

# Piaggio Group

## H1 2022 Financial Results

### CORPORATE PARTICIPANTS

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### MANAGEMENT DISCUSSION

#### **Raffaele Lupotto – Executive Vice President, Head of Investor Relations**

Hello. Thank you very much for taking your time to follow this conference call. Joining me are Roberto Colaninno, Chairman and Chief Executive Officer; Michele Colaninno, Chief Executive of global strategy, product, marketing and innovation, Alessandra Simonotto, Chief Financial Officer.

You can access the slides supporting this call at [piaggiogroup.com](http://piaggiogroup.com) website.

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 events. By their nature, forward-looking statements are subject to risks, uncertainties and other factors that could 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.

Now, I would like to turn the conference over to Roberto Colaninno.

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#### **Roberto Colaninno - Chairman and Chief Executive Officer**

Hello. Good afternoon to everybody.

If you remember, last time when we were talking about our expectations for 2022, we were, let's say, optimistic for the results for Piaggio for the first six months of the year, despite the problems on the market of raw material, transportation and all the problem that we have seen during this period.

At that time, we didn't have to consider strongly the inflation problem as today we have to. But I want to open this presentation to say that we are very confident to achieve the results of the second half of the year as we have budgeted based on the trends of sales, based on the capacity of the Company to be able to produce on time the products and I want to highlight in today's incredible results what we achieved in Southeast of Asia and China, and the first positive indication coming from Indian market for the months of May.

Naturally for India, we do not have the sensation on what is the trend of the next six months, but we see that now the raw material price is beginning to go down. The transportation cost of product coming from far east is a little bit easy in respect to the past. And the electronic products, that are a problem for everybody, as long for us, is not as strong as in the past.

The sales trend is positive in all the countries, excluding India for a moment and what I want to say and underline, especially on the motorcycle, where we have achieved results that only some years ago were considered very difficult to be achieved. Today, all the product line sales are very strong. The demand of the customer coming for all the parts of the world is very positive.

I want to underline that Piaggio do not depends from the Italian market. Piaggio today is an international company and the market, where the Piaggio beginning to be a leader, is again in Southeastern, Asia Southeast, Vietnam, Indonesia, Philippines, Thailand, China and the United States, where the sales of the motorcycle were going up in a very strong degree.

In Europe, we are strong in sales, Vespa achieved the record of sales in the first six months. The motorcycles again were in line with the best expectation. What I want to say, is that the last product presented to the market has been the MP3, and it was successfully received from the market. Also, we're beginning to utilize our investments in Boston, because we utilize the radar that will be fixed on the motorcycle and scooter to prevent the problems and accident and to give to the people, I mean drivers, safe and security information.

We don't have any relation with Russia and Ukraine. We don't sell one product there, we don't lose, we don't buy and don't sale, so for us that part of the market is not giving us any problem. So, we are concentrating today to be on line with the completion of the new plant in Indonesia, where the sales today is quite strong. We expect big results there.

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The part of the market that thanks to the investments of our company, Vietnam, today achieves 100,000 of pieces, where now we are in process to increase the production facility, to be ready to satisfy the growing demand. So really, it's quite a positive moment for Piaggio. Piaggio need to be able to organize inside to be able to satisfy the market demand.

Personally, I am totally satisfied, I am positive, I don't want to exclude the problems that we have - inflation, the war etc.- all problems that we have in mind, but I want to say that looking at the next six months, I am confident that the next six months will be positive too. It's not impossible to achieve good results at this condition. We have a good quality, good sales, good products, a good strategic position in the world market. In the Italian factory we are never suspended one day the production, we were able to produce every day. In Vietnam, we have increased production at 2 times in respect to last year.

We have problems in India. But, again, May was the first month where we began to see some positive evolution. So, based on all this situation, I am positive for the future of Piaggio and especially to be able to achieve what we have budgeted for the total year of '22.

