



**PIAGGIO  
GROUP**

**Piaggio Group**  
**First Quarter 2016 Financial Results**

Conference Call | May 2<sup>nd</sup> 2016

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## Highlights (1/3)

### First Quarter results

#### Market demand

#### Positive start to the year in most of Piaggio's key reference markets

- Western Countries overall positive demand stemmed from diverging dynamics:
  - European 2015 upward trend continued in Q1 2016 which ended up by ~6%, with bikes up more than 6% followed by scooters up ~4%, thus confirming early stages of a long-lasting replacement cycle;
    - Italy and Spain, up high double-digits, drove the growth
    - France, after an improvement across the quarter, ended flat
    - Germany, after taking a downward turn in March, was the only major country ending negative
  - North America still on a different path, with scooters edging down again leading to the sixth consecutive quarter of market decline
- Asia Pacific with mixed demand trends:
  - Vietnam confirmed 2015 positive momentum, with market up mid single digit underpinned by healthy growth in automatic scooters
  - Asia ex Vietnam with uneven but overall weak demand, mainly affected by Indonesia declining mid-single digit
- India started on the right foot in all segments:
  - 3 wheelers up by 21% (~+40% Small City Pax alternative fuel), strengthening the positive trend of the latter part of 2015
  - 4 wheelers up by 4%, stopping a negative trend that lasted 12 consecutive quarters
  - scooters up by 13%, confirming the enduring strong positive momentum

## Highlights (2/3)

### First Quarter results

#### Business Highlights

##### **Western Countries: European healthy performance in the wake of first signs of replacement cycle, partially offset by North America weakness**

- European positioning in 2 wheelers strengthened by market share gain mainly driven by strong performance in scooters (+1.2 p.p.), thus confirming Piaggio as the best positioned player to exploit demand recovery; noteworthy Piaggio's strong performance in Italy with more than 3 p.p. of market share gain in scooters
- European volume improvement, mainly driven by Italy, The Netherlands, Germany and Switzerland, more than offset volume drop in North America
- Bikes good momentum in Europe confirmed, with Aprilia revenues rising more than 20%
- "High-Wheels" scooters, Beverly and Liberty, confirmed latter part of 2015 double-digit growth, thus paving the way to the launch of the Medley
- Average prices in line with YE 2015

*As a result, revenues up mid single digit, with Italy, Switzerland, Germany and The Netherlands up high-double digits*

##### **Asia Pacific: coping with an increasingly competitive environment by focusing on mix**

- Vietnam continued suffering from heightened competitive intensity that led to market share loss
- Asia ex Vietnam, with Indonesia and Thailand performance outstripping market trend, ended up with revenues in line with PY
- Average regional prices on the rise, reflecting strong branding and premium pricing power

*As a result, revenues decreased single-digit, dragged down by Vietnamese performance*

##### **India: stable performance in an improving market scenario**

- 3/4 Wheel market share loss, mainly reflecting unfavorable product mix
- Volume slightly down, with domestic sales unable to counterbalance weakness in exports affected by temporary sharp demand decline in major markets such as Nigeria and Sri Lanka affected by oil price and increase of custom duties
- Vespa volumes slightly down, but with an improved mix shoring up revenues at PY level
- Average prices on the rise, reflecting once again rigorous pricing discipline

*As a result, revenues slightly down vs. PY (+3.1% excluding FX)*

#### Financial Highlights

### Healthy performance leading to operating profitability peak

- **Net Sales slightly up by ~5 €m** (+1.7%; +3.4% at constant FX)
- **EBITDA increase** (+1.1 €m, +2.9%; +5.2% at constant FX), against challenging comparison base, **led to a ratio on net sales of 12.2 p.p., the best 1st quarter performance to date**
- **Net Profit slightly up vs. PY (+0.1 €m)**
  - **Gross Margin on the rise** (+ ~ 3 €m), with an higher ratio on Net Sales vs. PY (29.6% vs. 29.2%), as a result of effective pricing policy and product cost efficiency
  - **Cash OpEx broadly in line with PY**, further proving the Group's ability to implement cost efficiencies in SG&A spending
  - **Total OpEx slightly up** after rise of D&A, reflecting prior year increased level of CapEx
  - **Lower financial expenses**, benefitting from recent initiatives to strengthen debt structure and lower the cost of debt
- **Capital Expenditure increased** to 26 €m (+ ~5 €m vs. PY), driven by the completion of the new painting facility and upfront initiatives to sustain new product launches, but remaining consistent with the FY target of about 100€m
- **Seasonal Cash Flow absorption lower by 19€m vs. Q1 2015**, mainly stemming from tight grip on working capital, led **Net Debt at 554€m, below Q1 2015 level**

