

Piaggio Group

First Nine Months of 2024 Financial Results

CORPORATE PARTICIPANTS

MICHELE COLANINNO – CHIEF EXECUTIVE OFFICER

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Operator

Good afternoon. This is the Chorus Call conference operator. Welcome, and thank you for joining the Piaggio First Nine Months 2024 Financial Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. (Operator Instructions).

At this time, I would like to turn the conference over to Mr. Raffaele Lupotto, Investor Relations of Piaggio. Please go ahead.

MANAGEMENT DISCUSSION

1

Raffaele Lupotto – Executive Vice President, Head of Investor Relations

Thank you very much. Hello, everyone, and welcome to the first nine months of 2024 financial results. The conference call today will be hosted by Piaggio Group Chief Executive Officer, Mr. Michele Colaninno; and the Group CFO, Alessandra Simonotto. Today, we have also the pleasure to have with us Piaggio Group Executive Chairman, Mr. Matteo Colaninno.

You can access the slides supporting this conference call on the internet at the Piaggio Group website. And as you may expect, before starting the presentation, 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 results and events.

By their nature, forward-looking statements are subject to risks, uncertainties, and other factors that could cause actual results to be materially different, as mentioned in the safe harbor statement included on Page 2 of today's presentation. Also, I remind you that the press has been invited to participate in this conference call in a listen-only mode.

With that said, let me turn the call over to our CEO, Mr. Michele Colaninno.

Miche Colaninno - Chairman and Chief Executive Officer

Thank you, Raffaele, and good afternoon, ladies and gentlemen. Thank you for joining our conference. I will be very quick to resume what's going on around the world with the Piaggio Group. First of all, you have seen that the Asian market is continuing the path that it started to have at the beginning, let's say, half of 2023, with declining markets in all the regions over there, especially Thailand, China, and Vietnam, for different reasons, but mainly due to consumers' attitudes to spending that is lower than last year's, due to political issues and high cost of interest in the area and global.

Indonesia, instead, is growing well. We are satisfied about the results. We are also satisfied about what's happening in minor countries, where we are starting our operations, such as Taiwan, the Philippines, and Malaysia, where, by the way, we plan to be in a better position, let's say, in the coming years, especially Philippines is a target for us, because the growing GDP per capita push us to be more present in the area of Manila.

As I said, China is declining in premium and luxury markets. You know the situation better than me. Other companies are outlining the situation over there. We are keeping the dealer's distribution safe in all the areas, so we are not pushing to sell-in without having a real sell-out in the whole market.

India, coming a little bit in the oldest area, we are satisfied, margins are growing, our productivity is okay, the production of the global Aprilia bike 457 is going, I would say, even better than we forecasted, even if we started just recently. As you have seen, we are launching other products related to the 457 series at the EICMA fair. The customers are very satisfied on what we are showing them for the next year product line. So for India, we foresee a growing situation at the EBIT level, and also the marginality is good. We don't see any disruption by the end of the year, so it will continue to do as it has done since now.

Europe market is quite flat on bikes, and a little decline on scooters. We know that we have competitors, new competitors coming from the Asian markets, coming in with low prices. We are not following them. We continue to keep the prices we have at the beginning of the year. We are not discounting to the customers, because the healthy dealer distribution network among Europe is what we have reached until now. And as you know, a prudent sell-in strategy until now has given us the sustainability of the dealer's financials, and we care a lot to that. We have destocked in Europe due to Euro 5 and Euro 5+, so to have a safe dealer's distribution network beginning next year, because we have many new products to start selling in the fourth quarter. So this is perhaps prudent instead of pushing. But given the actual geopolitical and financial global situation, I think that is the right strategy, perhaps to lose some million revenues, but to have a healthy dealer's distribution network. You know we manage four brands at the same time under the same roof of the multiplex dealers. So we have to carefully distribute the vehicles and carefully take price positioning compared to the competition.

If you go to U.S., U.S. has shown nine months in a declining situation of the market, although over there we have good results for the bike that we have introduced so far, and obviously the Vespa is continuously to be the leader in the premium scooter segment all over U.S. So, in a nutshell, I would say, markets are going down, we are maintaining market shares, somewhere slightly growing, just slightly, zero point. And that has driven the company to have a nine months EBITDA at 17.3%. That is the best ever nine months that we have shown so since the last 22 years.

As I told to the Board of Directors today, it is a very, very interesting number. I would say that it's difficult, but not impossible to maintain in the coming years. We just need some stability, that it's not the Piaggio Group can drive the situation, it's interest rates that has to go down, and it's going there. You see that they are starting to decline. So to speed up the consumer confidence on spending their money.

