

Piaggio Group

9M 2025 Financial Results

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Operator

Good afternoon. This is the Chorus Call conference operator. Welcome, and thank you for joining the Piaggio Nine Months 2025 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, Executive Vice President, Head of Investor Relations of Piaggio. Please go ahead.

MANAGEMENT DISCUSSION

Raffaele Lupotto – Executive Vice President, Head of Investor Relations

Thank you very much. Hello, everyone, and welcome to this Conference Call. The conference call will be hosted by Michele Colaninno, Piaggio Group Chief Executive Officer; and Alessandra Simonotto, Piaggio Group Chief Financial Officer. Today, we have also the pleasure to have with us Matteo Colaninno, the Group Executive Chairman. You can access the slides supporting this conference call and presentation on the Piaggio Group website. As you would expect, before we begin, I would like to remind you that during today's call, we may make forward-looking statements, which are based on Piaggio's current expectations and projections about future events. By their nature, such statements are subject to risks, uncertainties, and other factors that could cause actual results to be materially different from those expressed. These factors are discussed in the Safe Harbor Statement on Page 2 of today's presentation. I would also like to remind you that the members of the press have been invited to participate in this conference call in a listen-only mode.

With that, I will now hand over the call to our CEO, Michele Colaninno.

Michele Colaninno - Chairman and Chief Executive Officer

Thank you, Raffaele. Good afternoon, ladies and gentlemen, and thank you for joining our call. I would like just to introduce the call with some aspects regarding the nine months of Piaggio Group 2025. Well, first of

all, it's easy to see and note to everybody that we have some declining markets in US, Europe, and Asia. This is a fact. And it's also well known that we have external problems around the business that are affecting the worldwide situation. We have wars, we have tariffs in US, we have exchange rates, increase in raw material costs, and last but not least, the beginning of our green deal-electric Porter, in Europe since July 2025.

2025 has been characterized in Europe by the change of regulations, as you know, from Euro 5 to Euro 5 + that has determined some declining for us in the market. Never say in the rest that the entire market in Europe has declined since the beginning of the year. We are very satisfied with some products. We are not satisfied with other products, but what I have to say is that our strategy not to reduce price point for our four brands is confirmed, and it will be confirmed in the future. Also considering that Asian brands are entering the markets around the world, with cheap price, sometimes consequence of not so fair competition from the Chinese, especially, entering into Europe in the, you know, also four-wheel but also two-wheel vehicles with low prices. We will not go into the price war.

The second aspect that is very, very important to me is that in the nine months of 2025, if we consider that we lost EUR153 million of revenues, we have been able to achieve two relevant targets. First of all is the 30.4 gross margin percentage on revenues, the best ever number that we ever achieved. And the second one is that if you consider the first nine months of 2024 with EUR153 million more in revenues, we had a cash absorption of EUR27 million in the nine months of last year, while this year we generated EUR6 million of cash. That means that the company is very well managed from a productivity point of view all around the world.

As you can see from our slides, we have continuously invested in our factories and products up to more than EUR100 million this year. And obviously, as a consequence of the investments done in the past, we have an increase in our amortization costs, given that, the percentage of amortization is increasing because of declining revenues. But amortization is just consequence of investments.

If we go market-by-market. I told you about US and Europe that are mainly two-wheel vehicles for us.

Moving to India, the market is slightly growing in three-wheel vehicles. It is growing in cheap products in two-wheel vehicles. And we are fairly satisfied about our sales in three-wheel markets, considering once again, I will never stop telling you that electric vehicles in India are still losing money. We have the technology, we have the products, we have the dealers, but it's not the moment to push too much on electric mobility on three-wheeled vehicles, given that the cost is not declining as someone, not Piaggio Group, was forecasting.

On the internal combustion engines, we are happy with our three-wheel cargo business in India. As you know, the passenger business in downtown is managed by brokers mainly. And we are starting to have a slightly, very slightly positive news about three-wheel passenger business, downtown Mumbai, Delhi, and Bangalore.

India is growing. So it's a place where we will invest, with confidence that the country continues to grow at stable pace. So we know that it's not a country where you have a peak of industrialization for the time being but every year they grow, and they will continue to grow, I think in a stable way. So India is interesting for the Piaggio Group and it will remain interesting for the next years.

