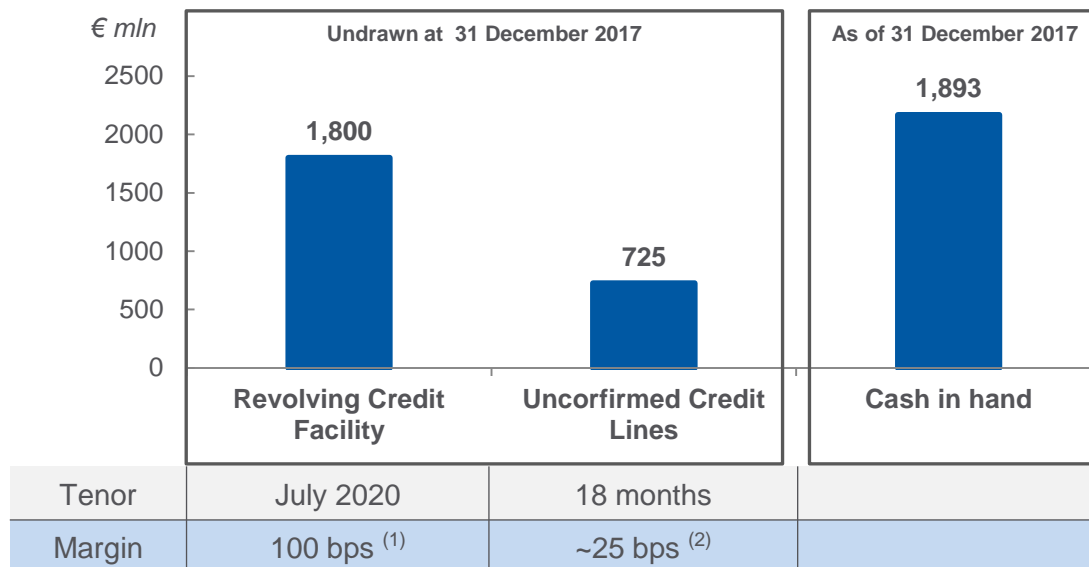


■ AW109 / AW119    ■ AW189    ■ AW149    ■ W3 / SW4    ■ Preowned  
 ■ AW159 / Lynx    ■ AW169    ■ T129    ■ CH47  
 ■ AW101    ■ AW139    ■ NH90    ■ Leasing

# Availability of adequate committed liquidity lines

In order to cope with possible swings in financing needs, Leonardo can leverage:

- 31 December cash balance of ca. € 1.9 bn
- Credit lines worth € 2.5 bn (confirmed and unconfirmed)
- Revolving Credit Facility renegotiated on 14 February 2018, lowering margin (from 100 bps to 75 bps) and amount (from € 2.0 bn to € 1.8 bn). The facility will expire in 2023
- Bank Bonding lines of ca. € 3.7 bn to support Leonardo's commercial activity



(1) Based on rating as of 31/12/2017

(2) Average. Expected to be renewed at maturity

# SAFE HARBOR STATEMENT

NOTE: Some of the statements included in this document are not historical facts but rather statements of future expectations, also related to future economic and financial performance, to be considered forward-looking statements. These forward-looking statements are based on Company's views and assumptions as of the date of the statements and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Given these uncertainties, you should not rely on forward-looking statements.

The following factors could affect our forward-looking statements: the ability to obtain or the timing of obtaining future government awards; the availability of government funding and customer requirements both domestically and internationally; changes in government or customer priorities due to programme reviews or revisions to strategic objectives (including changes in priorities to respond to terrorist threats or to improve homeland security); difficulties in developing and producing operationally advanced technology systems; the competitive environment; economic business and political conditions domestically and internationally; programme performance and the timing of contract payments; the timing and customer acceptance of product deliveries and launches; our ability to achieve or realise savings for our customers or ourselves through our global cost-cutting programme and other financial management programmes; and the outcome of contingencies (including completion of any acquisitions and divestitures, litigation and environmental remediation efforts).

These are only some of the numerous factors that may affect the forward-looking statements contained in this document.

The Company undertakes no obligation to revise or update forward-looking statements as a result of new information since these statements may no longer be accurate or timely.

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