## Growth of key operating metrics, with highest Q1 EBITDA ratio to date. Net Debt affected by seasonal increase, but lower cash-flow absorption vs. Q1 2015

### P&L (€m)

	Q1 2015	Q1 2016	Change 2016 vs. 2015		
			Absolute	%	% excl. FX (*)
<b>Net Sales</b>	<b>302.0</b>	<b>307.1</b>	<b>5.1</b>	<b>+1.7%</b>	<b>~ +3.4%</b>
<b>Gross Margin</b>	<b>88.1</b>	<b>90.8</b>	<b>2.7</b>	<b>+3.1%</b>	<b>~ +4.5%</b>
<i>% on Net Sales</i>	29.2%	29.6%	+0.4%		
<b>EBITDA</b>	<b>36.3</b>	<b>37.4</b>	<b>1.1</b>	<b>+2.9%</b>	<b>~ +5.2%</b>
<i>% on Net Sales</i>	12.0%	12.2%	0.1%		
Depreciation	(25.5)	(26.5)	(1.0)	+4.0%	
<b>EBIT</b>	<b>10.8</b>	<b>10.9</b>	<b>0.0</b>	<b>+0.4%</b>	
<i>% on Net Sales</i>	3.6%	3.5%	0.0%		
Financial Expenses	(8.9)	(8.8)	0.1	-1.1%	
<b>Income before tax</b>	<b>2.0</b>	<b>2.1</b>	<b>0.1</b>	<b>+7.2%</b>	
Tax	(0.8)	(0.8)	(0.1)	+7.2%	
<b>Net Income</b>	<b>1.2</b>	<b>1.3</b>	<b>0.1</b>	<b>+7.2%</b>	
<i>% on Net Sales</i>	0.4%	0.4%	0.0%		