-Piaggio Group: 9M 2024 Financial Results conference call -

The second issue is that, we hope, as everybody hopes in the world, that the political situation will in some way be better, hoping to be better, because otherwise we continue to manage some hysteric markets that it's not what we are taking care. As you know, we have a medium to long-term strategy, it's not just tomorrow morning. The productivity is going on. We are very satisfied with the management of our capabilities around the world, and we are very satisfied of what we are doing in investments, both in products and facilities.

As you see, it has grown roughly EUR15 million compared to last year in CapEx. This is due to new products and new facilities, especially the one that we are totally renewing in Mandello del Lario for the Moto Guzzi brand, where we will have, I think, a very interesting situation in place for our customers. Let's say one of the best in the world for design and capability.

We are introducing new technologies that we have delivered in the Boston at the Robotic Components division in Boston, such as robots for carrying stuff in our factories, to enhance for our workers, their safety, for sure, and also to be more productive. So by the end of the year, I don't see any major improvement in the areas. That is to say that the markets will not have a big rebound, and that's why we will continue to manage, eventually destocking the dealers, taking that we have done 90% of the job, even if it is November, because we are also introducing, starting introducing the Euro 5+ vehicles. So the show has begun. I would say that the financial situation of our debt that has increased a little bit is due to EUR14 million of CapEx and obviously less cash in from revenues, that's the direct consequence of the decline in revenues.

If I have to think from now to next year, so what will happen in the world? I would say that the product line will be very interesting from a customer point of view. We will not have a major increase in prices. So we will continue to work on decreasing costs that is everywhere in the world, potentially on raw materials and logistics due to the fact that there are wars and tensions around the world. Through productivity, we will try, and I think we will succeed, not to increase prices. We are satisfied with the price point we have, given that we have a 17.3% EBITDA.

As I said at the beginning, we are at the Milan Fair, the biggest in the world for the sector. And our product line has been very, very interesting for the customers. They are satisfied. They are happy that we renew quite all our products and that we put new products in the dealer's distribution channel.

As far as brand equity is concerned, that is one of the key pillars of the strategy in the medium and long term, we are continuing to invest in marketing activities that are correct for the customer today. We are investing in the digital world of e-commerce. We are investing in fashion and apparel for our Vespa brand. We are starting to invest in fashion and apparels related to the brand. So it's a strategy that would enhance the value of the brand.

Commercial vehicles, as you know, we have a major production hub in India that delivers vehicles to Indian surrounding countries. As I said, the margins are good. The market is going back to 2019. We don't see any major issue that would put us in difficulties also for the next year.

We launched the new electric vehicle, four-wheel Porter, totally new for the brand, a very good job from the team, both R&D and production. The vehicle is perfect for big urban areas that want to enhance their traffic jam through electromobility for delivery of goods. We will start putting it in the dealer's network next year from April, let's say, March-April. It is a very good vehicle, interesting for the payload, 1-ton, and also for the dimension, that it's perfectly suitable for last mile deliveries all over the world. We will start just from Europe on selling the vehicles, because it's a total full electric vehicle. And the second line is the new Porter NP6. It's

not a new vehicle, but it's totally aligned with new legislation from cybersecurity other than ARAS. So the product line is ready.

From the capital expenditure, as I said at the conference call of the first six months, I confirm that 2024 and, I would say, half 2025, we will reach the peak of capital expenditure. Then we will start to see some declining need of investments due to the fact that we have filled the gap on the two-wheel product line with the competitions regarding some displacement that we didn't have. So we are starting to complete the product range and then obviously maintaining the actual product range, we will enter into more maintenance and update more than totally new products. Totally new products is probably more costly than maintenance and update. So this is to say very shortly what has happened in the last nine months and what happened in the last three months. Obviously, I'm here to answer your Q&A. You have seen the presentation. You have seen a lot of interesting pictures of our products and results that we have also achieved in the sporting competitions with the Tuareg in Africa. Frankly, I'm not satisfied with the result of the MotoGP Championship. We ran at the beginning of the year for the third place. We could do this. It happens. It's a competition. It's a high-end fantastic play, but we are ready for 2025. New people are coming into the team. We are pushing for more concrete results since the beginning of the Championship of 2025. That's it, I want to say, Raffaele, I'm ready to answer.

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Raffaele Lupotto – Executive Vice President, Head of Investor Relations

Yes. Thank you. So we are ready to start the Q&A session. Thank you.