We are discussing now for the budget of '23, it is no easy, but you know why? It is no easy because the first information that we get, is that we need to be able to increase production quantity. We need to be able to be online with the presentation of the new products. We need to be able to finish the new factory of Moto Guzzi and the new factory in Indonesia. We need to be able to begin new electric products, to present the new products and to be able to provide the quality that the market asked to us. In that way, let's say, in electrical division, we are in line with our plan even with the strategic products, strategic line and all the products, that are completely new and so we have to change, find the customer, change some mentality, but

we are in line with all this. So, I say that we need to do what the market ask us to do and what the market ask to us today are positive questions.

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**Raffaele Lupotto – Executive Vice President, Head of Investor Relations**

Okay. Thank you very much and now I turn the call over to Alessandra that will give you an in-depth analysis on the financial figures that you can see and find also in our presentation that is published on the website. Okay. Alessandra?

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**Alessandra Simonotto – Chief Financial Officer**

Thank you, Raffaele. Good afternoon, everybody. I don't know if you can hear me. Yeah. Let's start, as usual, from Page 3 that provides a summary of the key financial metrics.

As you can see, we continued reporting a record set of results, despite the backdrop of economic and geopolitical uncertainty. Net sales, EBITDA and Earning per Share kept on growing in Q2, thus all reaching in H1 the best results since IPO. Net Debt edged slightly up versus December 2021, although being lower than June 2021, mainly driven by the usual seasonal cash absorption of the first half of the year.

From page 4 to page 6 you can find a snapshot of the performance by Brands; Brands that, as you know, are our key assets and allow us the meet the different needs of our diversified clientele. All top brands posted outstanding results reaching the highest revenues to date. In this context Motorcycles were the brightest stars, with Moto Guzzi setting a fresh record high both in volumes and revenues and Aprilia motorcycles reaching the best revenues since the IPO. As we will see later, motorbikes performance had been boosted by gain in market both in Europe and USA. I'm glad to highlight that the new Aprilia Racing Team ended number 1 in MotoGP 2022 before the summer break.

Clearly, speaking about our Brands, we can't forget the MP3 scooter, as the new versions launched at the end of June, that you can see on page 7, received an enthusiastic welcome from the press.

Going to page 8 we have highlighted the outstanding results of Asia Pacific. Revenues in the area posted unabated growth since 2018 with a stunning 30% CAGR, also benefiting from heightened country diversification. In H1 2022, Vietnam, China grew above 30% and Indonesia ended up close to two-fold versus prior year. The strong performance of Indonesia is particularly important as the opening of the new plant in Q4 should further boost our sales in the country

We can now move to page 9 to look at 2021 key markets' demand.

In a nutshell: EMEA posted solid demand despite a very challenging basis of comparison and supply constraints that were affecting the whole industry. Conversely, in USA emerged diverging trend, as scooter kept on surging around 30%, whilst bikes took a downward trend.

Asean 5 countries posted an uneven trend, with China and Indonesia edging down whilst Vietnam, Malaysia and Thailand posted solid positive demand trends.

As Mr. Colaninno already said, India returned to growth, but this was mainly linked to a very easy basis of comparison. More importantly, unfortunately, demand was still significantly below pre-pandemic levels, namely with LCV still 52% below 2019 levels.

We can now move to page 10 where you can see that the growth of volumes and revenues had been driven by the synchronized positive performance of all geographies and businesses. Asia Pac posted the strongest growth, mainly driven by the synchronized growth of all key markets as we have already commented before.

Western Countries confirmed solid positive performance; a significant result given the very challenging basis of comparison and the gloomy macroeconomic scenario. I would like to highlight the performance of US, which posted the strongest Two Wheelers revenue growth in this area, mainly driven by the success of our Motorbikes. It is worth also mentioning the good performance of LCV driven by the new Porter NP6.

India rebounded, mirroring demand trend, mainly benefitting from low year ago base.

Let's move now to page 11 to look at the breakdown of the performance by product.

As mentioned before Motorbikes posted eye popping results, with revenues surging by 37% propelled by the success of our brands coupled with positive price effect.

