9M 2020 Financial Results

November 12, 2020

sustainabilityenav

We look up to cleaner and safe skies.

enav group

9M 2020 Highlights

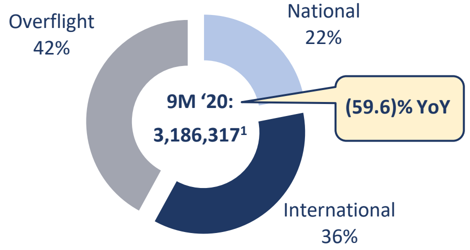
- **Severe impact of Covid-19 emergency on aviation sector**, starting from March 2020, with **9M en-route traffic down 59.6% YoY;** negative traffic peak in April and May (approx. -90% YoY) with 3Q at -61.1% YoY showing a better trend YoY vs. 2Q
- October traffic trend in line with first 9 months average at approx. -60% YoY
- **9M Net Revenue declines 14.8% YoY to €589.1m** due to reduction of revenue from operations, down 62.6% YoY, as a result of severe traffic reduction caused by Covid-19, largely offset by positive balance
- **Non-regulated revenue nearly doubled YoY reaching €16.4m** (from €9.1m in 9M 2019) mainly thanks to IDS AirNav, acquired in July 2019
- **EBITDA at €175.7m (-25.8% YoY)**, with significant cost efficiency measures partially offsetting revenue decline
- **Net Profit of €55.3m** despite Covid-19 effect on the aviation sector
- Capex of €47.4m in 9M 2020, 12.1% lower than €53.9m recorded in the same period last year
- **Net Financial Position of €228.2m** driven by NWC absorption; **Strong liquidity profile**, with cash balance of €156.1m
- **Additional credit lines available** to the Company, including two new **ESG-Linked Term Loans**, signed in October, for a total amount of €150m

9M 2020 Main Traffic Trends

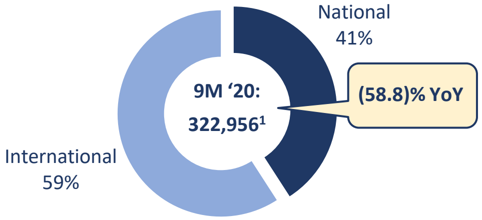
Material impact from Covid-19, starting from March, after a strong traffic growth recorded in first two months of 2020

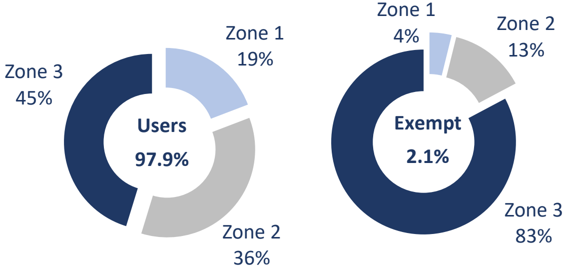
- **En-route service units down 59.6%[1] YoY** as a combined result of:
  - Overflight service units down 59.8%
  - International and National service units down 65.1% and 50.0% YoY, respectively
- **Terminal service units down 58.8%[1] YoY** due to:
  - Decrease in both International and National traffic, down 64.2% and 49.5% YoY, respectively
  - Decline in traffic in all three charging zones
- 9M 2020 traffic decrease in Italy **in line with other major countries in Europe**
- 3Q 2020 traffic, down -61.1% YoY, showing a better trend YoY vs. 2Q; October traffic trend in line with first 9 months at -60% YoY

En-route (traffic breakdown by service units)



Terminal (traffic breakdown by service units)

