

Piaggio Group

First Half of 2021 Financial Results

CORPORATE PARTICIPANTS

ROBERTO COLANINNO – CHAIRMAN AND CHIEF EXECUTIVE OFFICER

MICHELE COLANINNO – CHIEF OF STRATEGY AND PRODUCT

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RAFFAELE LUPOTTO – EXECUTIVE VICE PRESIDENT, HEAD OF INVESTOR RELATIONS

MANAGEMENT DISCUSSION

Raffaele Lupotto – Executive Vice President, Head of Investor Relations

Thank you very much for joining us today and joining me today are Mr. Roberto Colaninno, Piaggio Group Chairman and Chief Executive Officer; Michele Colaninno, Chief of Strategy and Products; Alessandra Simonotto, Chief Financial Officer; and myself. You can access the slides supporting this conference call at piaggiogroup.com. At the end of presentation, we will be available to answer the questions you may have. Before starting the presentation, as usual, I need to remind you that during today's conference call, we may use forward-looking statements based on Piaggio's current expectations and projections about future events. By their nature, forward-looking statements are subject to risks, uncertainties and other factors that can cause actual results to be materially different. Also, I remind you that the press has been invited to participate in this conference call in a listen-only mode. And now, I would like to turn the conference call over to Mr. Roberto Colaninno.

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Roberto Colaninno-Chairman and Chief Executive Officer

Hello. Good day, everybody. To be very synthetic, I think that the results of the first six months is quite good, particularly due to the very high performance of bikes where we have big, big results, especially for Moto Guzzi and Aprilia. We expect that the same trend of sales of the first six months on bikes will be also in the second six months of the year. On this area, we don't register any particular problem for the components, even if a quite difficult situation, but we managed very well through our different company, and different purchasing point around the world. The second is that, what we have begin on the half first six months: we have launched an all the new department on electric. We are working hard there, to develop the new vehicle, electrical vehicle. The first one of this will be launched in September and we believe it will be very successful product.

Based on the area, we have a very good result in Asia, where the results are coming, especially for the market of Thailand, Philippines, Indonesia and Vietnam. The second one, the big surprise for us is the number and the sales that we registered in China where Vespa is very successful delivering very important results. We believe that China will be a very good market for this type of product, that is a top-class product and the reaction of the market is very good. The second one, market where we have very good results is United

States, where, again, the bikes were very welcomed and Vespa reached market share, an incredible market share. EMEA, too, is quite good. The performance of sales in EMEA that we registered, that is confirmed by the sales of July, and then also the order that we receive for August and September is very positive therefore can predict a very good second six months. India. India is terrible year, because went gradually in lockdown in the last four months and the sales of this has rapidly reduced and incomparable with those of the last year. Now for the first time, India registered a better situation. I don't know if this will be confirmed. We will see, and we need to await the next two-three months to see if the positive situation registered in July will be confirmed. And if this is confirmed, India becomes a very good market because the people need to buy products.

Generally speaking, the problems that we have this year, as you know, is the transport cost and the electronic components. Until now, we are not obliged to stop production due to the small difficulty to find components on the market. But anyway, we consider that the price of raw material experienced in the first six months, will begin to decline by the end of this year and confirmed on the next year. So, we can say that the budget of '22 will be a very positive budget. And the second six months will be, again, six months where we need to work hard to be able to produce all the products required by the market for different areas, as I said before. So very positive Asia, very positive, extremely positive, China, positive United States, very positive EMEA, very weak India, but with the trend, if this trend of virus registered in July will be confirmed, the situation should be better for the second six months of the year. We registered a very good trend, very good sales for spare parts and accessories where the results of the first six months. And the margin of spare parts is very good, it's very high, too.

CapEx, we continue in the CapEx as we budgeted for '21, and we believe to be in line with the program that we have launched at the beginning of the year, and we completed by the end of the year on time with the time scheduled. The new products will be launched in September, in August, in term of motorbikes and launch in the market. The new electric scooter coming -- this launch will be in September and the pre-reaction of the market has been very good and we expect very good results for this product. Regarding electrical, however, we proceeded we developed a new electric Porter NP6. We proceed on the design and the project of the new electrical two wheeler, to be ready the launch of new products on '23. The program of Piaggio is very clear for the next two years, '22 and '23. Again, the budget of '22, for which we have already begun to work, should be very positive. And '22, '23 will be totally dedicated to the development of electrical products. I am positive for a couple of things. The situation is not easy, but it is possible to achieve the results that we have fixed with the budget.