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QUESTION AND ANSWER SECTION

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Operator

This is the Chorus Call conference operator. We will now begin the question-and-answer session. (Operator Instructions).

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Monica Bosio – Banca Intesa San Paolo

Yes. Good morning, and thanks for taking my questions. I have three. The first one is on the top line. The third quarter marks the fifth consecutive quarter of a significant top line decline. Obviously, the company was affected by the downturn in the premium market in APAC areas, but in Europe also the company reported in the third quarter a 17% slowdown in revenues. I imagine this mirrors the management in the stocks. But I would like to know if I -- am I correct assuming a reduction in dealer stock levels in the region of 10,000 units or something more could be an accurate estimate?

And on this side, the second question, which is linked to the first one, can we assume that the pace of de-stocking in Europe will slow down or maybe will be over in fourth quarter, and maybe can we see a stability in the revenues in the fourth quarter, or should we assume a further downturn in the fourth quarter?

And the very last is, can we assume in EBITDA approaching EUR300 million or something similar by year end? Can you give us some flavor on this side? Thank you very much.

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Michele Colaninno - Chief Executive Officer

Thank you, Ms. Bosio, for your questions. I would say that starting from the top line, the top line is the direct consequence of the tiny markets. So, as I said, we didn't lose market shares in the premium market in APAC. We have a good situation in India. You are right, we are continuously, we are continuing to slightly destock the European markets given that since, next week we will have the introductions of the new Euro 5+, entire product line range. So the dealers are ready to have the vehicles. We don't have any complaints from our dealers. They are happy to have the new products, and there will be perhaps some destock also in the fourth quarter, but I would say that this is in balance with the introduction of the new products.

Consider also that last year, third quarter, we have the introduction of two new bikes that we didn't have in this quarter. So if you look just to the single quarter, you have to clean the introduction of new products that it's not always the same at the same time of the year. So you have a quarter where you have new stocking of new vehicles, you have a quarter that you don't have. It depends on the exiting from the factories.

Fourth quarter stability, well, it doesn't depend from my decision. I would say that if I have to be positive, I see something interesting and positive in Vietnam, something interesting and positive in Thailand, but it's just a few units, if you compare it to what happens at the -- since the beginning of the year. Let's say that the declining of the markets is lower than before. So it seems that since June, we are touching the bottom. And given that our dealers are clean, we can restart growing sell-in. I repeat, it's not major numbers, but it's a positive sensation that we have from APAC areas.

EBITDA of EUR300 million, I would say, yes, around, because we are in line to reach the goal, I would say around EUR300 million. It's not 1 million less or more that I care to. And that would be, I think, a fantastic job from the team to reach that number, given that all the markets that we have around the world have shown declining volumes. If it is from a legislation point of view, it's destocking. If it is a consumer attitude, it's declining markets. What is important for me is that with the introduction of the vehicles that we have in the 2023 years, especially in bikes, we have gained some zero point market share, especially in Europe.

So, if I consider the market share as an indicator, it's not the only one, and it's not what you have to follow. Because sometimes if you follow just the market share, you have to reduce the price. We have kept the market share sometimes zero point, more, so better than it was, without reducing the price. We see people discounting 30% their bikes in the markets. We are not. So I think this is a good indicator of the value of the vehicles and on the healthy dealers that we have.

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Monica Bosio – Banca Intesa San Paolo

Yes, it is. Thank you very much. Very clear.

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Anna Frontani - Berenberg

Hi, good afternoon. Thanks for taking my questions. I have two. The first one is on the strategy that you have for your point of sale. Correct me if I'm wrong, but I think I've seen some aggressive reduction of points of sales in some countries. So if you can please provide us with the rationale for that. And what should we expect going forward?

And the second question I have is on China. You mentioned a decline in premium luxury market. What is your outlook for the next year for the region?

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Michele Colaninno - Chief Executive Officer

You mean just in Asia?

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Anna Frontani - Berenberg

Yes. Broadly in Asia, and if you have some insights in China as well, please.

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Michele Colaninno - Chief Executive Officer

Okay. So, as far as the dealers' closure, if I get the question, you want to know why we close dealers?

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Anna Frontani - Berenberg

Yes, some point of sales. I think I've seen in Spain, you've quite reduced the number. Yes.

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Michele Colaninno - Chief Executive Officer

Yes. We are finding a good agreement with dealers when we see that they are not what we need to maintain the brand equity value. So, as we are investing in that, the dealers are the first image that we give to the market. Let's say not the first, but when you enter our dealer, you have to appreciate the value of the brand. And so, if a dealer doesn't take care to these aspects, it's better to close instead of giving a negative image to the customer.