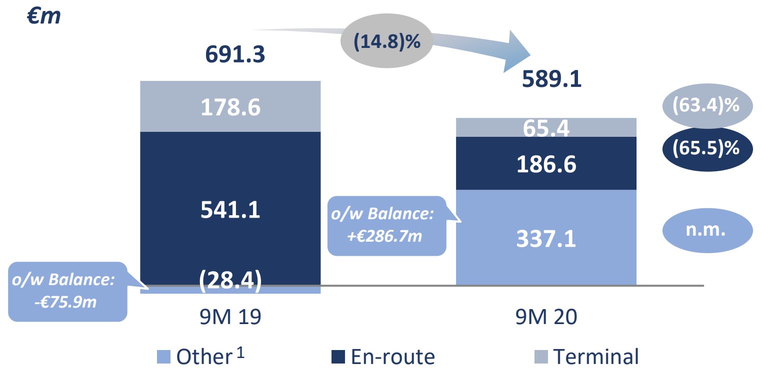




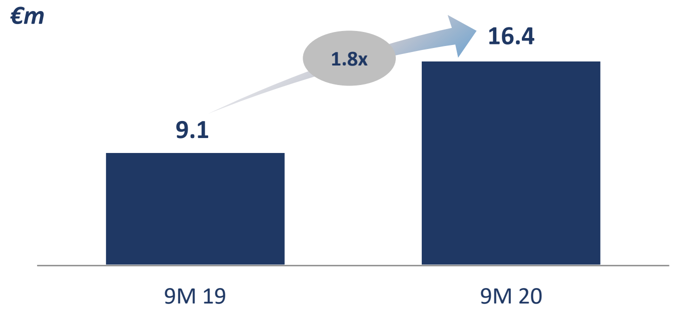
1. Excluding exempt flights not communicated to Eurocontrol (for 1H en-route 1.876 SUs, terminal 611 SUs)

Net Revenue Performance

Net Revenue breakdown



Non-regulated Revenue

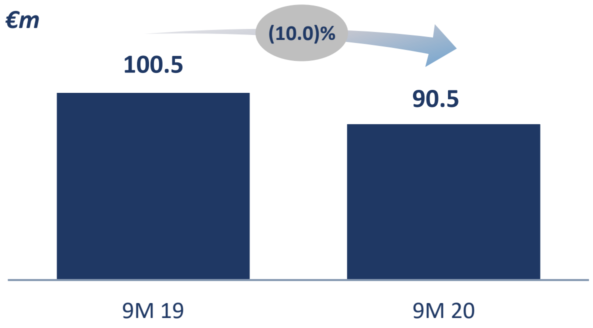


- **Net Revenue down 14.8% YoY**, (€102.3m) due to decline in **Revenue from Operations (-62.6%)**, largely offset by positive Balance
- Material **decrease in both En-route and terminal revenue, down 65.5% and 63.4%,** respectively, as a result of **Covid-19 outbreak** (impacting from March), combined with **lower 2020 tariffs** vs 2019
- Revenue decrease largely offset by **positive balance created in the period,** amounting to **€286.7m**, vs a negative Balance of -€75.9m in 9M 2019, mainly driven by En-route and terminal traffic significantly lower than forecast because of Covid-19 outbreak; 9M 2020 Balance includes Company assumption on effect of EC new regulation on temporary derogation to RP3 performance scheme for 2020 and 2021
- **Revenue from non-regulated business at €16.4m,** almost doubled (+80.7%) compared to 9M 2019, mainly driven by IDS AirNav
- **Other Operating Income at €26.4m**, lower by €3.1m (-10.4%) vs same period last year, mainly due to a lower level of EU funded projects

1. Other includes balance, non-regulated activities, opex contributions, exemptions and other income

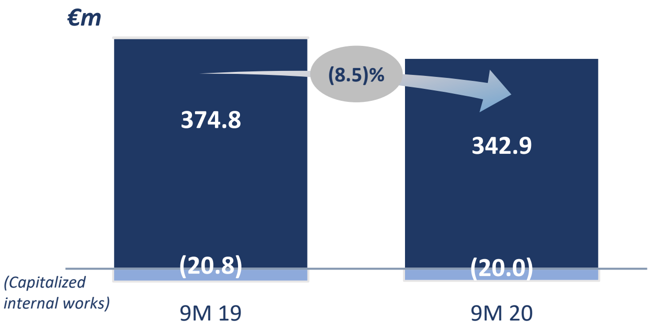
Mitigating Revenue Decline Through Cost Efficiency

Delivering further external cost efficiency



- **External opex optimization** continuing to deliver good results with reduction of €10.0m YoY (-10.0%, which becomes -14.2% YoY on a comparable basis*), as a combination of:
  - Reduction of utilities and telecommunication costs (-21%), also due to lower consumption driven by most employees working from home, and due to lower costs of our full IP digital network
  - Lower SG&A and business trip related costs because of the reduced mobility coming from Covid-19 countermeasures undertaken
  - Increase in costs for external services and insurance, both due to Covid 19-specific initiatives (extraordinary sanitization, more frequent ordinary cleaning and additional health insurance)

