

# 2019 NINE MONTHS RESULTS

November 8, 2019

**FINCANTIERI**  
The sea ahead



# Safe Harbor Statement

This Presentation contains certain forward-looking statements. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words "believes," "expects," "predicts," "intends," "projects," "plans," "estimates," "aims," "foresees," "anticipates," "targets," and similar expressions. The forward-looking statements contained in this Presentation, including assumptions, opinions and views of the Company or cited from third party sources, are solely opinions and forecasts reflecting current views with respect to future events and plans, estimates, projections and expectations which are uncertain and subject to risks. Market data used in this Presentation not attributed to a specific source are estimates of the Company and have not been independently verified. These statements are based on certain assumptions that, although reasonable at this time, may prove to be erroneous. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. If certain risks and uncertainties materialize, or if certain underlying assumptions prove incorrect, Fincantieri may not be able to achieve its financial targets and strategic objectives. A multitude of factors which are in some cases beyond the Company's control can cause actual events to differ significantly from any anticipated development. Forward-looking statements contained in this Presentation regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. No one undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Market data used in this Presentation not attributed to a specific source are estimates of the Company and have not been independently verified. Forward-looking statements speak only as of the date of this Presentation and are subject to change without notice. No representations or warranties, express or implied, are given as to the achievement or reasonableness of, and no reliance should be placed on, any forward-looking statements, including (but not limited to) any projections, estimates, forecasts or targets contained herein.

Fincantieri does not undertake to provide any additional information or to remedy any omissions in or from this Presentation. Fincantieri does not intend, and does not assume any obligation, to update industry information or forward-looking statements set forth in this Presentation. This presentation does not constitute a recommendation regarding the securities of the Company.

## Declaration of the Manager responsible for preparing financial reports

Pursuant to art. 154-BIS, par. 2, of the Unified Financial Act of February 24, 1998, the executive in charge of preparing the corporate accounting documents at Fincantieri, Felice Bonavolontà, declares that the accounting information contained herein correspond to document results, books and accounting records.



# 9M 2019 Key Messages

## Revenues up 10% and total backlog at € 32 bln with deliveries up to 2027

### Financials

- **Revenues up 9.7% at € 4.3 bln** (€ 3.9 bln in 9M 2018)
- **EBITDA at € 287 mln** (€ 281 mln in 9M 2018) and **EBITDA margin at 6.7%** (7.3% in 9M 2018): Shipbuilding +30.2% (despite negative contribution of Vard Cruise), negative Offshore & Specialized vessels margin
- **Positive operating performance in all areas limited by the negative contribution of Vard**, which is currently undergoing a reorganizational process
- **Net debt<sup>(1)</sup> at € 904 mln** (€ 494 mln at December 31, 2018), in line with expectations and consistent with cruise delivery schedule

### Order intake

- **Total order intake at € 6.8 bn for 17 new units including:**
  - 11 cruise ships for 5 different brands (Oceania, Regent Seven Seas, Viking, MSC, Princess)
  - 1 LCS for the US Navy (LCS 31)
- **Total backlog<sup>(2)</sup> with 106 units at € 32.3 bln: backlog at € 28.4bln** (+9.3% vs. 9M 2018) and **soft backlog<sup>(3)</sup> at € 3.9 bln**

### Business update

- **Delivery of 18 units** from 11 shipyards; launch of two units within the Italian Navy fleet renewal program
- **Development of electronic and IT excellence center:** acquisition of 60% if INSIS Group
- **Progress of the French-Italian cooperation** aimed at creating a more efficient and competitive European Shipbuilding Industry
- **Ongoing interactions with the EU Antitrust Authorities on the acquisition of Chantiers de l'Atlantique** with the opening of an additional investigation phase

(1) Excluding Construction loans

(2) Sum of backlog and soft backlog

(3) Soft backlog which represents the value of existing contract options and letters of intent as well as contracts in advanced negotiation, none of which yet reflected in the order backlog

## 9M 2019 main orders

Segment	Vessel	Client	# of ships	Expected Delivery
Shipbuilding	Cruise Ships	<i>Oceania Cruises</i>	2	2022-2025
		<i>Regent Seven Seas Cruises</i>	1	2023
		<i>Viking Cruises</i>	2	2024-2025
		<i>MSC Cruises</i>	4	2023-2026
		<i>Princess Cruises</i>	2	2023-2025
	Littoral Combat Ship	<i>US Navy</i>	1	2023
Offshore & Specialized Vessels	Expedition Cruise Vessel "Coral Geographer"	<i>Coral Expeditions</i>	1	2020

## 9M 2019 main deliveries

Segment	Vessel	Client	Shipyard
Shipbuilding	Cruise ship "Viking Jupiter"	<i>Viking Cruises</i>	Ancona
	Cruise ship "Costa Venezia"	<i>Costa Crociere</i>	Monfalcone
	Littoral Combat Ship "Billings" (LCS 15)	<i>US Navy</i>	Marinette
	FREMM "Antonio Marceglia"	<i>Italian Navy</i>	Muggiano
	Expedition cruise vessel "Le Bougainville"	<i>Ponant</i>	Vard Søviknes
	Expedition cruise vessel "Le Dumont d'Urville"	<i>Ponant</i>	Vard Søviknes
	Expedition cruise vessel "Hanseatic Nature"	<i>Hapag-Lloyd Cruises</i>	Vard Langsten
	Littoral Combat Ship (LCS 17)	<i>US Navy</i>	Marinette
Offshore & Specialized Vessels	OSCV (3 vessels)	2 for <i>Topaz Energy and Marine</i> 1 for <i>Dofcon Navegação</i>	Vard Brattvaag Vard Promar
	Expedition cruise vessel "Coral Adventurer"	<i>Coral Expeditions</i>	Vard Vung Tau

