we look up

# Q1 2017 Financial Results

May 10, 2017

# Q1 2017 Highlights

- **Stable top-line** in a seasonally weak quarter driven by strong execution on cost efficiency
  - **Net Revenue decreases marginally by 0.5%** YoY to **€176.4m**
    - En-route revenue up 0.3% to €111.5m
    - Terminal revenue increases by 7.5% to €43.4m
    - Non-regulated revenue increases 16.0% to €3.1m
    - Balance decreases by 45% to €6.3m due to TZ3 balance in Q1 16 and higher balance reversal in tariff in Q1 17
  - **EBITDA increases by 2.6% YoY to €28.7m,** with **margin** improving 0.5 p.p. YoY as a result of cost efficiency
  - **Net Loss of €4.2m,** significant improvement over Net Loss of €8.8m recorded in previous year
  - **Net debt / LTM EBITDA of 0.5x**
  - Capex of €21m in Q1 2017

# Appointment of New Board of Directors

- **AGM held on April 28** approved dividend payment of €0.176 per share and nominated new Board of Directors, Roberto Scaramella appointed Chairman; on May 4 the Board of Directors appointed Roberta Neri as CEO
- The Board of Directors will remain in force for 3 years and will expire with the shareholder's meeting that will be called to approve the 2019 financial statements