### NFP (€m)

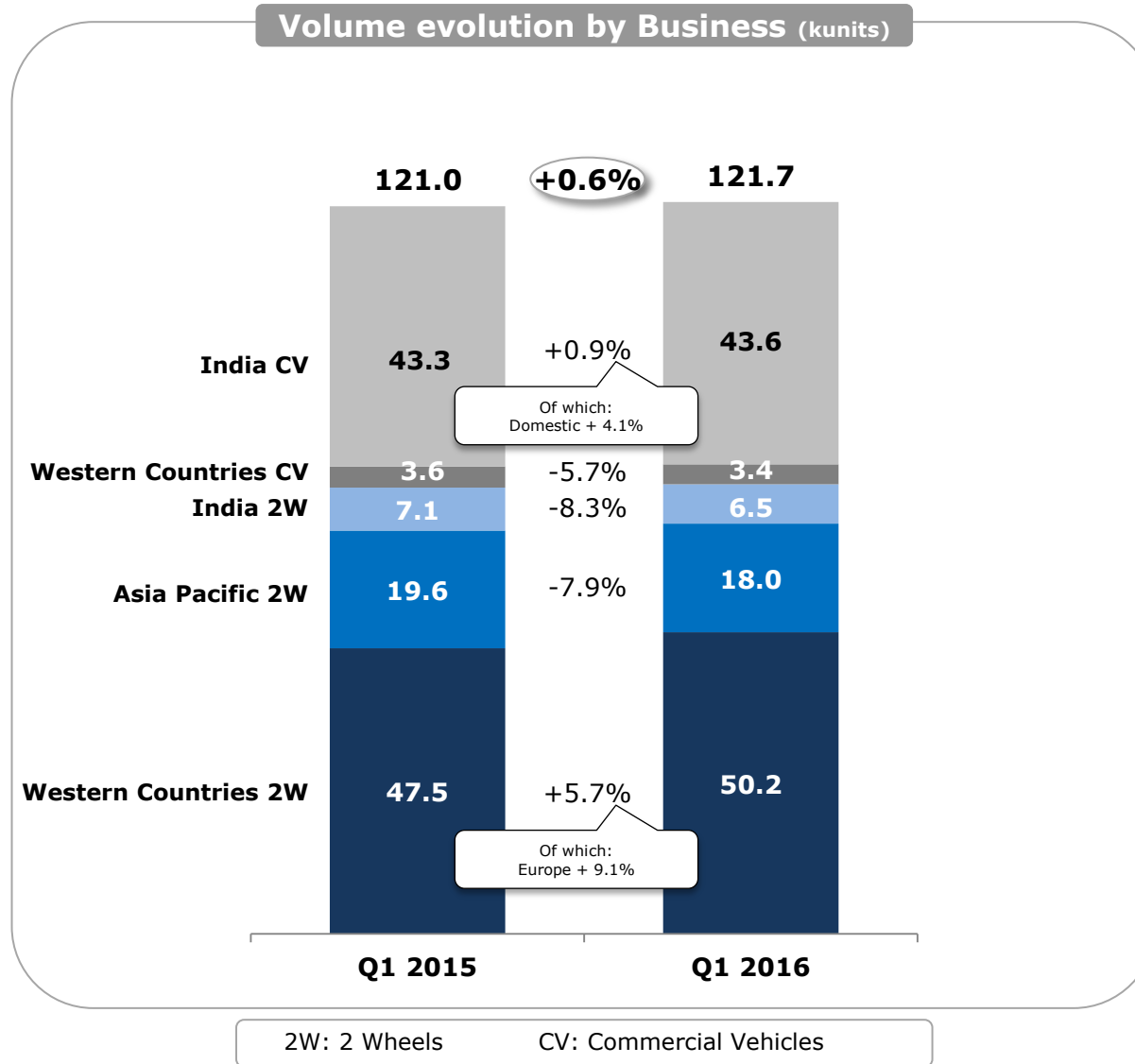
	31.12.2015	31.03.2016	Change
<b>Net Financial Position</b>	<b>(498.1)</b>	<b>(554.4)</b>	<b>(56.2)</b>