Scooters performed extremely well too, reaching an all-time revenue high, benefitting from the combined strong growth in all geographic areas. As we saw before Vespa reached a new record high on the back of growth in all geographic areas coupled with positive price effect. Additionally, it is worth mentioning the success of the new Aprilia SR GT

Let's move now to page 12 to have a look at the EBITDA bridge. EBITDA grew to 92€m in Q2, against a very challenging basis of comparison, thus reaching 152 €m, a new all-time high with the % margin on sales at 14.5%. This is an extraordinary result in my opinion if we consider the growing number of negative externalities affecting the first part of the year.

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As we saw in Q1, also in Q2 the key lever of EBITDA uplift has been the strong revenues growth more than offsetting the hefty dilutive effect stemming from inefficiencies of the supply chain and higher input costs.

Cash Opex had been kept under control, with the ratio of Cash Opex on Revenues lower than last year. This testifies our ability to rein in costs without jeopardizing our competitive strengths

Moving to slide 13 we can see the remaining P&L figures

I would like to highlight that Net Profit grew to 45€m, despite higher depreciation and higher Financial Expenses reflecting the negative currency effect

Let's move to page 14 to have an in-depth analysis of Net Financial position evolution and gross Cash

As we highlighted on page one, we kept Net Debt well under control whilst returning value to shareholders through dividend and buy backs and despite the seasonality of our business which negatively affects the dynamic of Working Capital in the first part of the year. At this regard I would like to underscore that the rising complexities in supply chain management forced us to prioritize inventories build-up.

Capital Expenditures ended in line with the multiyear targets provided in prior conferenced calls.

Lastly, the chart on Gross Cash, shows how we strengthened the liquidity profile across the years reaching 463€m in June 2022, thus providing ample headroom to weather potential future headwinds.

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**Raffaele Lupotto – Executive Vice President, Head of Investor Relations**

Thank you. We are now ready to start the Q&A session.

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QUESTION AND ANSWER SECTION

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**Monica Bosio – Banca Intesa San Paolo**

Good afternoon, everyone, and thanks for taking my questions. Unfortunately, I've lost the first part of the presentation, but anyhow, I'm curious about the trend in APAC. Considering the positive trend in H1 do you see achievable roughly the number of 160,000 total volumes for APAC in 2022. And given the new plant in Indonesia, should we expect a significant similar growth, may be high single digit, also in 2023 also for the APAC area? Thank you very much.

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**Roberto Colaninno - Chairman and Chief Executive Officer**

Okay. I understand the question. And I want to share that this is a simple discussion on looking at next six months and looking also to next year. Regarding Indonesia, the first reaction of the market to the products that today we don't produce locally, but that are imported from Vietnam and Europe, it is extremely positive.

We see that the market is very happy that we built factory there and the first reaction of the customer to us is unexpected. So, we are discussing now how we'll be able to satisfy the demand trend of next six months and next year in this country. So, the decision to invest in Indonesia was quite right after their very successful story of the company in Vietnam.

In Vietnam, we are now on the way to increase the production capacity, because we expect for next year after the good results of this year very high demand of our products. The country that is more significant ready for this type of situation is Thailand --sorry-- is Vietnam, and also China is quite positive. China, gives us the results and confirm the trend of these results of Vespa that is totally unexpected for us at the beginning. So, this part of the world, let's say starting from Thailand and then in China, is totally positive for next year. The only problem, if it is a problem, is to be able to increase the production capacity to be ready for November, December and January and I want to say that today seem to be in line, so this part of the world for us is positive. I want to say if allowed to me to be extremely positive.

India, India is a problematic situation. As you know, we had a terrible year again, but we have a good sign from May sales. We have increased the sales in May. The market began to change. Now, it's too early to confirm this, but it is true that if the trend has begun to grow positively, India will be big surprise next year. And this year, the six months, we are again, little bit concerned within that. We want to see how is the trend of these six months. If confirmed the trend of May, I think that India will be a huge surprise for sales '23. We have decided to produce motorcycle in India and there is a big -- should be a big surprise for the market.