Delivered in Q3

# Overview of 9M 2019 main deliveries

## Shipbuilding



*Viking Jupiter*



*Costa Venezia*



*LCS 15 Billings*



*FREMM Marceglia*



*Ponant Le Dumont d'Urville*



*Ponant Le Bougainville*



*Hapag-Lloyd Hanseatic Nature*



*LCS 17 - USS Indianapolis*

## Offshore & Specialized Vessels



*OSCV Topaz (x2)*



*OSCV Skandi Olinda (DOF)*



*Coral Adventurer*

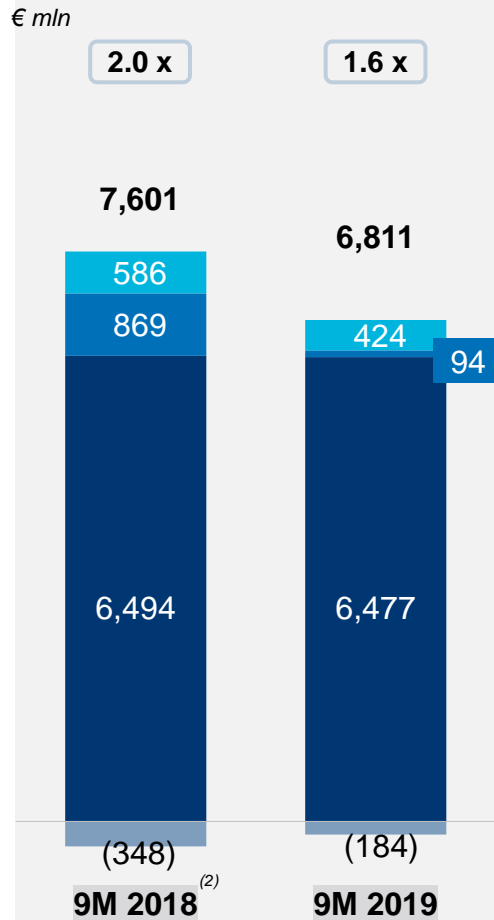
Delivered in Q3



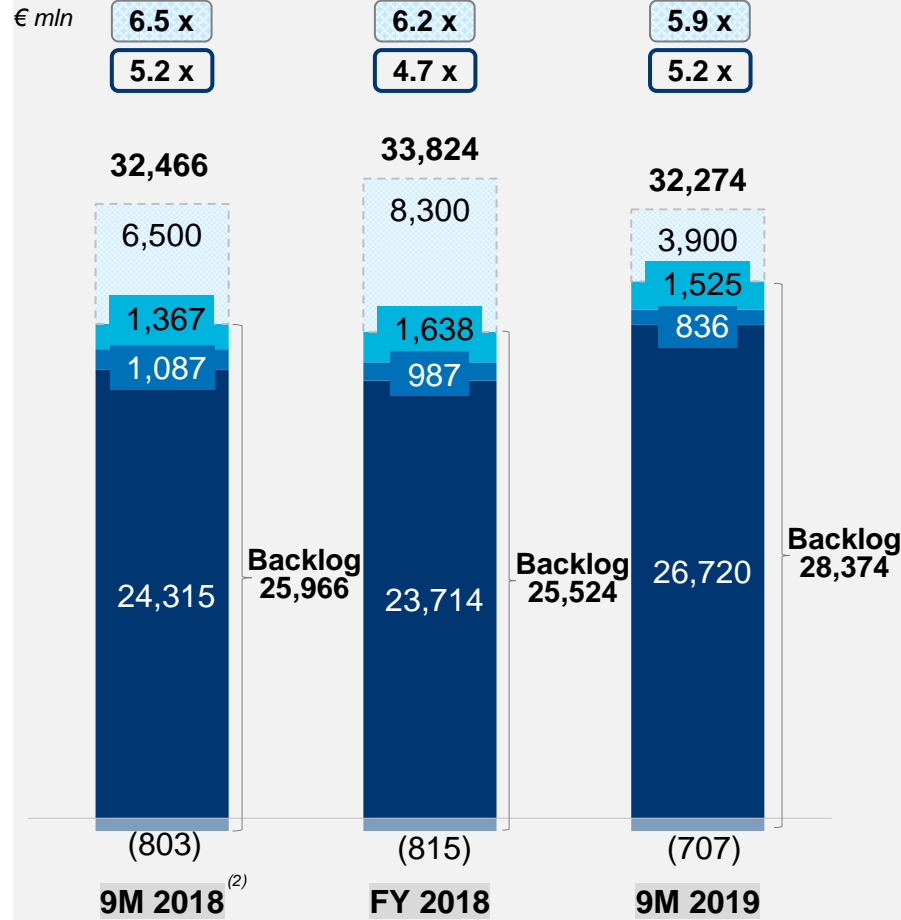
# Order intake and backlog

## Breakdown by segment

### Order intake



### Total backlog<sup>(1)</sup>



- Total order intake for the quarter € 6.8 bln, mainly coming from Shipbuilding
- Total backlog with 106 units at € 32.3 bln, approximately 5.9 times 2018 revenues

■ Shipbuilding 
 ■ Offshore & Specialized Vessels 
 ■ Equipment, Systems & Services 
 ■ Eliminations

Book-to-bill (Order intake/revenues) 
  Backlog /Revenues 
  Total backlog / revenues 
  Soft backlog<sup>(3)</sup>

(1) Sum of backlog and soft backlog

(2) Restated following the reorganization of VARD

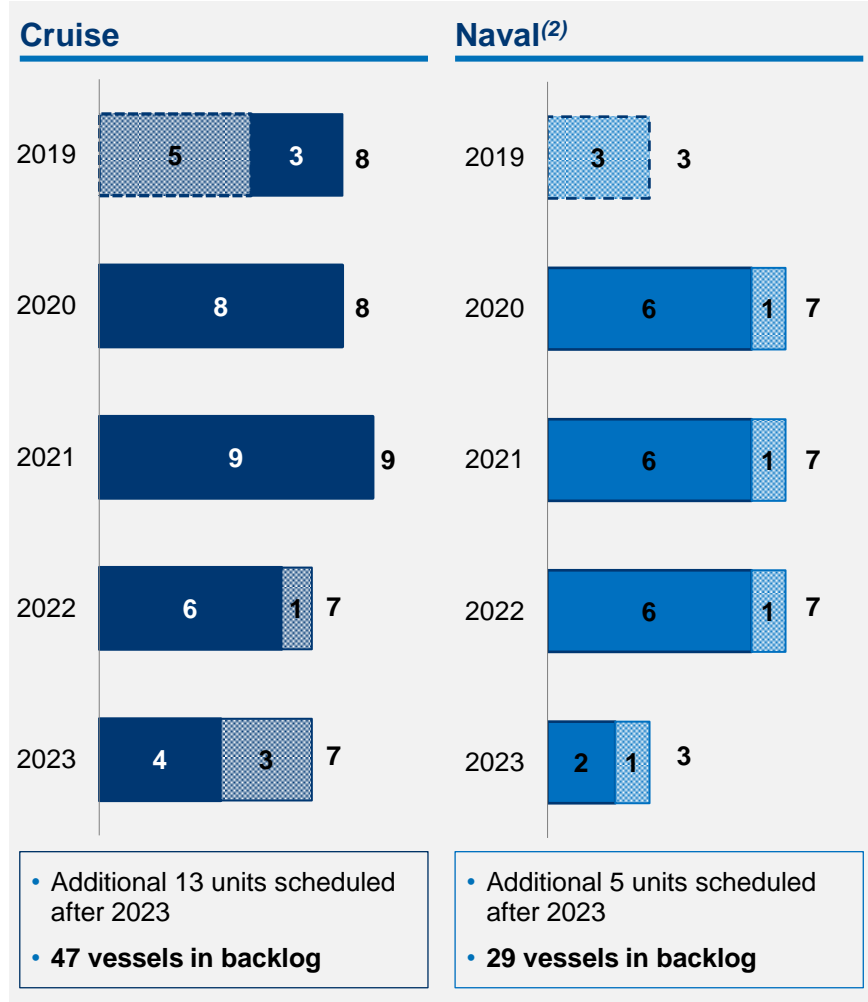
(3) Soft backlog represents the value of existing contract options and letters of intent as well as contracts in advanced negotiation, none of which yet reflected in the order backlog