**Board Member**
Giuseppe Acierno *

**Board Member**
M.Teresa Di Matteo

**Board Member**
Nicola Maione *

**Chairman**
Roberto Scaramella *

**CEO**
Roberta Neri

**Board Member**
Fabiola Mascardi *

**Board Member**
Mario Vinzia

**Board Member**
Antonio Santi *

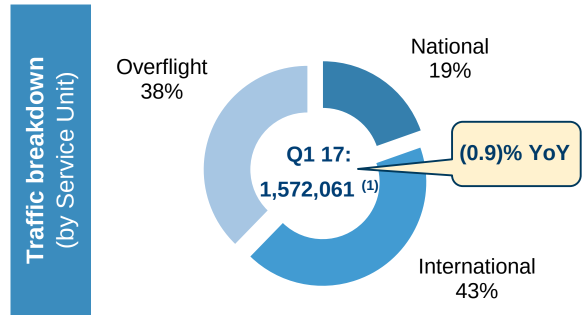
**Board Member**
Carlo Paris *

* Independent Directors

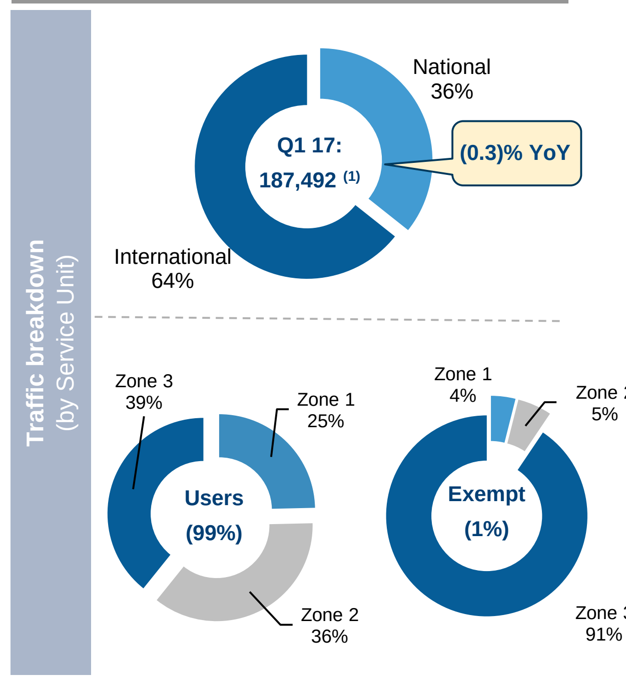
# Q1 2017 Main Traffic Trends

- **En-route** service units **decrease 0.9%**[1] YoY as a result of calendar effect (Q1 16 had leap year effect and included Easter) and weak traffic trends:
  - Positive performance in International traffic, with service units up 0.6% YoY
  - Decline in National traffic, with service units down 2.9% YoY
  - Weak performance in Overflights, down 2.0% YoY
- Stable performance in **Terminal traffic** service units, **down 0.3%**[1] YoY:
  - Growth in International traffic, up 2.3% YoY, in particular in TZ2 (+4.2%) and TZ3 (+5.4%)
  - Decrease in TZ1 traffic of 4.7% also due to Alitalia issues (Alitalia represents 45% of service units for TZ1)
  - Decrease in exempt flight SUs in particular in TZ3
- TZ3 traffic positively impacted by inclusion of Rimini and Comiso airports under ENAV perimeter from November 2016
- Alitalia crisis is a concern for Italy in general and is visible in traffic trends in Q1 17; over medium term routes expected to be taken up by other airlines with limited effect on ENAV

**En-route**



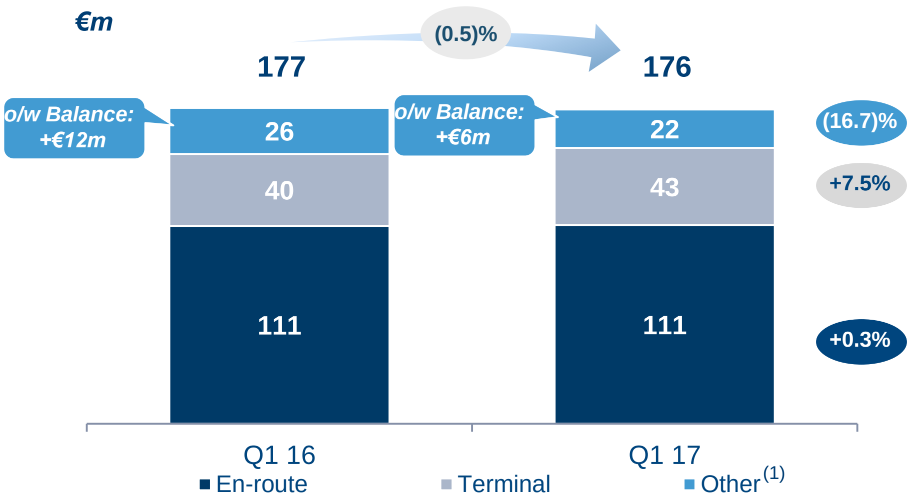

**Terminal**



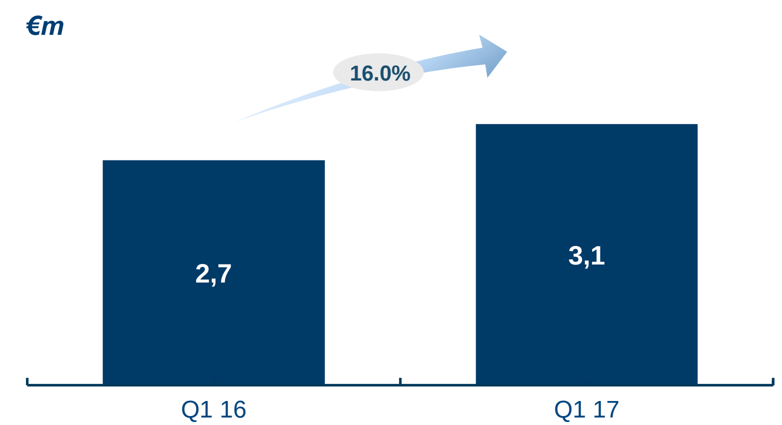

(1) Excluding exempt flights not communicated to Eurocontrol (for Q1 17 en-route 357 SUs, terminal 194 SUs)