So, it's not that we are losing market. We are optimizing the dealer's network, closing dealers, but also opening new dealers. So, it's a balance. It's better and intelligent to open dealers that are 100% reliable from a financial point of view and that agree and understand what is our strategy on marketing activities, CI, expositions of the vehicles, a stock that they have to have, a representative stock of all the brands that we have. And so it's a marketing activity, nothing related to the business.

And for instance, just to give you a snapshot, we opened two very interesting Motoplex. So, four brands in United States in the last month. I think it was Indianapolis and Atlanta that are perfectly aligned on -- to our strategy on CI and marketing. So, we open and close.

My vision for the Asian market luxury next year, wow, difficult. If I read on the expectations of the biggest company in luxury consumer market, LVMH, Richemont, Hermes, and I follow them, they are not 100% positive due to the fact that the Chinese, especially Chinese market, is reducing their consumer attitude spending. Obviously, we are not related to those brands. We are lower than them. We are in the premium market. We are not such high price.

I think that the market is a growing market. The area will grow, no matter what. I don't have any doubts, because they have more than 1 billion people. They are growing up in GDP. This year is a disruptive year for the area, but I think the curve is positive. They will grow, and they will grow in premium, they will not grow in cheap. So we are in the right place, I think in the right time, because we have production there and selling there. We don't have to deal on logistic problems.

And also, the purchasing department in Asia, Asia is dedicated to Asia. So whenever the market signal is positive, we are ready. I don't think they will do a 25% growth next year. That's my view. It will grow. Yes. If you compare to 2023, and it's difficult to reach that numbers, let's say '22, that has been the peak. '22 is far away. But given the area, the people, the infrastructure and the technology over there, that they are investing a lot of money in be better day by day, it's perfect for our vehicles.

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Anna Frontani - Berenberg

Thank you very much. Very clear.

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Emanuele Gallazzi – Equita

Yes, good afternoon, everybody. Thank you for the presentation. Let's say, two questions from my side. And the first one is on Europe. You mentioned an increasing competition from your Asian competitors and some, let's say, more aggressive discounting policy. So can you, let's say, share with us a little bit more about the European market? What are you actually seeing now in that market?

And the second one is a follow-up on the destocking trend in Europe, because it's pretty clear the gap between the sell-in and the sell-out in 2024, it's okay that destocking is almost done. But looking at 2025, do you expect sell-in to be, let's say, more or less in line with the sell-out or we should expect this sell-in to be higher than the sell-out and so closing at least partially this gap? Thank you.

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Michele Colaninno - Chief Executive Officer

Competition is usually good for everybody. So I'm not against competition. We play different games. They play on the price side. They're doing a good job. So it's not a quality issue. Sometimes it's not completely fair, the competition, but we can do nothing. And so, we will continue to push on convincing the customer that they are not just buying a piece of steel that you have to search for discount, but you are buying a brand, okay?

It's still a vehicle. But when we, as Piaggio Group, will continue to push on increasing the value of the brand without having, we are not saying that we are too far away from the price that we see from the Asian competition, even because we have production in India and Asia, so we know the situation. I think that if you want to buy a product, you also look at what you're buying. On a different side, if you just want to search for a price, well, you can buy whatever you want for cheap price and cheap quality sometimes. So I'm not worried about competition. It's our task to beat the competition, and that depends on the people working at Piaggio Group.

Destocking. Destocking is natural, nothing strange, especially with 8% interest rates on the market, Euro 5, Euro 5+. So it's nothing related to -- we had to beat stocking at the beginning. We had the correct stock at the beginning. We have to manage the introduction of whole, the product line that we have. I repeat, we have four brands. We have tens and tens and tens of vehicles. So we're not selling one brand, three vehicles. And I want the dealers to have all the vehicles. So the destocking will be finished by the end of the year, obviously. We will continue pushing, not pushing, but selling the new products. And yes, it is intelligent to have sell-in equal to sell-out, because if the market goes up, we are very happy, but sometimes it happens that you do sell-in, and then if the market goes down, you have to discount your vehicles. And that's the worst thing that a company can do. So I'm not following too much the sell-in, sell-in, sell-in, sell-in, sell-in without having a market that is at least the same of this year. And I don't expect a decline, by the way. I expect next year to be, in Europe, as it is since more than years, plus something or minus something. It's flat.

Growing in value, because bikes, for us, I mean for us, the average retail price is growing because we are introducing bikes. And I think that it's intelligent and safe to manage the dealers like this.