### Cash Flow (€m)

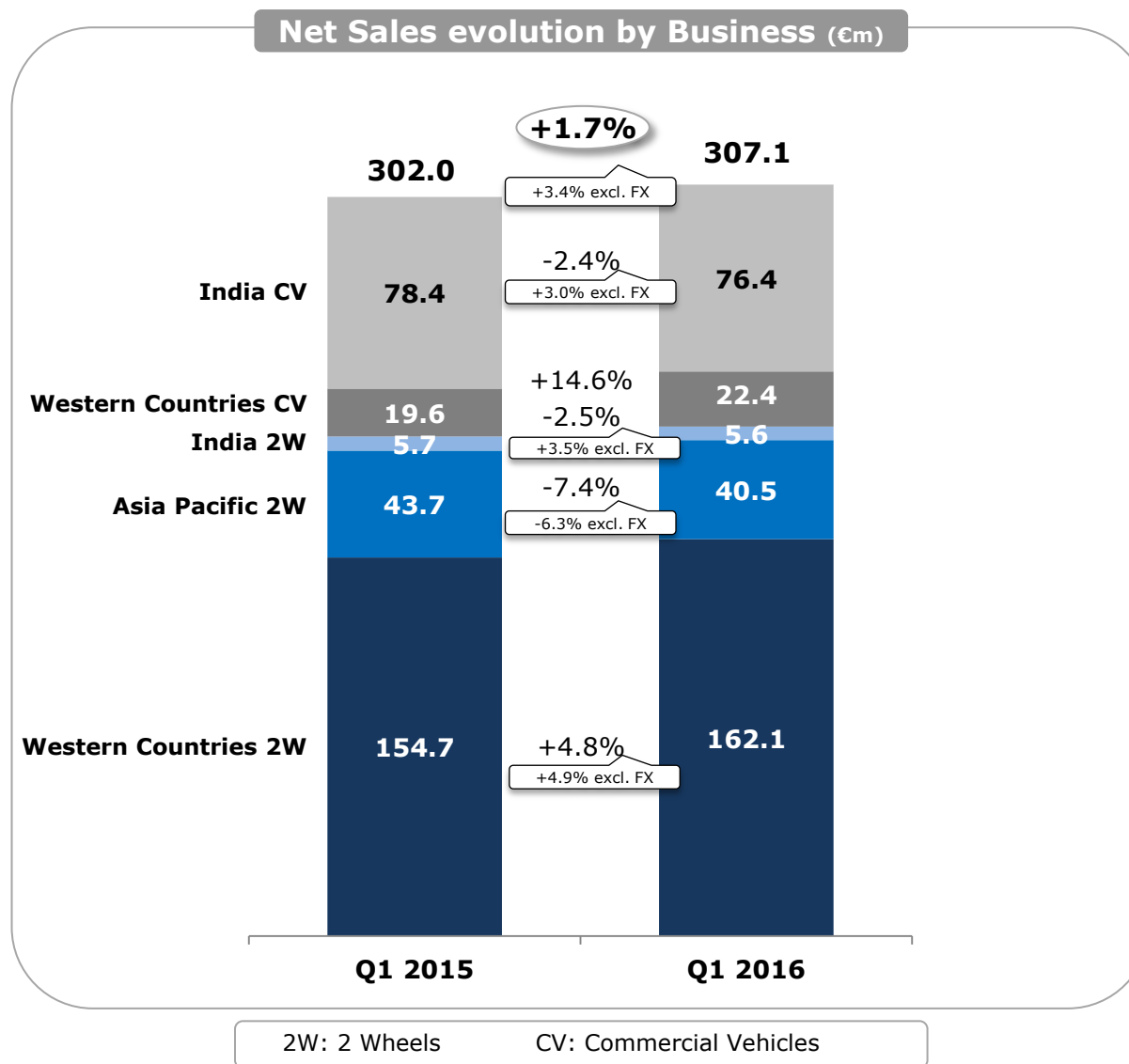
	Q1 2015	Q1 2016	Change
<b>Cash Flow</b>	<b>(75.6)</b>	<b>(56.2)</b>	<b>+19.4</b>