# Net Sales Performance

## Net sales breakdown




## Non-regulated Revenue

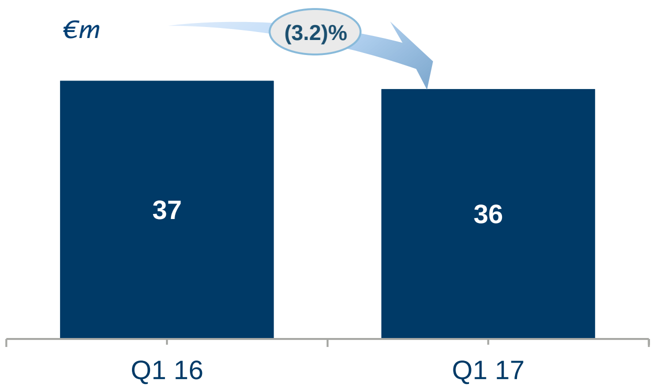



- Net sales stable YoY driven by solid performance in Operating Revenue, up 2.5%, offset by lower balance
- En-route posts revenue growth of 0.3% driven by international traffic with a stable tariff YoY
- Strong performance in terminal revenue, up 7.5% YoY, mainly driven by wider airports perimeter and application of natural tariff on TZ3, despite significantly lower tariffs applied in TZ1 and TZ2 vs previous year
- Balance revenue of €6m, decreasing by 45% YoY, mainly as a combination of:
  - Terminal Balance recorded in Q1 16 for a positive amount of €13m in relation to the TZ3 state contribution, no longer present in 2017 as natural tariff is applied to TZ3
  - Balance reversal applied in Q1 17 tariff for a negative amount of -€6m (vs -€3.7m in Q1 16)
- Other Operating Revenue mainly includes opex contributions for Safety and Security (under law 248/05) of €7.5m, and European financing related to common projects
- Significant growth in **non-regulated** business from :
  - Flight inspection services provided to ITAF and in **Saudi Arabia**
  - Contracts acquired in UAE, Libya and Morocco and portion of multi-year contract in Malaysia
  - Reduction in ATS services revenue from Comiso as a result of transition to ENAV

(1) Other includes balance, tariff stabilization funds in 2015, non-regulated activities, opex contributions, exemptions and other income.

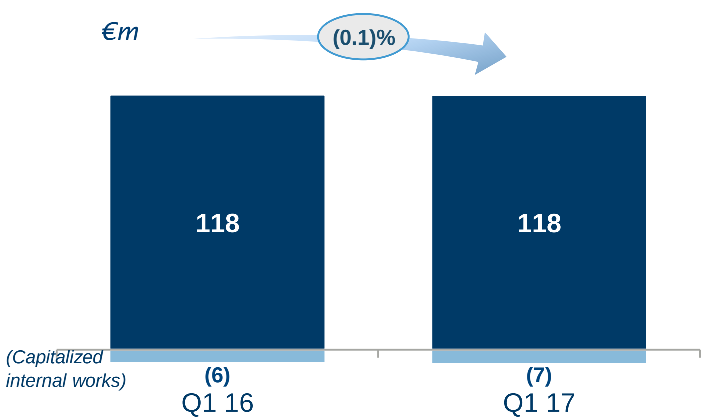
# Solid execution on efficiency plan

## Significant Reduction of External Opex




- Exernal opex efficiency plan continuing to deliver solid results with reduction of €1.2m YoY (-3.2%) :
  - Full benefit of renegotiation of insurance contract, signed in 2016, providing savings of €1.1m in Q1 17
  - Lower purchasing costs due to more effective spare parts management
  - Lower Eurocontrol contributions as a result of lower traffic
  - Partially offset by higher energy costs due to increase in consumption as a result of wider perimeter of airports managed