Moving to China. China is a big question mark. You know that the savings from households have touched peak for the last 22 years, rising to 39%. So Chinese people are saving money. They are not spending their money in consumer business. And that's why not only the two-wheel vehicle market has been affected, but

all the consumer business been affected in China, and we are in the middle of the real estate prices over there. It will take years to be fixed. So China, even if it is a fantastic country and a big market for every business, has to be managed with the proper way, not thinking of hockey stick for the next five years. They will come back for sure. They are giant, and the market is very interesting for us.

It's known that there's a fight between China and US, and this is affecting also the exchange rate linked to the dollars. That's why I think, but that's my view for the future, it's better not to have too much positivity in all the countries linked to the Chinese-US war. I am especially thinking about South America, but it's an argument that I will tell you later.

So, given a short consideration of those nine months, I cannot say I'm not satisfied, because of the gross margin we have achieved, because we generated slight amount of cash instead of burning it, and because we continue to invest for the long-term period on our products. Obviously, it is difficult to predict what happens tomorrow morning. We are analyzing every aspect for the 2026 projections, especially on the cost side, because we have to analyze whether to protect ourselves first of all on costs and then speak about revenues.

We are building up our budget strategy, and we are foreseeing some slightly, slightly recover in Asia. So we are not so negative for the future. India, I told you, is a place that I trust. It's not an easy place to be. Piaggio is a well-known. We will enter the segment of two-wheel vehicles that we never touched at the end of next year with products that can compete with the biggest part of the market. That is low street price market. As you know, Piaggio is concentrated on the premium market. But we have the possibility now to achieve costs that are interesting for us in India, also mass market. It is not such a big investment, but to invest money in India, I think, it's more interesting than investing in other countries nowadays. That's what I have to say.

Raffaele is commenting slightly the numbers. I repeat once again. We are investing. You know we are investing in new facilities in Mandello for the Moto Guzzi brand. We will inaugurate next year. We have invested a lot renewing all the processes for safety of people in our factories. Also to be able to enhance every day, if it is possible, people's job place.

You know that we are continuing to develop our robotic division in Boston, where we are developing the brain of our robots for delivery and the full autonomous vehicles will be ready next year. It is an interesting market. For now, the sales are not interesting for the Piaggio Group, because we are investing with people, nothing else, to develop the software and the brain of the robots. Robotics will be the biggest part of our world tomorrow. There will be a huge increase in technology where software will be more prominent than steel. We will be able to do both of them. As you know, we are also investing on the electromobility in parallel to the thermic one, because I think, and I expect that the technology of the batteries, that is the driver of the electromobility, will be interesting in the next 10 years to 15 years, given that, the autonomy will grow and the recharge time will be lower. Until that, thermic will beat electric, especially in Europe and US.

But we will be ready in Italy, where we are investing in the head and in the heart of the vehicle, so we will not invest in batteries, we will not invest in cables. Those are all from the shelves, purchasing material and components. We will invest in software and in the electric engine produced in Italy, for Europe, obviously in the US, then we will see in Asia. We have a lot of plants and we can do whatever we want without having the necessity to build new ones. We have the capacity in Vietnam, Indonesia and China. We have the capacity in India. We have the capacity, installed capacity in Europe.

Last but not least, because I think, and we think, that Asia will go back, it takes time, but it will go back to positive time. We open a new direct presence in the Philippines. The Philippines, we estimate, could be the new Jakarta, especially, the big town of Manila. And that's why it's intelligent to have a direct presence there instead of having importers or not controlling the dealers distribution network. From the beginning, it would be just distributions of our vehicles. Then we never know. We can estimate to have a local production facility, but it's not forecasted for the next two to three years. We have enough in Asia to fulfill the needs of Philippines and all the surrounding areas.

That's it. I think it's just a brief comment on the numbers, and, I have to say that, okay, we lost revenues, it happens, the markets go down. We also lost some 1% market share here and there. But that's because we do not want to enter into price war. We want to stay with high margin products, stay with high margin vehicles around the world, and not to think of being able to go into the marginal net result that needs millions and millions of vehicles.