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Raffaele Lupotto – Executive Vice President, Head Of Investor Relations

Okay. Now, I will turn over the call to Alessandra, that can comment on the slides that we have published on our website. Okay. Alessandra?

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Alessandra Simonotto – Chief Financial Officer

Thank you, Raffaele. Good afternoon, everybody. As usual, I want to start from Page 3 of the presentation that we have received, and you have found on our website, commenting what happens in the first six months of 2021, and to give you a better information of the trends of this period against 2020. We published also what happened in 2019. As you can see in Page 3, we performed outstanding results, with all the most

important key metrics, in our view, reaching a peak level and achieving the best result since 2007 on net sales, EBITDA, EPS, and I believe also in about net debt. About net sales, we can say that the net sales in the first half of 2021 increased by 50.3% from EUR600 million of 2020 to EUR902 million in 2021. EBITDA, as already said, increased by 74% from EUR83 million of the first half 2020 to EUR145 million in first half of 2021. While against 2019, we can say that net sales increased by 10.4% from EUR817 million in 2019 to EUR902 million in 2021 and EBITDA increased by 7.6% from EUR134 million to EUR145 million in 2021. About the EPS, as you can see, we started from EUR0.10 per share in 2019 to EUR0.12 in 2021. About net debt, and the net financial position of the group at the end of June 2021 is EUR402 million. If you remember well, when we commented last year, the first half results, we have not the same good results, we have more or less at EUR529 million after the COVID, first lockdown that dropped, is the worst result in months of April, March and May. Against the results of June 2019, we passed from EUR418 million to the result of 2020. Go to the Slide 4 and 5. Here, we have commented the wonderful results, let me say, of all our two-wheelers brands in the first half of this year. Vespa, Piaggio, Aprilia, Moto Guzzi, all our brands reached their best result in terms of revenue. The most important one, as Mr. Colaninno already said are about motorbikes, where both Aprilia and Moto Guzzi reached revenues higher than 100% Aprilia, and more or less 70% Moto Guzzi versus the previous year. As you can see on Page 5, Moto Guzzi and Aprilia, so our motorbikes brands reached the highest volumes of revenue to date. And we can say that more or less, Moto Guzzi reached more than 9,000 vehicles sold in this period, while Aprilia reached more than 16,000 vehicles sold in the period. And another point that Mr. Colaninno has already underlined is the wonderful result of the APAC area. So in Page 6, you can find a focus on the different APAC markets in which we have signed new record highs, benefitting from the heightened country diversification on which we have worked in this year. So as you can see, Vietnam, Indonesia, Australia and New Zealand reached their best results in this period, but the most important ones in our strategy is China, as Mr. Colaninno already said, and we can say that in China, we passed from 3,000 vehicles sold in 2019 to more than 9,000 in 2021. Now, going to Page 7. Here you can find the comment about the key market demands trends. About the, as you can see more or less, all the market in the first six months of 2021 grew about the 24%, 25%, 27%. So, we can say that EMEA and Americas have started seeing acceleration across the period, growing the demand well above the pre-pandemic level. While Asia Pacific -- in Asia Pacific, overall demand strengthened as the semester progressed. In the ASEAN 5 area, demand gaining strength versus 2020, mainly benefitting from Q2 positive uptick in Vietnam, Thailand and Indonesia, as I already said, the Chinese market results are very important in this growth and in our strategy for the future. About India, India demand revival marred by the COVID-19 second wave, although June data raised hope for the remaining part of the year. In India, we can say that there are two different trends. When we are looking for the scooter market, the market is growing more than 36%, while the commercial vehicles market fined in this period, decreased more than 20%. As you can see, the passenger light commercial vehicles remained the worst hit, reflecting the sluggishness in the urban activity, caused from the second pandemic period that affects India until the end of June. We can move now to Page 8, where we, as usual, we have prepared a different analysis of volume by business. As you can see in the left part of the slide, the volumes from '20 to '21 grew more than 36.5% than last year. And here, you can see the different growth for any geographic area and business. So, when we have, if we take a look to the CV, EMEA and Americas, the growth is more than 32.6%, so from 105,000 vehicles to 139,400. In Asia Pacific, the vehicles started strong from 42,700 vehicles to 70,900 vehicles with a growth of more than 66.0%, about two wheelers India as we before said, we have, also for Piaggio, a growth, starting from 15,100 to 32,600 vehicles with a growth of more than 100%. CV EMEA and Americas, outstanding results, in our view, thanks to the introduction and the successful launch of new NP6 vehicles, so from 5,000 vehicles in 2020 to more than 9,000 vehicles in the first half of 2021. About the CV India, as we already said before commenting on the market, this is the only segment in which we had a decrease in this first part of the year. So the volume decreased from 41,900 units