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

## Volume slightly above PY, mainly driven by good performance in European 2 Wheelers, ...

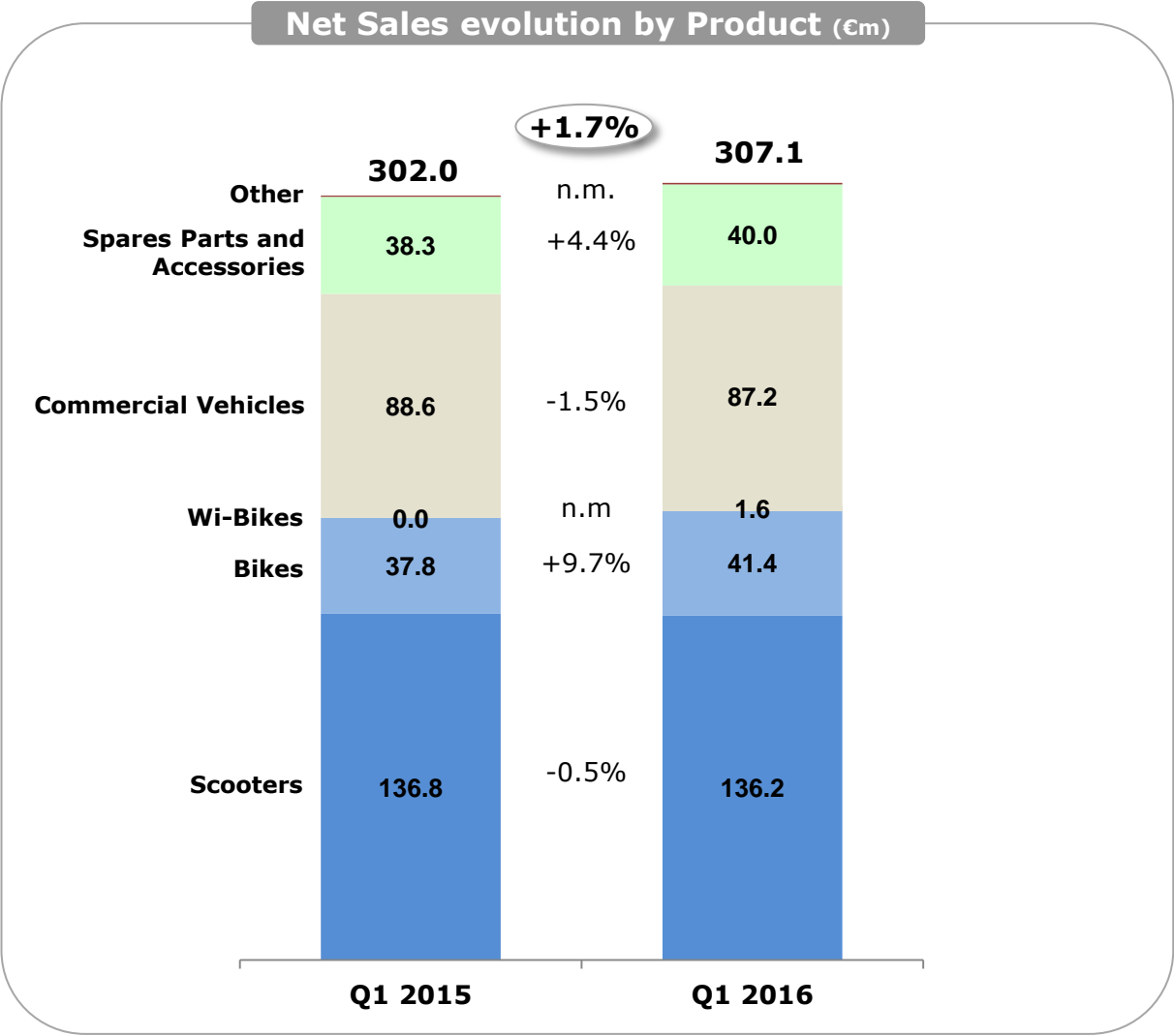


## ... and positive price mix effect drove Net Sales increase, despite