It's not our job for the time being. It's not our job for the next two to three or five years, whatever you want, but it's not our job. And so it's better to have high price, it's not so high, the right price to have high margins. That's what we want to do, maintaining, or trying to maintain, more than 30% on the gross margin and more than 16, roughly 17%, on the EBITDA. I think that's our target and we work for it.

Once again, productivity is a fact. We manage transportation costs that were so high in the past. We now see overcapacity around the world and bigger fleets from ships coming from Asia and India. So we can think about, at least, a stabilization of the transportation cost, but also slight reduction for the future. Obviously, it doesn't belong just to the Piaggio Group, but, bigger fleets and bigger capacity with low numbers of items to be transported means that the price could go down.

Another aspect is very relevant, I was saying before, and then finish, is South America. South America is a big market for two-wheeled vehicles. We are not there. We have importers. For the time being, I'm still convinced that South America is the next place to be. But, given the situation between the US administration around the world, I estimate that Brazil and Mexico, that are very linked to the dollar, could have some impact from the situation. So it's better to wait and see what happens between the actual US administration and Brazil and Mexico. I'm thinking about tariffs. I'm thinking about the exchange rate between US dollar. So it's an interesting country, but it's becoming a little bit risky. We have put on-hold Brazil. We have not put on hold the other countries of South America. So Brazil, just because of the relation with the United States, that is going to be difficult, I think, in the future. It doesn't mean that we're not able. We are able, but it's better to analyze deeply what can happen on the exchange rate with Brazil and on the market.

So Colombia, Argentina, Chile, Uruguay, all the South American countries apart, Brazil, that I repeat is very interesting as a business, it could be risky with the financial exchange rates risk with the US dollar, So that's a fact. The US administration is targeting South America, and who knows what happens. So that's what happens on geopolitical situation up to now, and it is quite unpredictable.

Thank you, Raffaele.

Raffaele Lupotto – Executive Vice President, Head of Investor Relations

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

QUESTION AND ANSWER SECTION

Operator

This is the Chorus Call conference operator. We will now begin the question-and-answer session. (Operator Instructions). The first question is from Davide Manganiello from Intesa Sanpaolo. Please go ahead.

Monica Bosio – Banca Intesa San Paolo

Yes, good morning, and thanks for taking my questions. I have three questions. The first is on Europe. I fully understand that the company is preserving values over volumes. The company lost market shares and the trend in volumes underperformed the market. So for the year-end, my estimates point to volumes below 200,000 units. So I'm just wondering if you see my estimates a fair assumption. And more in general, if you can elaborate on the key factors behind Piaggio underperformance. I understand the value-over-volume strategy, but could this be due also to a shift in customer behavior or changes in the dealer network? That's the first question.

The second one is on India. Regarding the light commercial vehicles, volumes have declined despite an overall market growth. So could you share your expectation for the fourth quarter of the year that should be stronger? And what are the strategy the company is implementing to address the increasing trend in India from the fourth quarter?

And very last is on the tariff impact. So, it was EUR3 million. So if you can share with us the full-year impact. And you also mentioned some cost savings from transportation. Should we expect this could be somewhat relevant in 2026? Thank you very much.

Michele Colaninno - Chairman and Chief Executive Officer

Thank you, Mrs. Bosio, for your questions.

Well, starting from Western countries. I think that you were referring to 195,000 or around 200,000, putting together Europe and US. It is true that we have lost here and there some zero point market share, but this is also true that we gained market shares. So with the Aprilia brand, we are happy. With the Moto Guzzi brand, we have lost some market share. With the Piaggio brand, we have lost, especially in Italy, on the high-wheel scooters, but 50% of this is because of Euro 5, Euro 5 + Piaggio in the year.