Coming to America, America, United States are really in a very good situation. We have achieved a market share of scooter, very, very high related to last year and also motorcycles Guzzi and Aprilia grew in sales and the demands confirm this growing. So also in the United States and Canada will be positive for next year.

Coming to Europe. Okay. We are conservatively for the Italian market and look in the Italian market to confirm the sales of '22, but the trends are now beginning to grow with Moto Guzzi, with Aprilia and with the MP3 family, of which we presented recently the new version and there was very, very good welcome from the market. For MP3, 2023 will be better than 2022 and 2022 will be better than 2021.

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**Monica Bosio – Banca Intesa San Paolo**

Okay, thank you very much. Based on your statement it is possible to assume for APAC 160,000 vehicles.

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**Roberto Colaninno - Chairman and Chief Executive Officer**

Yes, more or less yes.

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**Monica Bosio – Banca Intesa San Paolo**

Okay, thank you. Thank you very much, very clear.

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**Anna Frontani - Berenberg**

Hi. Good afternoon, everyone. Thank you for your presentation. One question from my side. What is that you expect in terms of consumer confidence for the second half of the year? And do you see your customers may be trading down from Vespa to Piaggio scooter. And also, related to this how do we think about your electric offering, if consumer have a lower spending power?

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**Roberto Colaninno - Chairman and Chief Executive Officer**

It's very easy to respond to you on this demand. If you look, we have recently done the research on how the value of our trademark is. And this research says that the value of our trademark is very, quite, quite positive, Vespa, Aprilia, Moto Guzzi, it is considered by the market, the best, together with our other competitors naturally, with the best in the market.

You know, we have developed a relation with a Chinese leader in different business. And we are beginning to see that consideration of the market for our products beginning to say not only in mechanics problem or transportation problem. Also, products that are also close to the other products that is independent totally and different from this. We have decided new color. We have decided new color together with some big, big guys in the music and the young people in the United States and China. We have signed an agreement with a lady that is one of the leaders on the fashion.

So we say that we sell products, but not only let's say products that is a mechanic problem. We're beginning and we are very successful with the Christian Dior Vespa, to look, to give and a position to all our products, that is a little bit different than in the past. And the market reacted very well, the market confirmed, they like the color, they like the design of the new products, they like what we have developed in in terms of accessories and what we have developed in term of new style of these products.

So, we are beginning to build a new reaction the market to offer to the market different position, a different strategy than in the past. Nothing is against technology, nothing is against the products, new products are in line with the communication, to give the information to be safe, to be in line with the new electronics products, but also we don't forget the other, let's say, strategy, the product development, color, design and then presentation of this.

These give to us the confidence that the market will follow us. The market will appreciate that. So even for the existing products, we hope the market will prefer Piaggio products to the competition.

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**Anna Frontani**

Thank you very much, very clear.

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**Francois Robillard – Intermonte**

Hi, good afternoon and thank you for taking my question. First one is just on Indonesia. You mentioned so robust market trends locally. But in the presentation, I read that there was a double-digit dip in in the second quarter. Just can you give us some more clarity on that? Then is it reasonable to assume that after the supply constraint of the first part of the year, especially in Europe, there was some kind of pent-up demand that has built, so that may support volumes on the second half. If you can give us some, some more color for instance on your order book exiting the first half of the year that would be much appreciated. Thank you very much.

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**Raffaele Lupotto – Executive Vice President, Head of Investor Relations**

Francois, Raffaele speaking. Indonesia, we were referring to our volumes, clearly, and the trend that we are having is outstripping market trend, markedly. If you look at the slide in which we provide a breakdown by country in Asia Pac, you see that the growth in Indonesia is well above 40%, in reality close to 2 times the prior year. So, you were referring to our trend. Then can you ask the second question please? Second question was on the European trend going forward, if I am not mistaken. Can you ask again the question please?

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**Francois Robillard – Intermonte**

No, just to put it more bluntly, given the first half was constrained by supply chain issues, is it reasonable to assume there was some pent-up demand that may boost volumes in the second half of the year in Europe?