# Backlog deployment

## Breakdown by segment and end market

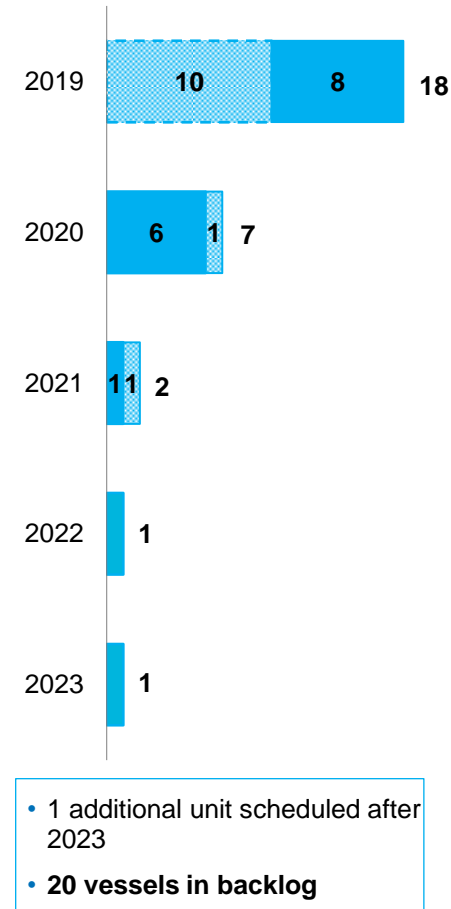
### Shipbuilding

# ship deliveries<sup>(1)</sup>



### Offshore & Specialized Vessels

# ship deliveries<sup>(1)</sup>



Delivered in 9M 2019  
 New orders in 9M 2019

- **18 units delivered in 9M 2019 and 96 ships in backlog**
- Cruise: 47 vessels
  - Deliveries up to 2027
  - 13 units scheduled after 2023
- Naval: 29 vessels
  - Deliveries up to 2026
  - 5 units scheduled after 2023
- Offshore & Specialized Vessels<sup>(3)</sup>: 20 vessels
  - Deliveries up to 2024

(1) For reasons connected to the organizational responsibility of VARD yards split between Cruise and Offshore, one fishery vessel (for Havfisk) scheduled for delivery in 2020 is included in the cruise deliveries and two Expedition cruise vessels (for Coral Expeditions) the first one delivered in 2019 and the second scheduled for delivery in 2020 are included in Offshore & Specialized Vessels

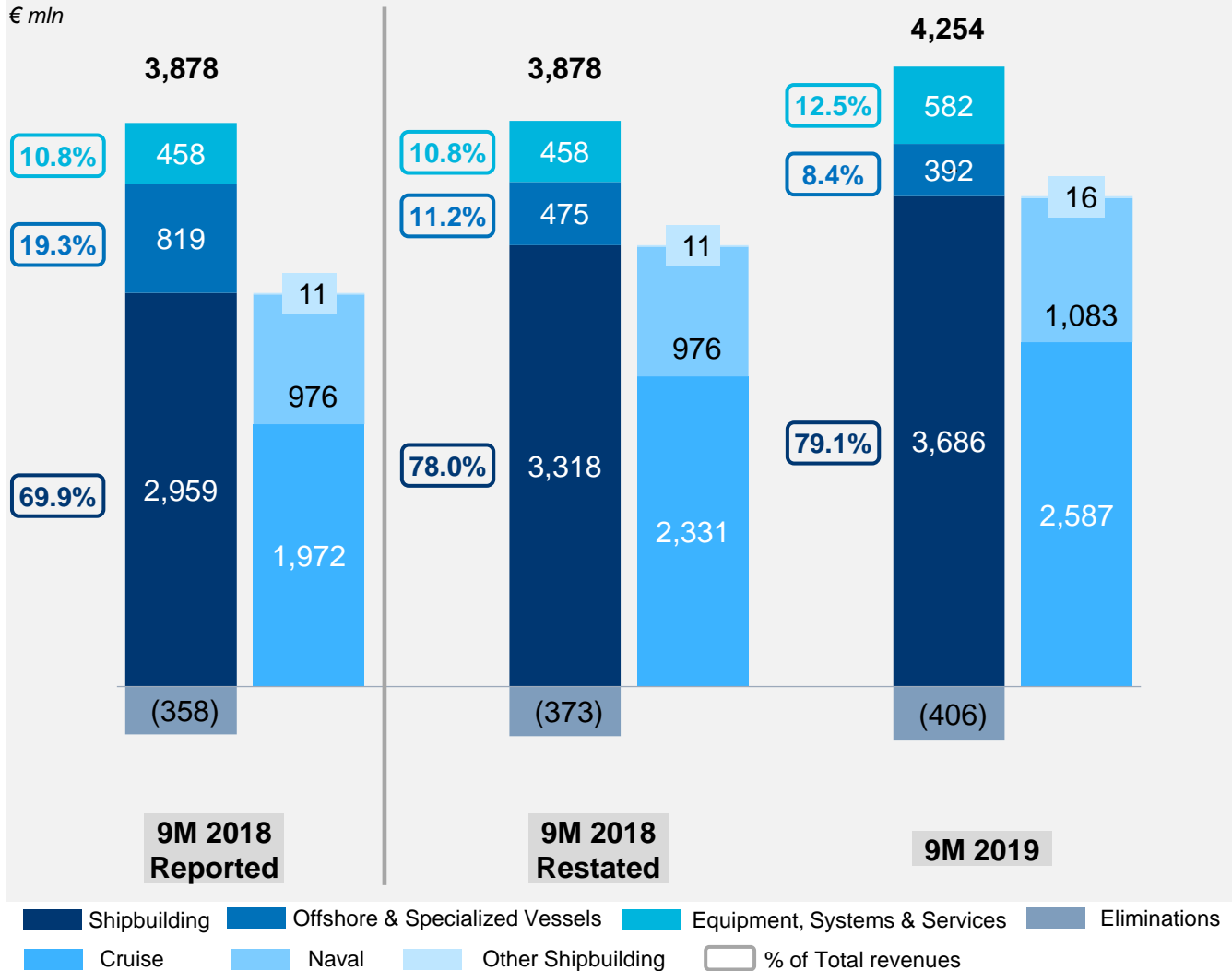
(2) Articulated Tug Barge (ATB) is an articulated unit consisting of a barge and a tug, thus being counted as two vessels in one unit