The other aspects are people that decided to buy Chinese products. So lower price, not interesting for us. I don't want to follow 50% discount just to sell one vehicle that we lose money. So the strategy is clear. We obviously fine-tune the commercial opportunities every month, so to attract new customers and so to be attractive for them. But given that, the market has gone down in all Europe, the market share that we have lost is Italy, as I told you, Germany, we did not lost, Spain, we lost because of Chinese, UK, we are happy with Aprilia brand and Greece, we are happy. So it happens that you decide to not to follow the price war. Obviously, we have to do something, but do something for Piaggio Group is do new products. And as you have seen at the fair in Milan of this week, we've just launched the new GT 400 from Aprilia that enters for

the first time in the biggest market of scooters. So we did have one. We had the 125. We were not present in the high displacement of the 400 cc. Now we are there. And it's a market that is growing the most. So I am positive for next year about this market for Aprilia brand scooters.

If you think and if you ask me if there's some change in the consumer behaviors, I would say no. When you have a consumer that appreciates your work on the brand. If you have a consumer that is just searching for discounts, yes, it is changing. But if you look at some brands that were very powerful in the past with high discounts on the market, now they have disappeared, because the customer has realized that he saved some money in purchasing, but then when happens something and the mechanical problem happens, there's no distributions, there's no spare parts, and there's no services. And this is one of the part of the brand equity that we want to sustain.

And here, it comes to the last point, dealer's partnership. We are happy with our dealer's distribution network. They are not stressed. We can manage. I mean, we don't have any particular issue. Obviously, they are entrepreneurs and they do the business. So, we debate every month. But we are having a positive and frank collaboration with our partners.

India, well, it is true that the three-wheel market has grown, but it has grown where we are not. It has grown in electric, and we are there, but we lose money on electric vehicles. And we don't want to lose more pushing for customers. It is growing on passengers, CNG vehicles, especially, in the biggest area of India. So Kolkata, Bangalore, Mumbai, and Delhi, just because they opened some permissions, and the brokers that we have are not so powerful for this kind of market in big cities. We are reinforcing ourselves so to increase in that market. But given that, the rural area is the one that the Central Bank of India declared is growing the most, and the employment rate of the rural areas are growing far way faster than the urban cities, and given that, the agriculture business is going very well because of a very positive monsoon period this year in India. If all those three are true, we are strong enough and we will be strong enough in the rural area to fulfill the needs. So if there will be more money in the rural areas, Piaggio will be in a good position.

Tariffs, yeah, we have the tariffs, everybody knows, like every business has. We have managed. Obviously, we could increase the price list, put in all the tariffs, and all the depreciation of the US dollars against the euros for the customers. We managed even if we have, let me say, in the last quarter, roughly another EUR1.4 million of tariffs. So with the kind of volume, it's roughly EUR500,000 per month.

But US is another interesting market for us, especially in the Bike segment. We are tiny, and we can grow. The growth in US, and this is what I tell to my colleagues over there, is mainly the consequence of dealer's distribution network expansion. So we have to work to expand our dealer distribution network in US, because with what we have, we are happy, people are happy, they make money, but, if we look at the competition, I would say we have to add another 100 dealers in US in the next two to three years. When we will reach 100 dealers more, we will be happy, because the penetration per dealer is good. So if you want, it's a normal calculation. If you open shops, you increase your real revenues.

But what is more relevant is that the product line that we launched in the medium class with the Aprilia especially bike, and we will have other launches in the future, are doing good job in US, especially the 457 that has been just launched and the 660. So US is interesting given that we are small, the market is big, and we have to open new shops.

Okay.

Michele Colaninno - Chairman and Chief Executive Officer

I hope you are satisfied.

Monica Bosio – Banca Intesa San Paolo

Yes, thank you. Thank you very much.

Michele Colaninno - Chairman and Chief Executive Officer

Thank you.

Operator

Next question is from Emanuele Galazzi of Equita. Please go ahead.

Emanuele Gallazzi – Equita

Good evening, everybody. From my side, three questions. The first one is, let's say, a follow-up on Europe. It's very, very clear that you don't want to enter in a price war, but do you have the feeling that the competitive environment is becoming more and more challenging with new Asian players entering or planning to enter in Europe?

The second one is on the APAC market. It is the third quarter in a row with volume around 25,000. Do you think the region has now stabilized around this level? And how do you basically see the region evolving in the fourth quarter and in 2026?