in 2020 to 34,800 units in 2021. About the net sales evolution, on the right side of the slide. Here, you can see the segment information about revenues. The revenues grew more than 50% in 2021 against 2020. All the segments signed a growth. As you can see, two-wheelers, EMEA and Americas, the growth is more the 61%, from EUR350.9 million to EUR564.9 million. Two wheelers Asia Pacific passed from EUR101.5 million to EUR166.5 million with a growth about more or less 64%. Two-wheelers India, EUR15.2 million to EUR29.6 million. CV EMEA and Americas, EUR40.5 million to EUR63.7 million, growth of more or less 57%. CV India, EUR91 million to EUR77 million. Going to Page 9. Here, you can find the evolution by product, which is the contribution of any segment about scooters, motors and commercial vehicles to our revenues and volumes of the first half. As you can see in the slide, scooters had outstanding results, driven by the upsurge in all geographical areas and positive price effects. So the volumes grew from 145,600 units to 217,300 units about scooters with a growth more or less of 49%. The bikes, as already said before, we had best results from 2007 and we grew from 17,400 units to 25,500 units, more or less 47%. And as already said, Aprilia in total, we have seen a result of about 16,000 units. But I want to underline this, the new product launches at the end of 2020, Aprilia RS and Tuono 660 to more than 9,000 units sold from the launch. So more or less in less than nine months. About the commercial vehicles, as you can see here, the volumes slowed down from 47,300 units to 44,200 units, a loss of 6.5%. But thanks to the performance of the new NP6 vehicles and the price effects critical to the new state of these new products, the revenues goes from EUR115 million to EUR119 million. About the other segments, as we can see on the right-side of the slide, scooters EUR325.6 million to EUR517.1 million, grow more than -- more or less 60%. EUR87 million, motorbikes to EUR173.4 million, again a strong effect of Moto Guzzi and Aprilia helped us to reach this very good result. Going to Page 10, here you can find and have a look of the EBITDA bridge. If you remember well, in the first half of 2020, our EBITDA was more or less equal to EUR83 million. The highest effects of the net sales of the period on the EBITDA is an effect of EUR94.4 million. We have a little worse effect on the gross margin, as Mr. Colaninno already said, it was due to two effects. The first one is an Indian dilutive effect is for a part of the period the Indian factory was closed. And on the other side, a little more growth in logistics as you will know, the Suez Canal was closed in April for a period and also Piaggio, as a lot of other companies, have an effect on the cost from this. Cash OpEx, Cash OpEx. in the slide, more or less, it seems a negative effect that is only an optical effect. As we defined, because in this six months, the company, the group works as a normal period. While in 2020, we stopped all our activities more or less everywhere from the first half of March to the first half of May for two months in the most important part of the season. So with this -- with all these efforts, the EBITDA evolution is that the EBITDA at the end of June is equal to EUR144.6 million, equal to 16% on revenues. At Page 11, you have a total look of our P&L. And there is no more, no other things to underline. We have only underlined the effects on D&A for the new products, for the new capital expenditure of this period to strengthen brand and new product portfolio, have a little effect on depreciation. About tax rate, the tax rate at the end of June is equal to 38% as the company in June decides to be benefitting the realignment of intangible asset tax value to book value, as it is permitted to from the decree number 104 of 2020. Last but not least, our net financial position evolution. We have put in this slide the two different views. The one from the end of June 2020 through the end of June 2021 and the one at the end of December 2020 to the end of June 2021. On your left, what happened in the last 12 months. As you remember well, at the end of June, we were -- at the end of June, we had a net financial position of EUR528.5 million. While we close June 2021, we had a net financial position of EUR401.9 million. The operating cash flow in these 12 months were, probably before, EUR177.9 million. The change in working capital, we was also positive for more than EUR110 million and the CapEx absorbed cash for EUR156.6 million. So, we have in this, in the last 12 months, an outstanding free cash flow of more than EUR132 million. On the right of the slide, if you want to take a look what happened in the last six months, we closed the year 2020 with a net financial position of EUR423.6 million. The operating cash flow of these six months is about EUR101.7 million. We have a little absorption of working capital, but this is

strictly connected to volume and revenues that we expected in the second part of the year. Capital expenditure are in line with our budget and our expectation for this year and we did new investments that Mr. Colaninno has already shared with you, EUR69.1 million. So, we end of the net financial position of EUR401.9 million. Under this, you can find also what happened in the same period from the end of 2019 to the end of June 2020 to get you more information as possible on this important figure.