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**Raffaele Lupotto – Executive Vice President, Head of Investor Relations**

Pent-up demand I don't know. Clearly, in some cases, the demand was probably higher than offer of the industry. So, there are several players that are having big constraints of production. So, we have to see. Keep in mind that last year in Q3 and Q4, the European market went down. Okay. And so the toughest part in term of comparison base is already behind us. Okay.

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**Francois Robillard – Intermonte**

Okay. Okay. And then you mentioned, you need to increase your capacity of production in Vietnam is that already included in the current CapEX targets?

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**Raffaele Lupotto – Executive Vice President, Head of Investor Relations**

Something is already in the CapEx that you see. Then there would be a ramp-up going forward. So, the target that we provided before, in prior calls in terms of total CapEx remained same. Okay. Remember the magic number EUR450 million divided by three years. So, this is roughly what we have planning to have.

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**Francois Robillard – Intermonte**

Okay. Make sense. If I may just a final one, you mentioned as well as lowering pressure from raw material costs. What kind of, what kind of gross margin progress can we can we expect for the second half of the year if any?

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**Roberto Colaninno - Chairman and Chief Executive Officer**

So quite difficult to reply now. Let's say that margin depends not only from raw material, but depends from the productivity that we are able to achieve. Never forget that it's difficult to use the concept of productivity on the Italian people, productivity is really the key of the success of the budget. We are hard focused to increase productivity of all the company and this is based on not a big number, but anyway are quite difficult, because means that to convince the people that is necessary to work better not in tern of quantity, but in term of quality, even in more purchasing, on the way we are able to react to our customer to supply spare parts. How we're able to react to our customer in term of delivery time. How we are able to react to our supplier to receive the products on time. How we're able to react on quality, all this is not question of investment, is not a question of to work more, it's just question to work better and to consider that from the productivity depends the success for the company. And we're working hard to develop and to organize the company to use all the instruments to get the possibility to control the productivity achievement. There

should be a continuous achievement in productivity, all-time, all the moment. If you are able to do this, the success is guaranteed.

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**Gabriele Gambarova – Banca Akros**

Yes. Good afternoon and thanks for taking my questions. Just a couple. The first one is on India. You are making reference to the May data, but I was wondering if you have a more recent, let's say, data you are looking at for June or July. I mean, what are you seeing at the real margin and possibly, can we assume as a reasonable 140,000 unit target for this year. So basically, flat or slightly up versus last year?

And the second question is on the second half of 2022. Last year, you had the impact of rising raw material costs, rising inflation on logistics for roughly 40 million, more or less concentrated in the second half of the year. So I was wondering if even only qualitatively you can tell me if you are assuming that these tailwinds you're seeing on costs, on raw materials and logistics may be more than offset by rising increasing the prices and mix. So if you see the balance positive in the second half for what you see.

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**Alessandra Simonotto – Chief Financial Officer**

The first question about India, what we are seeing as of today is that more or less the amount of units you told about could be reasonable. We are at a beginning of the market as Mr. Colaninno already said and so we have to wait if this new wave of the market in India will be confirmed or not in the next two months. What we are seeing today is that more or less this is total units could be a reasonable.

About your second question. So, about costs on logistics and raw materials and so fa, we began to face in the second half of the 2021. As you will understand, what we have saw in the second half of last year is something that all the suppliers have more or less reconfirmed at the beginning of the 2022, asking higher prices for logistics asking higher prices for raw materials and so forth. We are seeing something now. This is lowering, yes, which could be the savings that we could have in the second part of the year is very early to define a reasonable saving on all these things, because as you have read this morning in Chinal lockdown has begun again. And so we don't know what will happens in the next five months

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**Gabriele Gambarova – Banca Akros**

Ok thank you very much.

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**Raffaele Lupotto – Executive Vice President, Head of Investor Relations**

Okay. So, I think that we can end the call now. As usual you can call me later or tomorrow if you need to have a further clarification. Thank you very much for attending this conference call. Thank you. Bye.

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