And the last one is on the gross margin. It has been good above 30% since the beginning of the year. I would like to understand your view on this. Do you basically see room for further improvement on the gross margin side? Thank you.

Michele Colaninno - Chairman and Chief Executive Officer

Thank you for your question. Follow-up on Europe. Yeah, competition is challenging like it has ever been, and it will be in the future, but it is challenging on the low price. So if you have Asian brands that are entering in Europe, first of all, we will see if and when they will be able to open their distribution network. One of them is doing this, but it's just one of them. I fairly trust in distribution network because it's the service that you can give to your customer.

I don't think that the competition is 100% fair from entering Europe from some Chinese brands, and this is on the table of everybody. If there's no fair competition, someone will take actions against no fair

competition that has done in other businesses. I don't want to say we are open and we have files to see it. But for sure, they are selling below their cost.

So I think that their companies will not be able to continue for a long period like that, even because, as I said before, China needs exports. The internal market cannot sustain the big factories they have built in their land. And to sustain export, they have to do big discounts on products to be attractive also for European customers.

Our four brands, and I think we are doing a very good job on brand equity, I don't think, will be affected just because you find \$200 less for two-wheeled vehicles. If this is the case, it's not a problem of Piaggio, it is a problem of Europe. But I don't think this will be the case. For Asia Pacific market, yes, it's 25,000 per quarter. I think that it's a positive news that market has been stabilizing over there, because, as you know, I was afraid that the Chinese situation could affect also surrounding countries. It happened because we know Thailand has suffered. It happened because we know Vietnam has suffered. Now it's stable. And I can say that for the end of the year, this 25,000-plus can be confirmed. It's not 30,000, it's a 25,000-plus. It means that the recovery is starting in Asia. And given the high margin we have over there, we are very happy if the market from 25,000 goes up.

30.4% gross margin, I think it's a fantastic result. It will not be easy to increase. Obviously, we do our best to increase. But I would say, if we will maintain, I would be very happy, because a lot of uncertainty around the world is there, exchange rates, raw material, and logistic situation has not recovered from the worlds around the Red Sea or Ukraine. So this is what has affected the transportation time and costs. Until they are there, you can see some cost savings due to overcapacity of shipping companies, but not recover from what is working capital. So we do not want to take the risk to say that working capital will have a benefit from shortened time of transportation. So let's keep as it is. Then if we are able to have some discount from shipping company, obviously, we will beat also for \$1 less.

Emanuele Gallazzi – Equita

Very clear. Thank you very much.

Michele Colaninno - Chairman and Chief Executive Officer

Thank you.

Operator

The next question is from Niccolo' Storer of Kepler Cheuvreux. Please go ahead.

Niccolò Guido Storer – Kepler Cheuvreux

Yeah, good afternoon, and thanks for taking my question. At the beginning of the call, you talked about increases in raw materials. Can you elaborate a bit on that and on, let's say, what expect for 2026 and how to put all this, let's say, pieces of information together on the one hand, this increase in raw materials that

you see, on the other, we discussed about freight costs, which might come down, on the other hand, the target to keep gross margin above 30%. Thank you.

Michele Colaninno - Chairman and Chief Executive Officer

Well, I think that we demonstrated that we can manage raw material increase very good, achieving 30.4% margin. I don't know what happens in 2026. It's impossible to predict. You know, steel will go up or down. It depends on the situation of the markets around. We cannot manage raw materials, as you can imagine. And if anybody has a suggestion for us, I would take it very, very friendly. But I think that we just follow what happens. We do our job in protecting ourselves if we can. So not going into speculation on raw materials. But if the target is to confirm the 30.4%, it means that it's not easy. I repeat, it's not easy because perhaps you don't know and realize how tough it is to manage today the gross margin, but we have achieved the fantastic result of today. I know, we will have our projection in the budget. We are still analyzing the market. And I don't know which is a reliable forecast to tell you.

Niccolò Guido Storer – Kepler Cheuvreux

Thank you.

Operator

The next question is from Gianluca Bertuzzo of Intermonte Sim. Please go ahead.