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Raffaele Lupotto – Executive Vice President, Head of Investor Relations

Okay. Thank you. And we are now ready to answer the questions you may have. Thank you.

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QUESTION AND ANSWER SECTION

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Monica Bosio – Banca Intesa San Paolo

Yes. Good afternoon, and thanks for taking my questions. The first one is on the rise of raw material costs and on top on the rise of freight costs. Could you please quantify the impact over the first half? And what do you expect for the full year in terms of cost inflation from raw material and freight costs? My second question is on APAC. APAC area grew by 64% in the first half versus the first half 2019. The second quarter was up by 48% in term of volumes versus the second quarter 2019 in APAC. I'm just wondering if we can replicate the same growth trends over the next quarters. And very last question is a flavor, if you can, on the July trend in the to European markets. Thank you very much.

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Raffaele Lupotto – Executive Vice President, Head of Investor Relations

Monica, we start with the last question about the European market in July. And in the first three weeks of this month, according to the data we have, European markets are growing unsurprisingly against 2019 double digit, between 10% and 15%, with Germany and Italy probably above 10%. This is the trend that we see in Europe.

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Monica Bosio – Banca Intesa San Paolo

Versus 2019?

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Raffaele Lupotto – Executive Vice President, Head of Investor Relations

Yes.

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Monica Bosio – Banca Intesa San Paolo

And versus 2020, which..

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Raffaele Lupotto – Executive Vice President, Head of Investor Relations

It is slightly negative. Keep in mind that we have one less working day in July in all the European countries, essentially the France, Germany, Italy and Spain compared to 2020. So slightly down in some countries with one less working day that normally accounts for 7%, 8%. So overall, I would say very good. Yeah.

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Roberto Colaninno-Chairman and Chief Executive Officer

Okay. You asked about the price increase of raw material on the first six months and what is our view for the next of the year and then of the next year is, right?

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Monica Bosio – Banca Intesa San Paolo

Yes. Also, the rise in transportation costs, in freight costs, which is on the top of the raw material, which is very important.

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Roberto Colaninno-Chairman and Chief Executive Officer

Okay. You know what happened in the last six months, let's say, in the first quarter of the year. The newspaper report exactly how is the record increase price of steel, of copper, of plastic and other things like that. And on top of that, you know very well what happens on the transportation, where we have an incredible trust from the people that manage the transportation and they manage the containers. I expect that this situation really is unbelievable and need to be stopped by the authority or by the market. I know exactly that now a big company is beginning to refuse to accept the price increase as the market requires. And I know and we registered, we already, the first reduction of price, very small, a little, but anyway, we expect that this trend of raw material that is impossible to manage will be stopped and we will begin to reduce. Now the stop was unexpected. Piaggio was able to manage all this situation due to diversification of production sites and then the market is totally different. You know for instance, our company in India, really don't buy from China, whereas from buy India directly and so they do not suffer about transportation costs and the cost of the containers. Either the company in Vietnam, they buy in the local market and they buy components by the country around Vietnam, as Thailand, as Indonesia and then they don't suffer at the same level of that European companies when they buy from China or when they imported from Asia. So the mix of Piaggio is coming from the very strategic and very lucky position of the company that is very diversified market by market. As you know, we have a production plant in India. We have a production plant in Vietnam. We have a production plant in China. And so we are able to play around the market and then, you know, we suffered from the price increase, naturally, but not so high as normally people can expect. We expect, we see that, for instance, the components, the electronics components are beginning to be not so difficult as the beginning of the year. Naturally, the situation is not fantastic, is difficult, but this depends on also how the company is organized and how the company can go directly in the market and buy products in a opportunistic way.

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Monica Bosio – Banca Intesa San Paolo

Thank you very much.