(3) Offshore & Specialized Vessels business generally has shorter production times and, as a consequence, shorter backlog and quicker order turnaround than Cruise and Naval



# Revenues

## Revenues breakdown by segment<sup>(1)</sup>



- Revenues up 9.7% vs 9M 2018
  - Shipbuilding revenues up 11.1% vs 9M 2018
  - Offshore & Specialized Vessels revenues down 17.5% vs 9M 2018
  - Equipment, Systems & Services revenues up 27.1% vs 9M 2018

(1) Breakdown calculated on total revenues before eliminations

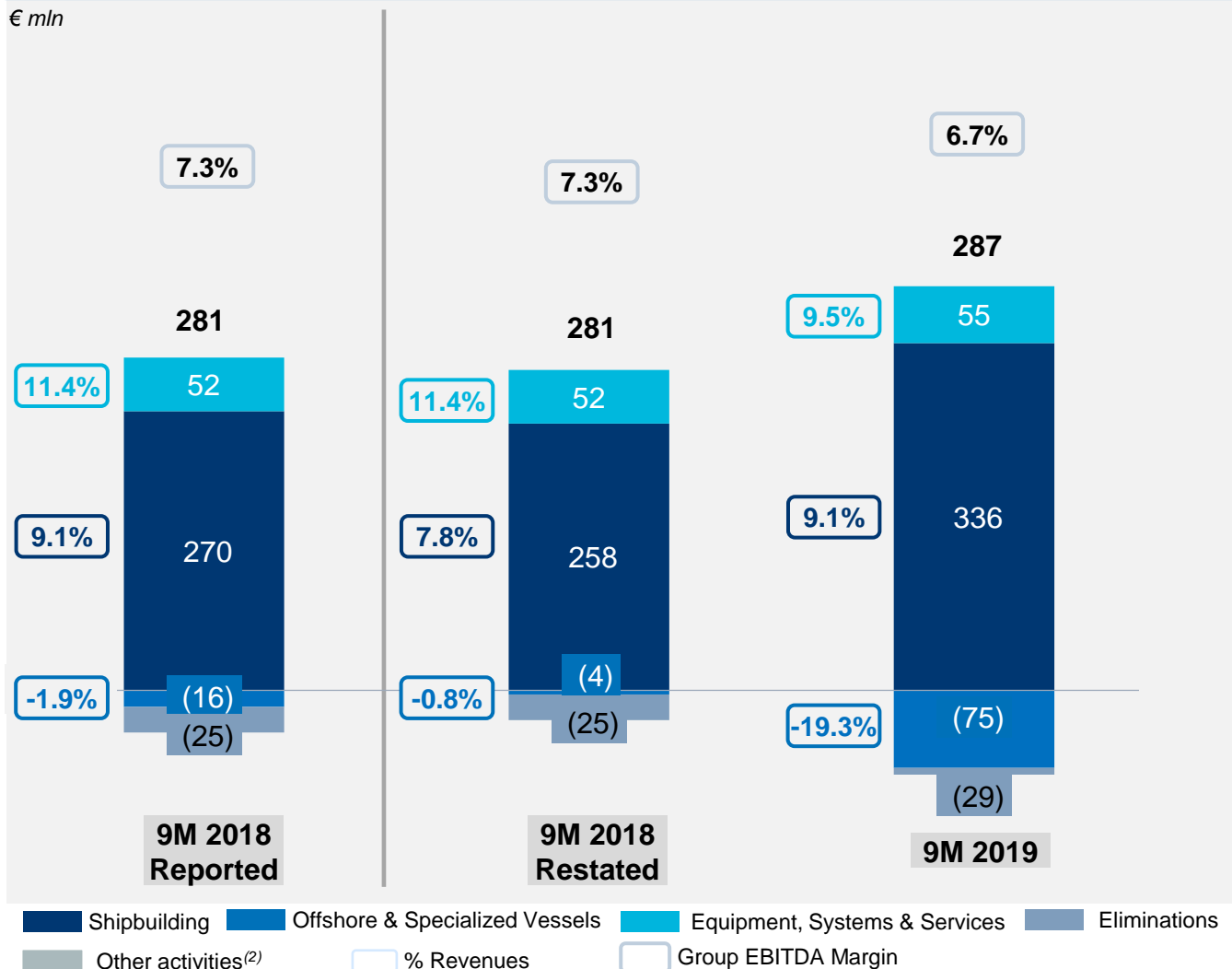




# EBITDA

## EBITDA<sup>(1)</sup> and EBITDA margin

€ mln



• EBITDA at € 287 mln, EBITDA margin at 6.7% (7.3% in 9M 2018)

- Positive performance of the Shipbuilding (+30.2% vs 9M 2018), despite the adverse contribution of Vard Cruise projects due to the revision of the estimated costs at completion
- Negative profitability of the Offshore and Specialized Vessels segment

(1) EBITDA is a Non-GAAP Financial Measure. The Company defines EBITDA as profit/(loss) for the period before (i) income taxes, (ii) share of profit/(loss) from equity investments, (iii) income/expense from investments, (iv) finance costs, (v) finance income, (vi) depreciation and amortization (vii) expenses for corporate restructuring, (viii) accruals to provision and cost of legal services for asbestos claims, (ix) other non recurring items