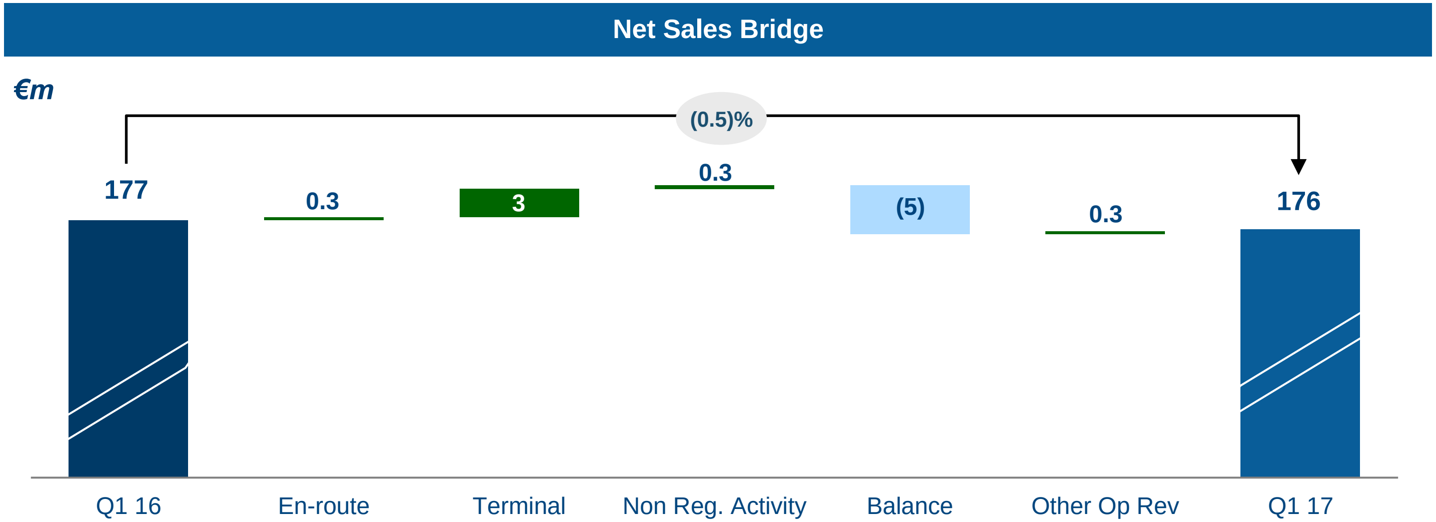
## Personnel Costs Under Control

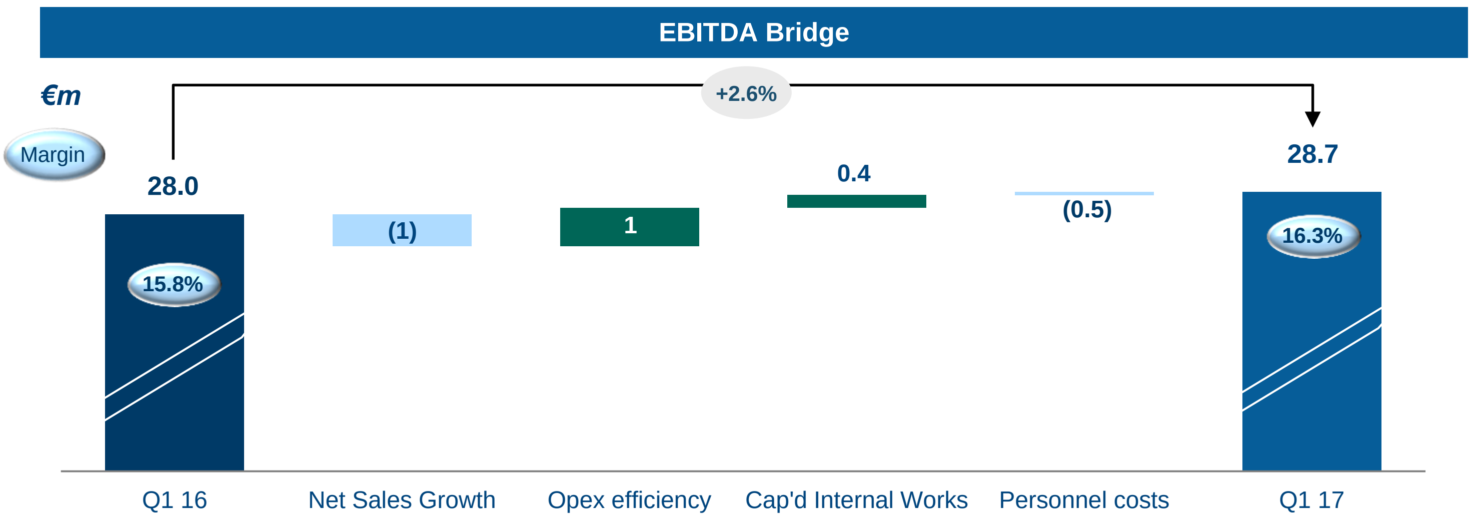



- Personnel Costs under control with stable performance YoY despite larger perimeter of airports under management in Q1 17:
  - Increase in overtime in January 2017 related to Free Route implementation fully offset by benefit of management voluntary redundancies during 2016 (-17 managers YoY)
  - Benefit associated to Easter festivity labor costs in April 17 vs March in 2016
- Contract renewal discussions still in early stages due to trade union focus on Alitalia issues; old contract remains in force until new one is in place

# Q1 2017 Financials Overview

# Net Revenue and EBITDA Bridge




- **Net sales marginal decline of 0.5%** YoY as a result of solid Operating revenue performance offset by lower Balance
- **Balance** revenue decreases marginally by €5m YoY mainly due to TZ3 Balance in Q1 16 no longer present in 2017, partially compensated by higher balance reversal in tariff in Q1 17
- **EBITDA increases 2.6%** to **€28.7m** driven by cost efficiency, EBITDA margin increases 0.5 p.p. YoY to 16.3%

# Consolidated P&L

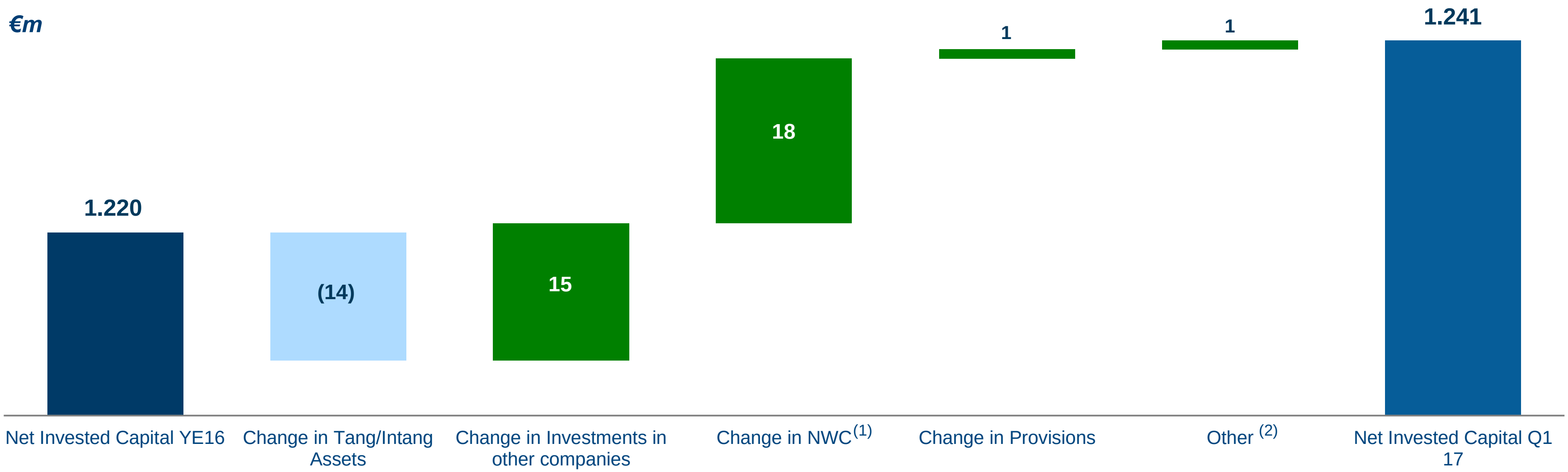