Discipline on personnel costs

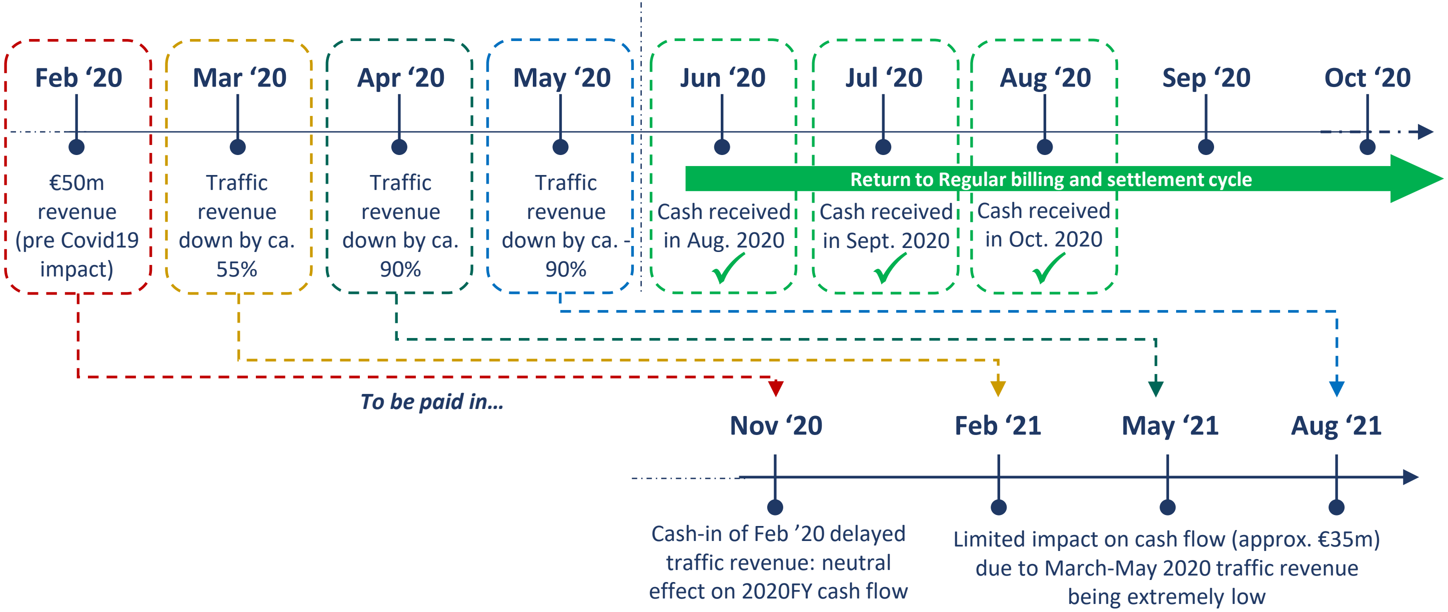


- Material decrease in **Personnel Costs** of €31.9m (-8.5% YoY which becomes -9.8% YoY on a comparable basis*), as a result of:
  - **Significant decrease in variable pay and social securities costs**, because of material reduction in overtime and use of outstanding vacation balances, given the drastic slowdown in traffic starting in March.
  - **Marginal increase in fixed pay**, as effect of 2019 labor contract renewal and the inclusion of IDS AirNav employees
- **Stable capitalized internal works**

* Excl. IDS AirNav, not consolidated in 1H 2019 accounts

Eurocontrol Measures for Air Traffic Sector

Agreement with Eurocontrol and member states to defer en-route and terminal traffic charges due by airlines for the period Feb-May 2020