(2) Other costs



## Ongoing integration and alignment to Group best practices

### What we did

### What we are working on

#### Action

- **Vard full integration process:**
  - **Delisting of the subsidiary in December 2018**
  - **Change in management**
  - **Operational reorganization** of both Cruise and Offshore & Specialized Vessels business units, including the revision of industrial management and economic planning of the projects
- **Revision of production footprint to minimize operational costs**
- **Exit from the small fishery and aquaculture support vessels business**

- **Additional efforts to align industrial management and economic planning of projects to the Group best practices**
- **Optimization of Vard operations and Vard reorganization plan**

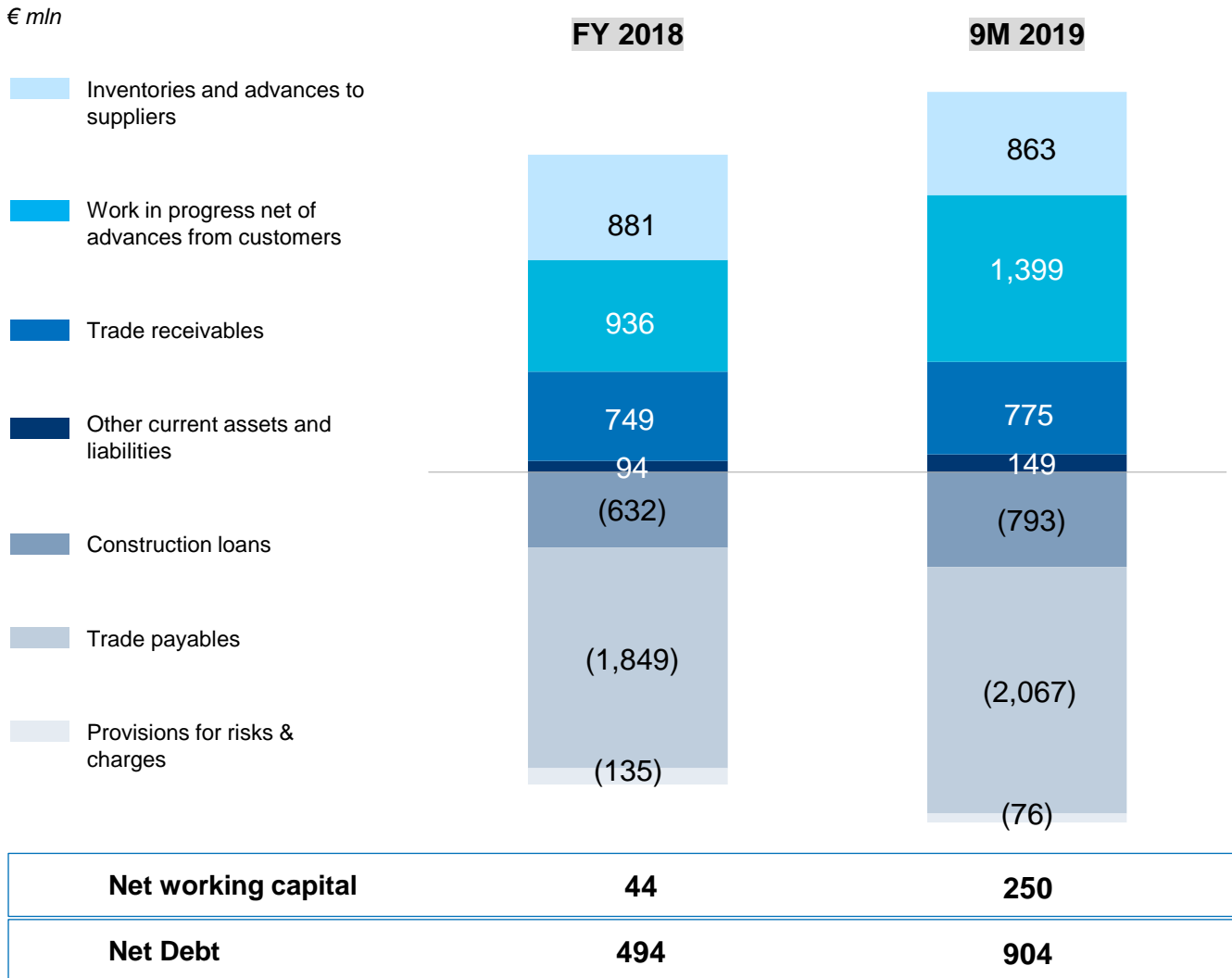
#### Outcome

- **Recovery of production delays** of 2019 deliveries
- **Review of estimated costs at completion of the projects** weighting on the 9M 2019 results
- **Resizing of Promar shipyard in Brazil and disposal of Aukra and Brevik shipyards in Norway**

- **Margin recovery** in medium-to-long term
- **Potential adjustments of estimated costs at completion** on long-term projects

# Net working capital and net debt<sup>(1)</sup>

## Breakdown by main components



- Net working capital and Net debt dynamics mirror:
  - The increase in production volumes and cruise delivery schedule (3 ships delivered in October)
  - The use of provisions due to the settlement of the "Serene" litigation
  - The delivery of a vessel previously classified as inventory
- Construction loans at € 793 mln (€ 293 mln Vard and € 500 mln Fincantieri)

<sup>(1)</sup> Construction loans are committed working capital financing facilities, treated as part of Net working capital, not in Net financial position, as they are not general purpose loans and can be a source of financing only in connection with ship contracts

- **Positive Group performance** related to the propitious dynamics of cruise and naval projects across all geographies, limited by negative performance of Vard both in cruise and offshore
- **Efforts to align industrial management systems and economic planning of Vard to the best practices of the Group** are still ongoing and any potential adjustment of cost estimates for medium-long term projects that may arise from the process will be included in Group results
- **Presentation of a reorganization plan for Vard** together with the Group FY 2019 results
- **Net debt expected to slightly decrease** following the delivery of 3 cruise ships in October, even if financing needs for the units in production and scheduled for delivery remain high

## **Shipbuilding**

- 3 cruise ships delivered in October
- Full swing of production activities related to the order for the Qatari Ministry of Defense with 3 units under construction, the first of which is scheduled for delivery in 2021