| *Euro '000* | Q1 17 | Q1 16 | Change Amount | Change % |
|---|---|---|---|---|
| Revenue from operations | 161.452 | 157.505 | 3.947 | 2,5% |
| Balance | 6.317 | 11.535 | (5.218) | (45,2)% |
| Other operating income | 8.652 | 8.323 | 329 | 4,0% |
| **Total Net Revenue** | **176.421** | **177.363** | **(942)** | **(0,5)%** |
| Personnel costs | (118.177) | (118.245) | 68 | (0,1)% |
| Capitalized internal works | 6.626 | 6.208 | 418 | 6,7% |
| Other net operating costs | (36.135) | (37.321) | 1.186 | (3,2)% |
| **Total operating costs** | **(147.686)** | **(149.358)** | **1.672** | **(1,1)%** |
| **EBITDA** | **28.735** | **28.005** | **730** | **2,6%** |
| *EBITDA margin* | *16,3%* | *15,8%* | *0,5%* | *3,2%* |
| D&A (net of capex contributions) | (31.656) | (34.027) | 2.371 | (7,0)% |
| Provisions and writedowns | (4) | (742) | 738 | n.m. |
| **EBIT** | **(2.925)** | **(6.764)** | **3.839** | **(56,8)%** |
| Financial income / (expenses) | (159) | (1.862) | 1.703 | (91,5)% |
| **Profit before income taxes** | **(3.084)** | **(8.626)** | **5.542** | **(64,2)%** |
| Income taxes | (1.103) | (187) | (916) | n.m. |
| **Net Income** | **(4.187)** | **(8.813)** | **4.626** | **(52,5)%** |