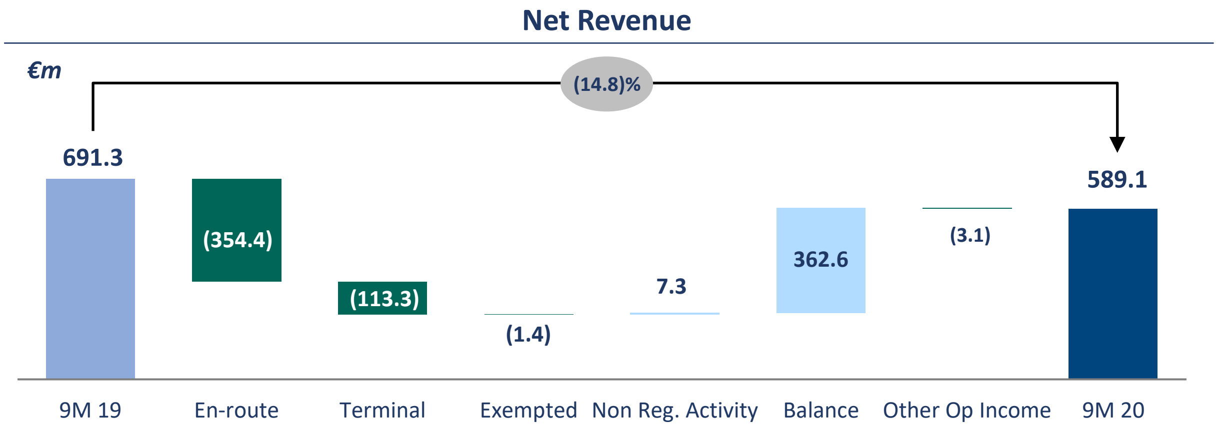
RP3 Regulation Status

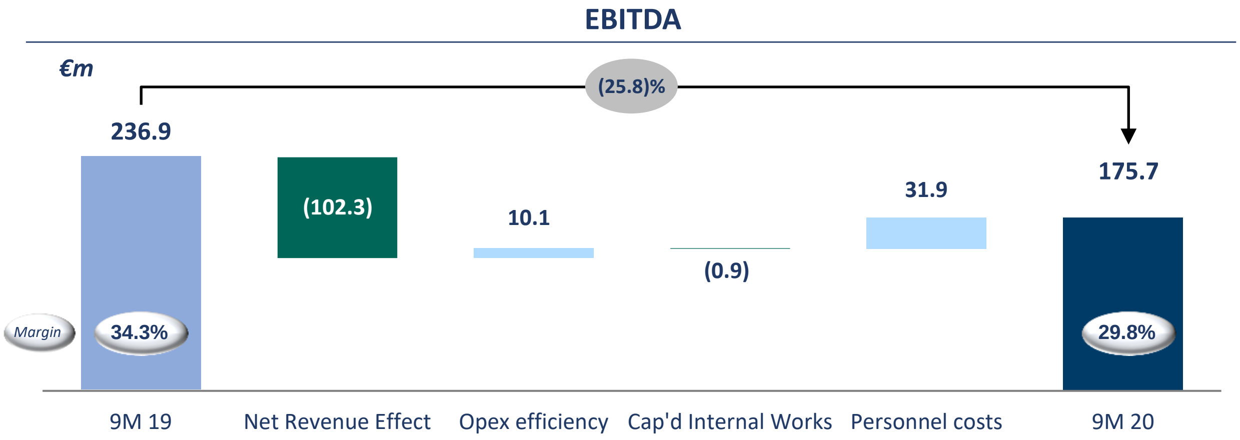
RP3 Timing and EC temporary derogation proposal for 2020 and 2021

- RP3 regulatory framework approved in February 2019 and cost efficiency targets set in May 2019
- Approval by European Commission (EC) of country-specific performance plans for RP3, originally scheduled for around March 2020, put on hold due to Covid-19 pandemic. Based on the formal submission by Italy, the applied 2020 tariffs are the following: €66.02 per service unit for en-route, €167.33 per terminal zone 1, €167.56 for terminal zone 2, and €298.93 for terminal zone 3
- In July 2020 EC published a proposal (approved on November the 4th) for a temporary derogation for 2020 and 2021 to the Single European Sky performance and charging scheme, allowing for special rules for the setting of revised Union-wide performance targets for 2020 and 2021, to mitigate the significant impact on the air transport sector caused by the Covid-19 pandemic and ensure long-term viability of the sector
- Commission expect national supervisory authorities to provide cost data and air traffic forecast for RP3 by December 2020, as inputs for the setting of the revised Union-wide performance targets for RP3
- The Commission should adopt the revised Union-wide performance targets for RP3 not later than May 2021. National supervisory authorities should then submit new performance plan to the Commission within October 2021 for the approval of the Commission

9M 2020
Financials Overview

Net Revenue and EBITDA Development





- **Net Revenue** reduction of 14.8% YoY due to:
  - Decrease of €354.4m in en-route revenue and of €113.3m in terminal revenue, marginal decline in revenue from exempted flights (-€1.4m), all Covid-19 related
  - Higher Revenue from non-regulated activities by €7.3m, driven by the integration of IDS AirNav business
  - €362.6m positive contribution from balance, mainly related to new balance creation from traffic risk sharing mechanism as a consequence of the Covid-19 outbreak, including Company estimate on effect of temporary derogation to SES proposal
  - Lower Other Operating Income of €3.1m, mainly due to lower EU financed projects
- **EBITDA** declines to €175.7m with material reduction in top-line partially offset by lower personnel costs and opex efficiency; EBITDA margin at 29.8%