## **Offshore & Specialized Vessels**

- Focus on execution of Vard's diversified backlog and organizational and production adjustments
- Commercial activities aimed at developing innovative products and cutting-edge solutions for non O&G related sectors

## **Equipment, Systems & Services**

- Confirmation of the revenues growth trend thanks to: backlog development relating to naval contracts, higher volumes for the production of cabins and public areas for cruise ships, as well as infrastructure activities

# Investor Relations contacts

## Investor Relations Team

---

Tijana Obradovic – *Head of Investor Relations*

+39 040 319 2409

[tijana.obradovic@fincantieri.it](mailto:tijana.obradovic@fincantieri.it)

Emanuela Cecilia Salvini

+39 040 319 2614

[emanuelacecilia.salvini@fincantieri.it](mailto:emanuelacecilia.salvini@fincantieri.it)

## Institutional Investors

---

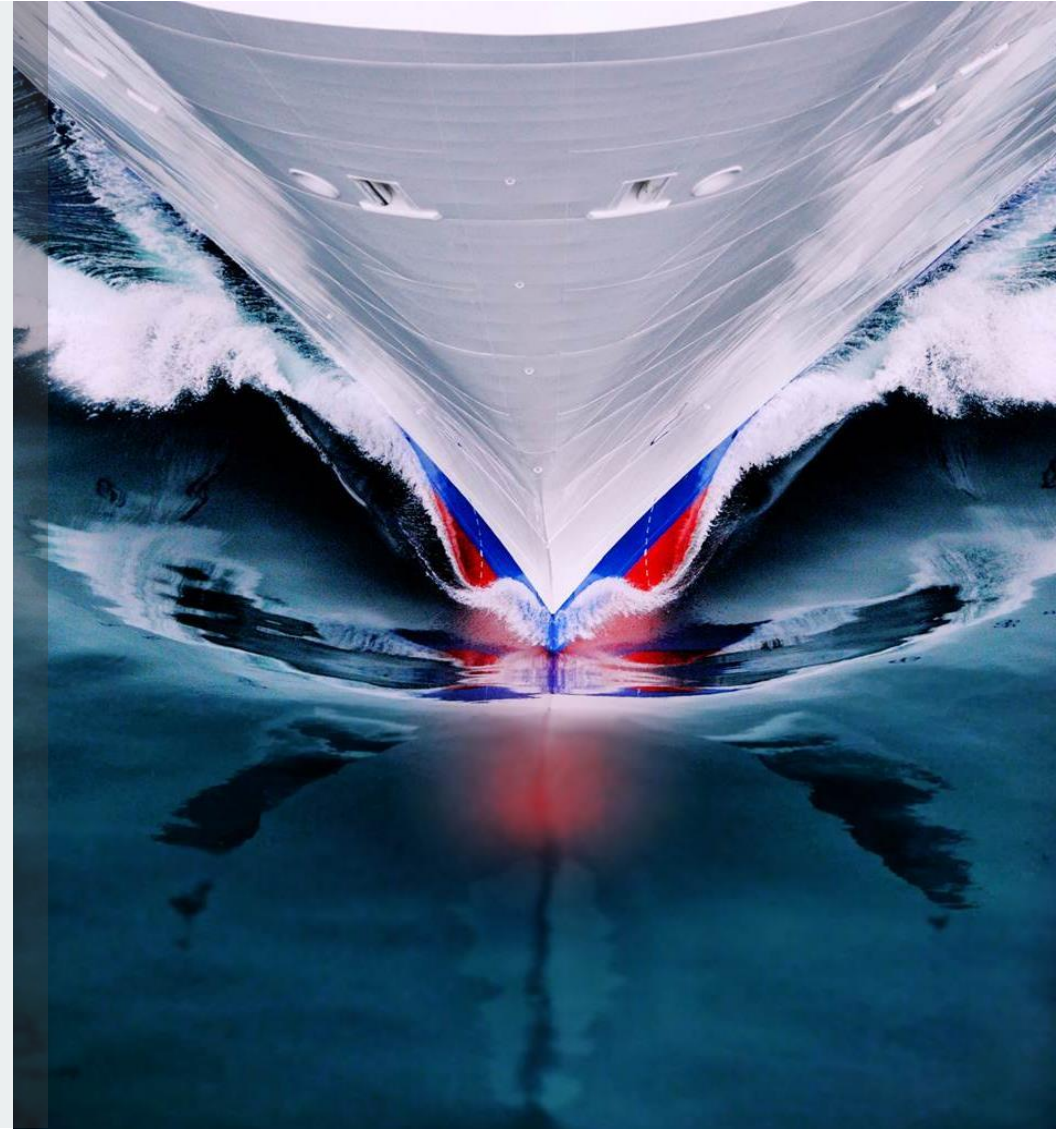
[investor.relations@fincantieri.it](mailto:investor.relations@fincantieri.it)