negative FX effect

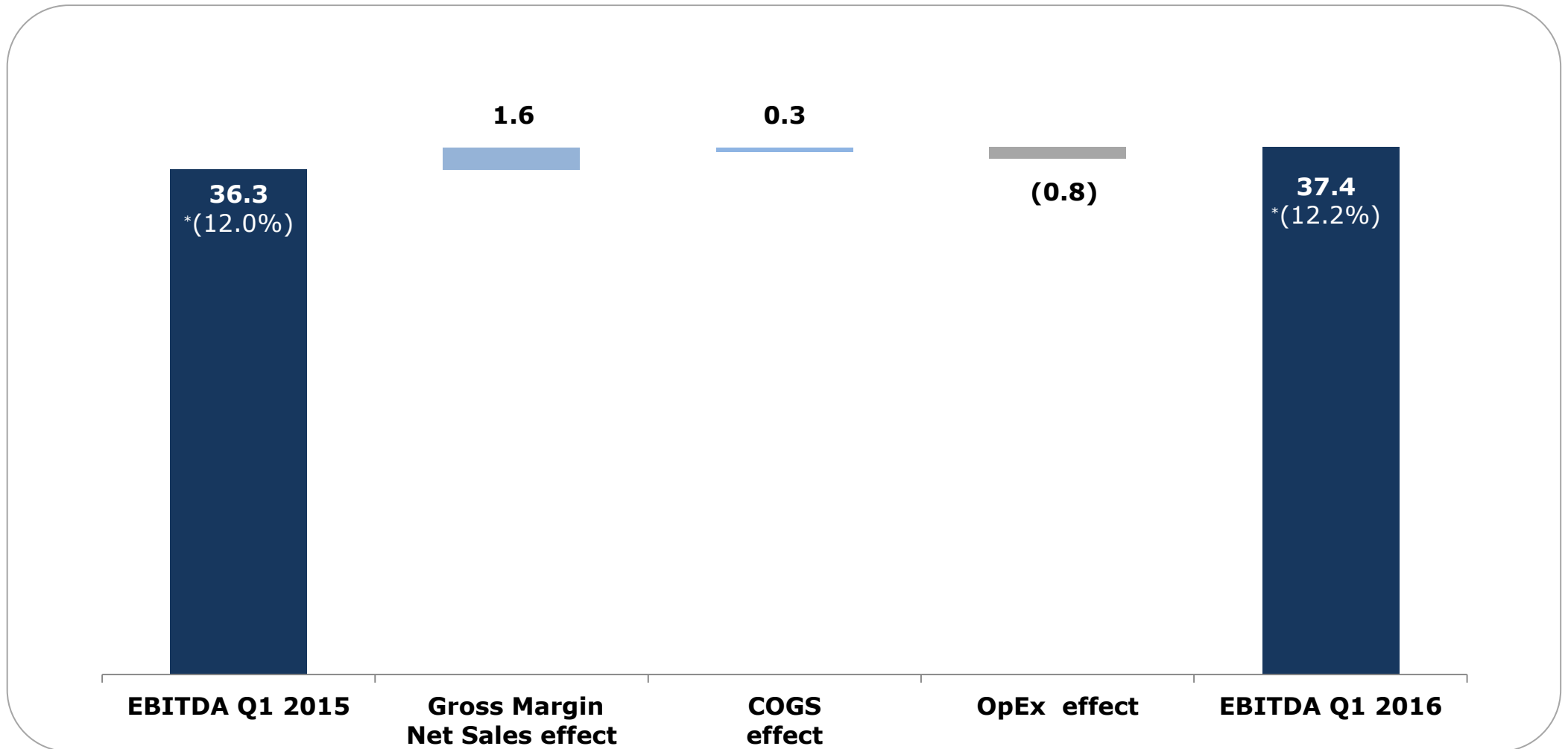




**Good performance in Bikes mainly driven by Aprilia high displacement products. European healthy performance in Scooter more than offset by emerging market and North America weakness.**