- Significant decrease in Provisions and write-downs in Q1 17 vs previous year which included higher provisions for inventory losses and provisions on non personnel disputes, settled during 2016
- Financial expenses in Q1 17 significantly lower than Q1 16, mainly due to financial income in Q1 17 resulting from balance receivables actualization vs financial expense in Q1 16, and lower interest on bank loans in Q1 17 as a result of reduction of outstanding amounts and lower interest rate applied
- Income taxes higher than previous year sue to higher taxable income

# Balance Sheet and Capitalisation

- **Net invested Capital** increases by €21m mainly driven by:
  - **Decrease in tangible assets** driven by D&A higher than capex
  - Payment of **third tranche of Aireon** investment
  - **Change in Net Working Capital** [1] increased by €18m YoY, mainly due to higher trade receivables from MIT and MEF and decrease in trade payables increased as a net effect of payments to suppliers and cash-in of funds for European funded projects
- **Net debt of €126m** as of March 31, 2017 providing significant financial and operating flexibility

| | Maturity | | Total debt outstanding/cash (€m) |
|---|---|---|---|
| | Current (<1 year) | Non-current | |
| **Total Debt** | 34 | 300 | 334 |
| **Cash & Equivalents** | | | 207 |
| **Net Debt** | | | 126 |
| **Net Debt / EBITDA** | | | 0.5x |




(1) Current trade payables, current trade receivables and Inventories
(2) Other includes other current and non-current assets and liabilities, assets held for sale

# Key Take Aways

- Solid set of results despite weak traffic trends driven by low seasonality, calendar effects and specific airline issues
- Non-regulated business continues to display interesting growth dynamics
- Maintaining leadership role in ATM innovation
- Cost efficiency measures producing positive effect on cash flow

**Guidance confirmed**

- Low single-digit net revenue growth
- EBITDA margin ~30%
- Capex €105-110 million
- DPS for 2018 expected to grow by 4% over 2017

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