## Individual Shareholders

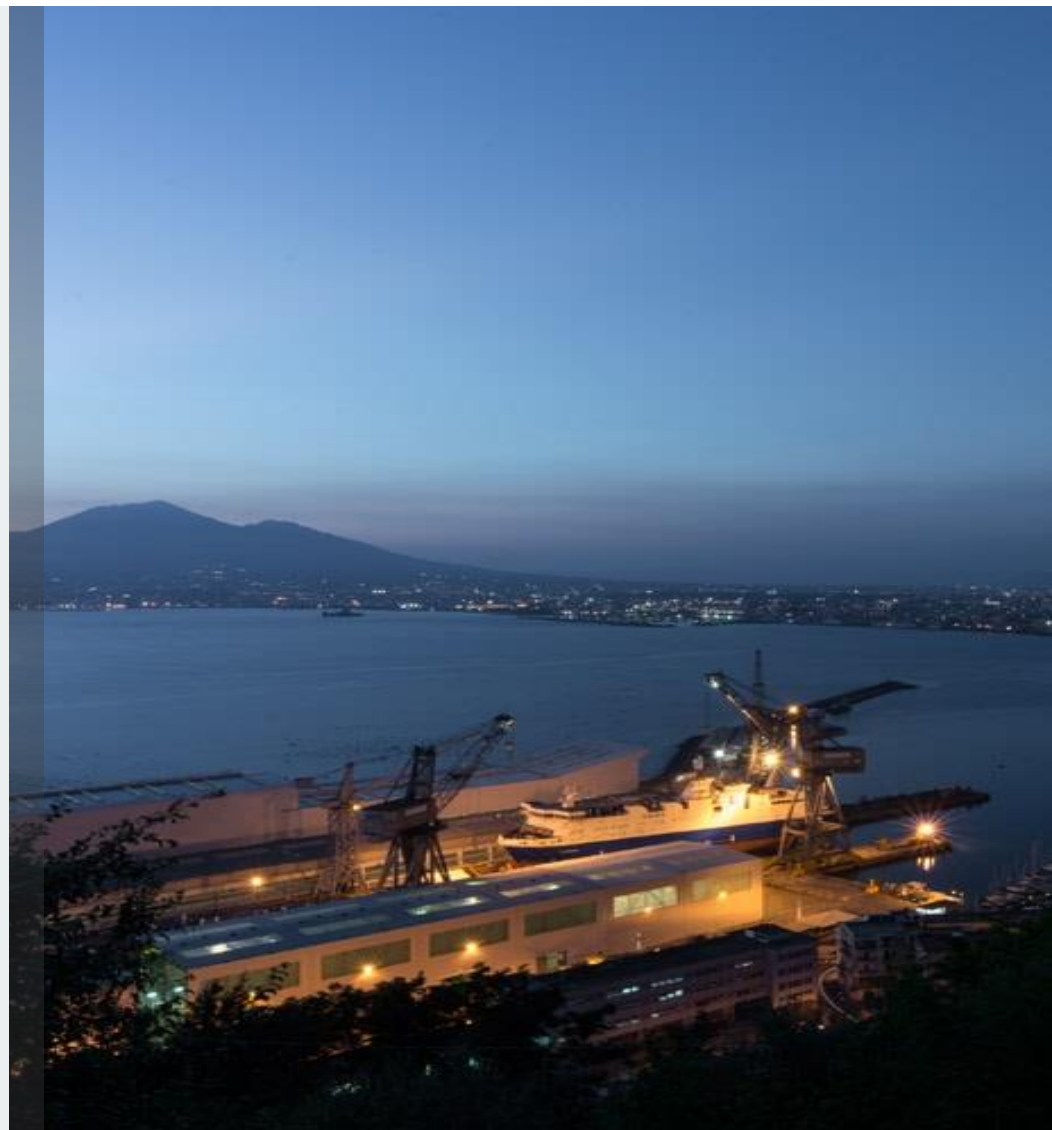
---

[azionisti.individuali@fincantieri.it](mailto:azionisti.individuali@fincantieri.it)

[www.fincantieri.com](http://www.fincantieri.com)



# Q&A

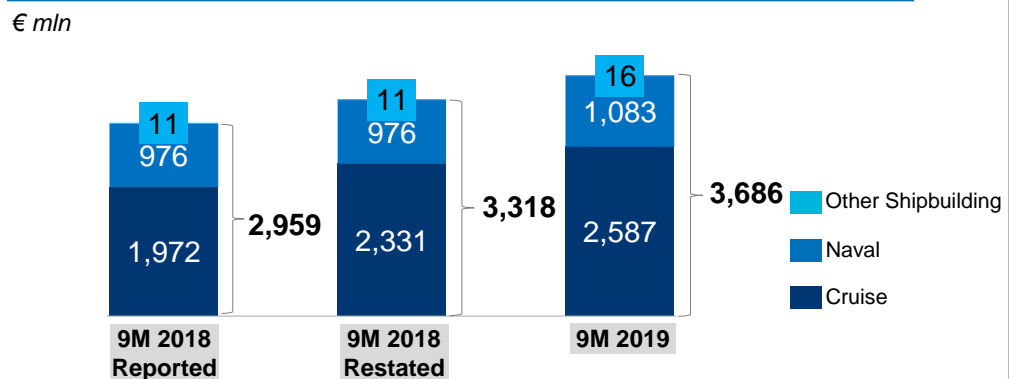


# Appendix

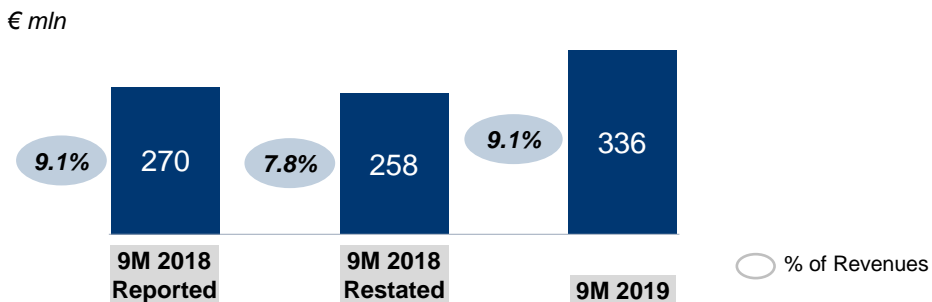


# Financial overview - Shipbuilding

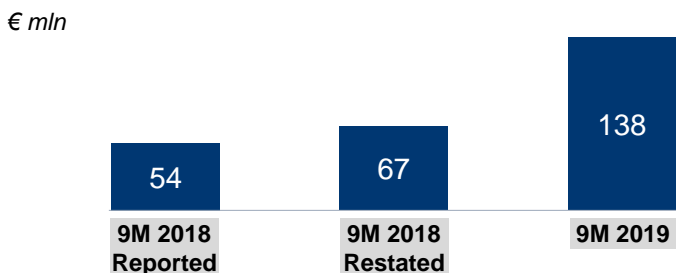
## Revenues



## EBITDA



## Capex



- **Revenues:** € 3,686 mln (+ 11.1% vs 9M 2018)
  - Higher volumes in Cruise driven by the construction of bigger and more valuable vessels
  - Good progress of production activities in naval
- **EBITDA:** € 336 mln (+30.2% vs 9M 2018), with margin at 9.1%
  - Good performance both in cruise and naval activities
  - Margins impacted by the lower-than-expected performance of Vard Cruise projects
- **Capex:** € 138 mln
- **Orders:** € 6,477 mln (€ 6,494 mln in 9M 2018)
  - 11 Cruise ships<sup>(1)</sup>
  - 1 Littoral Combat Ship (LCS 31)
  - 1 Interlake Bulk Carrier for Interlake Steamship Co.
  - 1 Ferry for Washington Island Ferry Line
  - 1 LNG Barge for NorthStar Midstream
- **Backlog:** € 26,720 mln (€ 24,315 mln in 9M 2018)
- **Deliveries:**
  - 5 Cruise ships<sup>(2)</sup>
  - 3 Naval vessels<sup>(3)</sup>