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Emanuele Gallazzi – Equita

Very clear. Thank you.

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Michele Colaninno - Chief Executive Officer

Thank you.

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Niccolò Storer – Kepler Cheuvreux

Yes. Thank you. Thank you for taking my question. It's about the indication you gave before about EBITDA around EUR300 million. If I make the math, basically, to get to that level, you would need a fourth quarter EBITDA quite higher compared to previous year in a context where, from the discussion that we have been having it doesn't seem that we might aim for a much higher turnover. So how these two things can be put together, and maybe we misunderstood something about the expected revenues trend in Q4 or maybe on some special cost-saving action that we might further see in Q4? Thank you.

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Michele Colaninno - Chief Executive Officer

No, cost-saving, we are -- I'm happy like it is. So we should not follow cost-saving when you risk to have a low quality. So I'm happy. Obviously, we are moving to search more and more productivity from every sector of the company, but it's not that we will save money reducing marketing, reducing the quality, or stretching the production line. So, we don't want to make stupid things from the product side to save some money.

Fourth quarter, I repeat, we have destocked, we are launching the entire new Euro 5+ vehicles. And if the markets continue to go like this, it's a number. We have destocked, we are launching the new products. So it is sell-out that will continue like this and sell-in that will need to be slightly higher compared to the last, let's say, nine months that we didn't launch any new product.

So the start of the new product line, given that we have an entire new product and the entire Euro 5+ coming, I think that around, I repeat, it's not that I'm saying that we will be higher or lower or EUR300 million or EUR295 million or -- even because it seems that the market is not interested on EBITDA. So even if I say some number, if I do EUR300 million, the stock now today is 2.15euro. It will be around EUR300 million. That depends on the market. If they are satisfied with around EUR300 million and return on from some dividends, they do their calculations.

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Niccolò Storer – Kepler Cheuvreux

Thank you.

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Michele Baldelli – BNP Paribas Exane

Hi. Good afternoon to everybody. I have a question on the price mix effect in developed markets in Q3. Is it right to say that the price mix was negative in Q3? And therefore, let's say, if it is right, what was about -- did you have a mix effect that was strongly negative and why?

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Michele Colaninno - Chief Executive Officer

The price mix, you deducted from what?

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Michele Baldelli – BNP Paribas Exane

I deducted from the volumes sold in Q3 and the sales sold in Q3 in developed markets. It seems that the price mix is down 2%.

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Michele Colaninno - Chief Executive Officer

I don't see any reduction in pricing, so the price mix is perhaps the balancing of introducing bikes instead of scooters or introducing scooters instead of bikes, but the price has not been deducted.

So if you divide just the revenues by the numbers of vehicles, you can have an increase or decrease, but it's not the policy of the company to -- I frankly don't see any problem from the price point. The mix is made by vehicles, spare parts, services, it's a number of factors that affect the price mix. You introduce a bike, the price mix increases. You introduce a scooter, perhaps the price mix has slightly declined because the price of a scooter is lower than a bike. But that's the introduction of vehicles.

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Michele Baldelli – BNP Paribas Exane

Okay. I see. And if I may, could you share with us the sales trend in October, how it was, if possible?

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Michele Colaninno - Chief Executive Officer

What do you said?

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Michele Baldelli – BNP Paribas Exane

The sales declined or increased that you recorded in October.

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Michele Colaninno - Chief Executive Officer

Yes. You will see from the numbers.

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Michele Baldelli – BNP Paribas Exane

So next February or March, you mean?

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Michele Colaninno - Chief Executive Officer

You will have declarations from the local -- as usual, from the local administrations that will give the numbers of the Italian ANCMMA has given the numbers, I think the Spain will come. It's normal.

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Michele Baldelli – BNP Paribas Exane

Okay, okay. Yes, yes. No, I was referring to your sales number, not to the markets. But if you prefer not to share, it's not a problem. It was just to ask if you were open to share it.

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Michele Colaninno - Chief Executive Officer

It's in line with last year.

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Michele Baldelli – BNP Paribas Exane

Okay

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Michele Colaninno - Chief Executive Officer

If that is what you want to know, we are almost in line with last year in October, but I don't think it's real -it's one month.

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Michele Baldelli – BNP Paribas Exane

Sure, sure. Okay. Thank you very much.

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Michele Colaninno - Chief Executive Officer

Thank you.

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Raffaele Lupotto – Executive Vice President, Head of Investor Relations

Okay. Thank you very much. So I think that the call is over and we can -- so thank you very much for attending the conference call. If you need further info, as usual, you can call me later. Thank you. Bye.