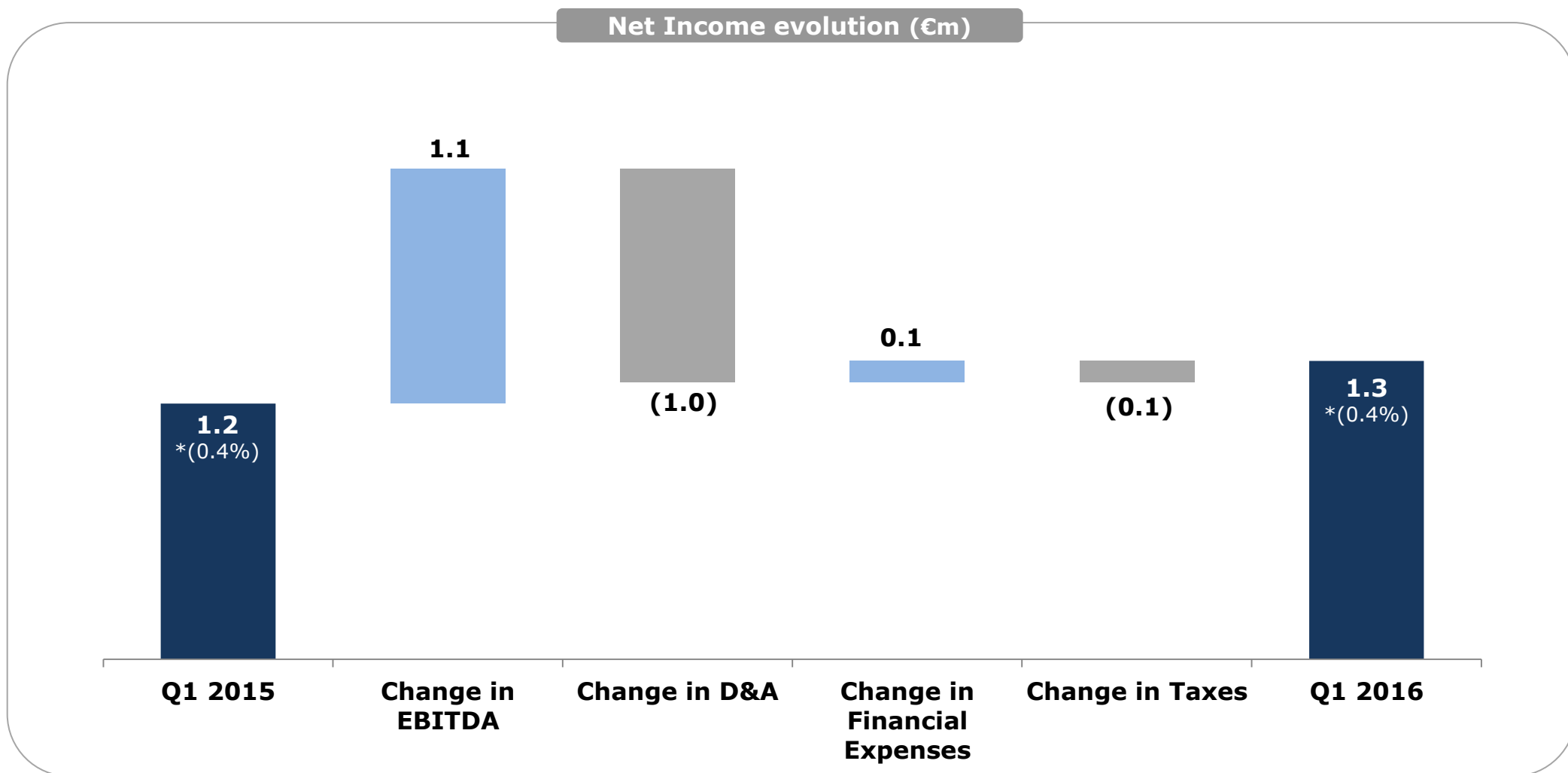


## Net Sales growth and product profitability drove EBITDA uplift, topping 12.2 p.p. on Net Sales, ...



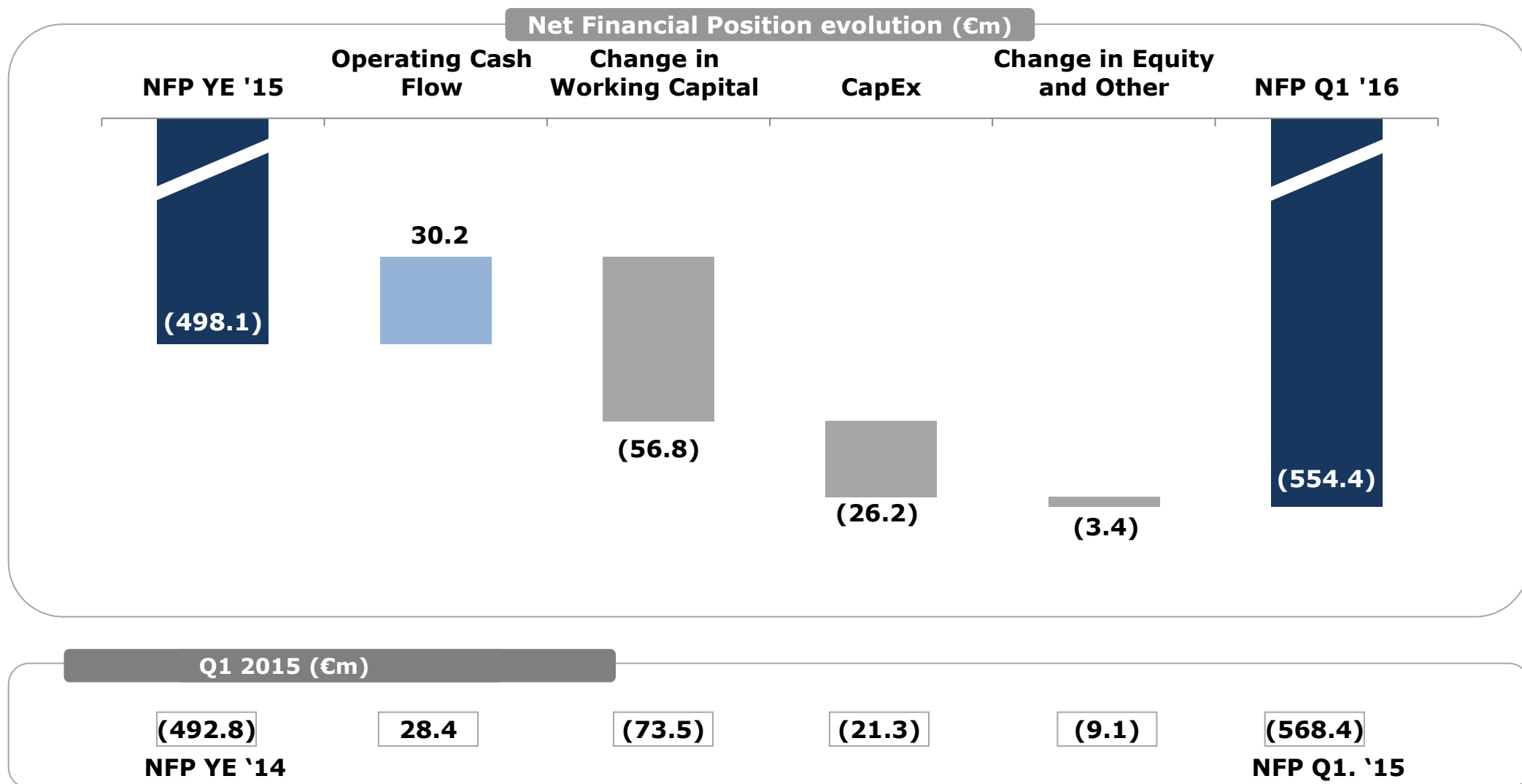
\* % on Net Sales

## ...and led Net Result slightly above prior year, notwithstanding higher D&A



\* % on Net Sales

## Seasonal Working Capital growth drove NFP increase vs. YE 2015; Q1 16 Cash Flow, better than Q1 15 by 19€m, led NFP below Q1 2015 level (1/2)



## Seasonal Working Capital growth drove NFP increase vs. YE 2015; Q1 16 Cash Flow, better than Q1 15 by 19€m, led NFP below Q1 2015 level (2/2)

### Balance Sheet evolution (€m)

	2014	Q1 2015	Chg. '15 vs YE '14	2015	Q1 2016	Chg. '16 vs YE '15
Trade Receivable (*)	71.6	115.5	43.9	78.9	107.0	28.1
Inventories	232.4	267.8	35.4	212.8	258.5	45.7
Commercial Payable	(383.6)	(404.8)	-21.1	(378.3)	(411.8)	-33.5