(1) 2 for Oceania Cruises, 1 for Regent Seven Seas Cruises, 2 for Viking Cruises, 4 for MSC Cruises, 2 for Princess Cruises

(2) "Viking Jupiter" for Viking Cruises; "Costa Venezia" for Costa Cruises; "Le Bougainville" and "Le Dumont d'Urville" for Ponant; "Hanseatic Nature" for Hapag-Lloyd Cruises

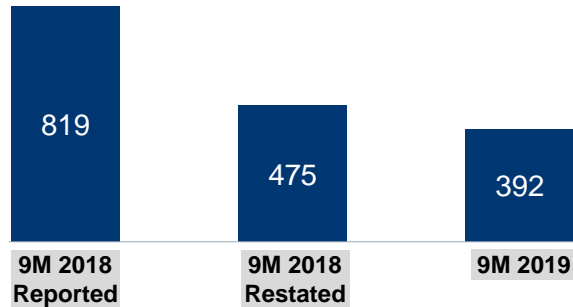
(3) LCS 15 "USS Billings" and LCS 17 "USS Indianapolis" for the US Navy; FREMM "Antonio Marcegaglia" for the Italian Navy



# Financial overview - Offshore & Specialized Vessels

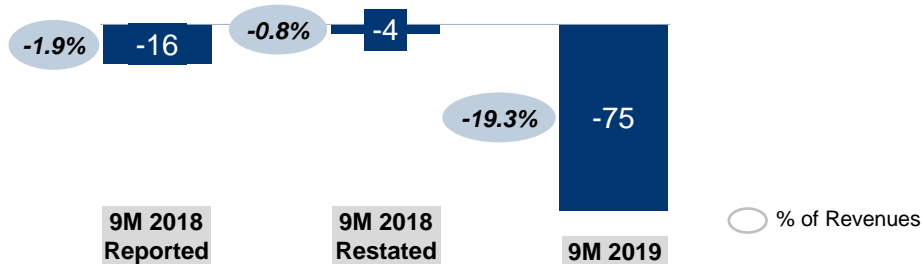
## Revenues

€ mln



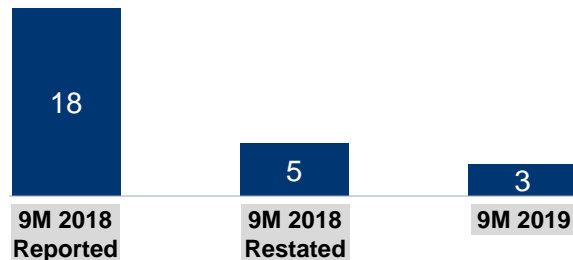
## EBITDA

€ mln



## Capex

€ mln

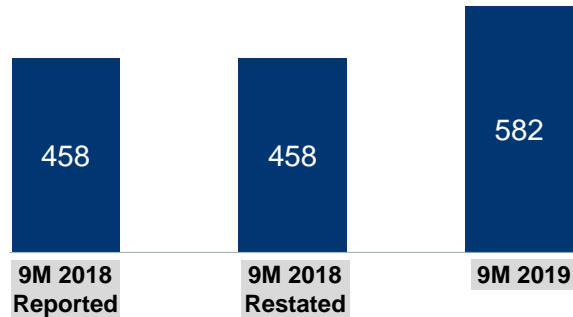


- Revenues: € 392 mln (vs € 475 in 9M 2018)
  - Volume contraction related to the lack of order intake in the *core* sector
- EBITDA: € (75) mln, with margins at -19.3 %
  - Impacted by the review of estimated costs at completion of units under construction
  - Negative impact also from low utilization rate of yards and high complexity of special vessels in order portfolio
- Capex: € 3 mln
- Orders: € 94 mln (€ 586 mln in 9M 2018)
- Backlog: € 836 mln (€ 1,366 mln in 9M 2018)
- Deliveries: 10 ships
  - 3 OSCV units: 2 to Topaz Energy and Marine, 1 to Dofcon Navegação
  - 3 fishing vessels: 1 to Aker BioMarine, 1 to Bergur-Huginn and 1 to Gjögur HF
  - 2 ferries to Torghatten Nord
  - 1 aquaculture support vessel to Solstrand
  - 1 expedition cruise vessel to Coral Expeditions

# Financial overview - Equipment, Systems and Services

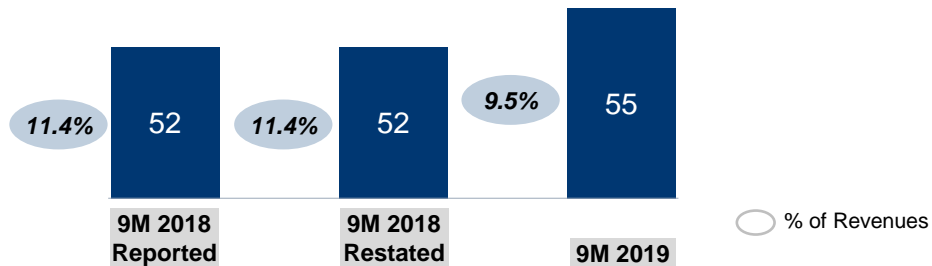
## Revenues

€ mln



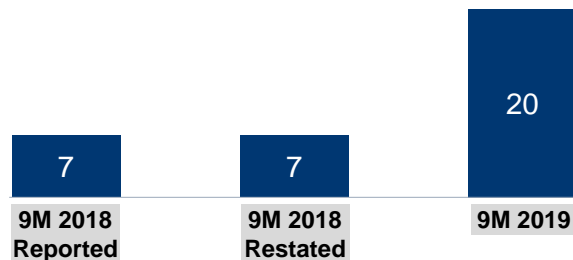
## EBITDA

€ mln



## Capex

€ mln



- **Revenues:** € 582 mln, up 27.1% vs 9M 2018
  - Positive impact of the backlog related to naval contracts and higher volumes in ship repairs and conversion
  - Include the contribution from the activities related to Fincantieri Infrastructure operations
- **EBITDA:** € 55 mln with margin at 9.5%
  - Major contribution of infrastructure and conversion & refurbishment projects with strategic importance but limited margins
- **Capex:** € 20 mln
- **Orders:** € 424 mln vs € 869 mln in 9M 2018
- **Backlog:** € 1,527 mln vs € 1,087 mln in 9M 2018