Consolidated P&L and Main Movements Below EBITDA

	9M 2020	9M 2019	Change Amount	%
Revenue from operations	276,031	737,818	(461,787)	-62.6%
Balance	286,666	(75,915)	362,581	n.a.
Other operating income	26,367	29,428	(3,061)	-10.4%
Total Net Revenue	**589,064**	**691,331**	**(102,267)**	**-14.8%**
Personnel costs	(342,891)	(374,803)	31,912	-8.5%
Capitalized internal works	19,979	20,842	(863)	-4.1%
Other net operating costs	(90,453)	(100,504)	10,051	-10.0%
Total operating costs	**(413,365)**	**(454,465)**	**41,100**	**-9.0%**
EBITDA	**175,699**	**236,866**	**(61,167)**	**-25.8%**
EBITDA margin	***29.8%***	***34.3%***	***(4.5) p.p.***	***n.a.***
D&A (net of capex contributions)	(94,989)	(94,769)	(220)	0.2%
Provisions and writedowns	(3,308)	367	(3,675)	n.a.
EBIT	**77,402**	**142,464**	**(65,062)**	**-45.7%**
EBIT margin	***13.1%***	***20.6%***	***(7.5) p.p.***	***n.a.***
Financial income / (expenses)	(4,372)	(3,144)	(1,228)	39.1%
Profit before income taxes	**73,030**	**139,320**	**(66,290)**	**-47.6%**
Income taxes for the period	(17,949)	(40,525)	22,576	-55.7%
Net Income/(Loss) for the period	**55,081**	**98,795**	**(43,714)**	**-44.2%**
Net Income/(Loss) pertaining to the Group	55,283	98,914	(43,631)	-44.1%
Minority interests	(202)	(119)	(83)	69.7%

- Stable **D&A** (+0.2% YoY) vs. 9M 2019
- Rise of €3.7m in **provisions and write-downs** due to provisions accounted in the period in relation to the increased business risk resulting from Covid-19
- **Financial expenses** increase of €1.2m vs previous year mainly coming from balance actualization
- Decrease in **income taxes** in 9M 2020 mainly driven by lower taxable income and positive impact of deferred taxes for the larger part related to balance actualization
- **Net Profit** of €55.1m in 9M 2020, despite Revenue from Operations decrease by 62.6% due to Covid-19

Cash Flow and Capitalization

- **ENAV's liquidity and financial position remain solid**, notwithstanding the effect of Covid-19 emergency
- **Cash balance decreases by €293m over 2019FY to €156m** due to reduced cash-in from March to September due to Covid-19
- **Net Financial Position reflects a Net Debt of €228.2m**

	Maturity		Total debt outstanding/ cash (€m)
	Current (<1 year)	Non-current	
Total Debt	**17**	**392**	**409**
Cash & Equivalents			**156**
Financial Investments	**25**	**0.1**	**25**
Net Debt (Net Cash)			**228**
Net Debt / 2019 EBITDA			**0.8 x**

The following initiatives has been put in place by the company:

- **En-route** and **terminal charges** for **February to be cashed-in** during the month of **November 2020**, while charges related to **March, April** and **May 2020 to be cashed in 2021**, as agreed with Eurocontrol
- En-route and terminal **charges from June onwards cashed-in regularly.**
- **Average cost run-rate reduced from approx. €50m per month to approx. €45m per month**, thanks to further cost cutting initiatives as shown in previous slides
- **Additional liquidity buffer** through **postponement of €40m of Capex**
- **Incremental liquidity** coming from **new ESG linked term loans** for a total amount of **€150m** signed at the end of October and not included in the table above
- **Availability of undrawn credit lines of €297.5m**
- **No material debt maturities until 2022**

THANK YOU

ir@enav.it

sustainabilityenav

We look up to cleaner
and safe skies.

Disclaimer

This presentation contains certain forward-looking statements that reflect the Company's management current views with respect to future events and financial and operational performance of the Company and its subsidiaries. These forward-looking statements are based on ENAV S.p.A.'s current expectations and projections about future events. Because these forward-looking statements are subject to risks and uncertainties, actual future results or performance may differ materially from those expressed in or implied by these statements due to any number of different factors, many of which are beyond the ability of ENAV S.p.A. to control or estimate precisely, including changes in the regulatory environment, future market developments, and other risks. You are cautioned not to place undue reliance on the forward-looking statements contained herein, which are made only as of the date of this presentation. ENAV S.p.A. does not undertake any obligation to publicly release any updates or revisions to any forward-looking statements to reflect events or circumstances after the date of this presentation. The information contained in this presentation does not purport to be comprehensive and has not been independently verified by any independent third party. This presentation does not constitute a recommendation regarding the securities of the Company. This presentation does not contain an offer to sell or a solicitation of any offer to buy any securities issued by ENAV S.p.A..