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Francois Robillard – Intermonte

Hi. Thank you for taking my question. First one is, can you just come back on one of the questions of Monica it was about the APAC market trends and as well your trend in terms of volume growth there. Can you just tell us, if you expect them to remain in the second half or what kind of growth targets do you have in this area? Second one was, yes, again about supply shortages, especially on microchips. I saw browsing on your Italian retail website that some of your products are being proposed without some components. Can we expect some costs, looking forward, to replace on these vehicles sold without some components or some features? What kind of costs are you looking at in the future to fix the situation? Thank you.

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Roberto Colaninno-Chairman and Chief Executive Officer

Cost trend, we expected, the trend now, the sales trend now is very strong. The demand, the strong demand is coming from Europe, coming from Asian market and coming from China, too, and coming also from the United States. Now the market seems to be now looking to stock more what is normal, to stock in advance because everybody believed that with market that depending from the virus trend, if the virus is beginning to slow, the market will restart on very, very stronger and very, very big, the sales volume demands. Take one consideration that sometimes it's true, sometimes it's not true. Talking about India and talking about Asia in general; people live in this countries with a very harder virus situation. And the people want to buy two-wheeler only because the two-wheeler is not like a car. And I believe that the two-wheeler can guarantee them more secure situation against the virus. So one of the question why the market in that country, in that area is so strong, it depends also from the general situation that the people are oriented to buy more two-wheelers than to use public transportation infrastructure or to use the car or to use the bus. Naturally, this is not a normal trend of the market because it's too stronger and there is, I don't believe that this will continue for the next period or in next year. But today, demand is quite strong, it's much stronger than last year. And we see that the market on July , the market in July was very, very strong. We work to satisfy the demands and we work, for August, we have reduced our holiday times because we want to work, because we need to reinforce our stock in products that now is very, very low. And then we have customers that want to buy products, I consider that, an extraordinary volume.

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Francois Robillard – Intermonte

Thank you. And if I may just on the microchip issue and the fact that you are now.

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Roberto Colaninno-Chairman and Chief Executive Officer

Yeah. Yeah. We -- sometimes, we have problems on components, but not too much, not too much. We find, again, due to our diversification in the different countries, we have stock of our, our own stock in our factory

in India, Vietnam and China and then we can have some sort of protections about this crazy market of chips around the world. So if you look the first six months of this year, I want to say that we managed better than we expected and we didn't suffer too much in terms of, we never stop production line. We have some products that are not finished at the end of the production line, but it's not big quantity. So let's say normal quantity and then we are able to, anyway to satisfy the customer request on time.

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Francois Robillard – Intermonte

Okay. Thank you. And if I may just one last question. Looking historically at the working capital contribution to your free cash flow in the second quarter, this year it was below EUR30 million. That's one of the lowest absolute contribution within the last few years. Is that due to what you just talked about unfinished products at the end of the line that come to increase inventories more than they should be? Or can you just comment on what caused that unusually low figure? Thank you.

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Alessandra Simonotto – Chief Financial Officer

So the inventory is more or less higher than the previous year, higher than the previous year because, as already said, the expected volumes for July, August and September are very high, so that we can't risk the sales of the third quarter of 2021. And so we choose to buy something more, more components, more components than last year. Last year, we were at the beginning of the departure after the COVID. This year, as you said, the volumes and the results of the first half is very, very important and the expectation for the third one are more or less the same. So, we have to avoid any risk about the production and sales.

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Francois Robillard – Intermonte

Thank you.

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Gambarova Gabriele – Banca Akros

Yes. Good afternoon, and thanks for taking my questions. The first one, regards tax rate, 38% in the first half. I was wondering if the result of this 104/2020 law changes anything about the tax rate guidance you have for the entire 2021 that is if I'm not wrong, 40%. And the second question is on the one -- the new electric scooter you launched couple of months ago. I was wondering if you've started shipping this new product to the dealers or you are having any issue with transportation freights and soon?

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Alessandra Simonotto – Chief Financial Officer

Okay. Starting from the tax rate, I can confirm to all of you that the expected tax rate of 2021 after this decision to adopt the realignment at the end of June more or less will be about 38%. So, I don't expect and we do not expect any other changing within the end of the year. About the new electric products that we launched in May, the vehicle will be in the shops at the beginning of September.

Gambarova Gabriele – Banca Akros

Okay, thank you.

Raffaele Lupotto – Executive Vice President, Head of Investor Relations

Okay. Francesca, if there are no other questions, I think that we can close for now. Okay. So thank you very much, everyone, for attending this meeting. And as usual, if you need to have more info going forward, you can call me, also this afternoon and during the weekend. Thank you very much. Bye.