Other assets/liabilities	63.6	79.0	15.4	54.6	71.1	16.5
<b>Working Capital</b>	<b>(16.1)</b>	<b>57.5</b>	<b>73.5</b>	<b>(32.0)</b>	<b>24.9</b>	<b>56.8</b>
Tangible Fixed Assets	319.5	328.8	9.3	319.6	316.0	-3.5
Intangible Fixed Assets	668.4	674.1	5.7	674.0	671.5	-2.5
Financial Investments	10.0	9.1	-0.9	9.7	9.8	+0.2
Provisions	(76.0)	(77.7)	-1.7	(68.8)	(71.3)	-2.4
<b>Net Invested Capital</b>	<b>905.9</b>	<b>991.8</b>	<b>85.9</b>	<b>902.4</b>	<b>950.9</b>	<b>48.5</b>
<b>Net Debt</b>	<b>492.8</b>	<b>568.4</b>	<b>75.6</b>	<b>498.1</b>	<b>554.4</b>	<b>56.2</b>
<b>Equity</b>	<b>413.1</b>	<b>423.4</b>	<b>10.3</b>	<b>404.3</b>	<b>396.6</b>	<b>-7.7</b>
<b>Total Sources</b>	<b>905.9</b>	<b>991.8</b>	<b>85.9</b>	<b>902.4</b>	<b>950.9</b>	<b>28.5</b>
<b>Net Debt/Equity</b>	<b>1.19</b>	<b>1.34</b>		<b>1.23</b>	<b>1.40</b>	

(\*) Net of advances from customers.

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