Gianluca Bertuzzo – Intermonte

Good afternoon, and thank you for taking my questions. I saw that you launched a new GT scooter. If I'm not wrong, you were not present in that market segment. Can you elaborate around the strategy for the scooter and the expectations you have also in terms of timetable for the scooter to be on the market, volumes, etc?

Second one is about South America. You mentioned in the presentation that you plan to go there, but not in Brazil, because of the geopolitical situation. What is the timetable for this project? I mean, it is something that will start already in 2026? It's more a medium to long-term ambition? Any thoughts will be helpful.

And last question is about the net debt for the end of the year, where you see it will be stable compared to the nine months? Or do you expect to go up or down? Thank you.

Michele Colaninno - Chairman and Chief Executive Officer

Well, thank you for your question. Very interesting, and I appreciate your interest on the Aprilia brand. Yeah, we were not there, and it's now the biggest market in Europe. We are there with the GT 400. And it's a fantastic product. I tested it. It's branded with the Aprilia that is a sporty brand, as you know, and that's a consequence from the MotoGP race, where we are very satisfied until now.

I think it will boost the sales, since the beginning of the year, let's say, the first two months, when it will be ready in the dealerships. And I think that the appreciation from the customer will be there. So we are positive on that market, and we are positive on the GT Scooter 400. Yeah, we were not there, and now we are there.

For South America, we will continue to have our importers. So we are there, and we will remain with our partners. When I speak about South America, I think about something more than having just a local partner for distribution, just to be able to mitigate the import duties in that country. As you know, that CBU has a high end of import duties over there. So it could be interesting to have some localization of a few products in the next, let's say, 12 to 15 months.

Brazil was in our target because it's the biggest market. But I prefer to see what happens on US-Brazil relation before putting money in the country. It is a difficult country because of the exchange rate and inflation situation, but it could also be worsening in the next six to eight months if you look at what's happening between US and Venezuela. So it's better not to risk today and wait and see. It's just on hold on Brazil. The other countries, they are interesting, then they have not too many risks with the United States administration and the dollar. So there are interesting opportunities. I'm not saying we will sell hundreds, thousands of vehicles. Obviously, I want to clarify, but it's an add-on that can be interesting for us. For the debt, yeah, what I can say is that we foresee a stable debt by the end of the year. We will try to do slightly better, some million more, but better stay on the safe part of the medal.

Gianluca Bertuzzo – Intermonte

Okay, thank you very much.

Operator

The next question is from Michele Baldelli of BNP Paribas. Please go ahead.

Michele Baldelli – BNP Paribas

Hi, good afternoon to everybody. Just a quick question on the strategy for the CapEx. What do you think is the, let's say, sustainable level that could be achieved in the coming years in terms of absolute number or as a percentage of sales, as you prefer?

Michele Colaninno - Chairman and Chief Executive Officer

Well, given that the CapEx has a consequence, that means amortization, we have to be very careful for the next years, given that I think that, let's say, from EUR140 million could be a number to have new products and to finish the project of Mandello that will be September 2026. After Mandello, we do not have any investments in production facilities. So it will be just products and processes, let's say, like this.

We are investing for better processes in our factories. But I would say, if you ask me a number, EUR140 million, around EUR140 million, EUR145 million could be the number. But what I take care of more is amortization because it's not a question of investing money. It's a question on having a positive return.

And business plan of products, given that we had an estimation of markets that was slightly different, we estimated that the market was growing this year, instead they have declining, okay? And that's why the amortization percentage on revenues has increased. But that's a consequence of putting money in new products. We have our product range in the 2025, 2030 plan. That's the time that we analyze every time for our products. We are happy with the four-wheel. We have the thermic one and the electric one. And so we will invest in two-wheel and three-wheel mobility.

So scooters, bikes, and India. India and surrounding countries, obviously, but the product line is two and is mainly three-wheel. So that's the number I have in mind for next year.

Michele Baldelli – BNP Paribas

Thank you.

Operator

Gentlemen, there are no more questions registered at this time.

Raffaele Lupotto – Executive Vice President, Head of Investor Relations

Okay. So thank you very much. The conference call is over, and thank you for attending.

Michele Colaninno - Chairman and Chief Executive Officer

Thank you very much for your time, and I hope you are satisfied with our conference. Bye-bye.