



# Cowen

**Valeria Ricciotti**

*Head of Investor Relations & Credit Rating Agencies*

—  
Rome, 12 February 2021





# Agenda

- > **Key messages**
- > 9M 2020 Results
- > Sector Results
- > Appendix

*Chief Executive Officer*

*Chief Financial Officer*



## Key messages

### **Well positioned, resilient business reacting effectively to changing market dynamics**

- Successfully and effectively responding to short term challenges with business performing well in the current macro environment
- Very good performance in military / governmental business and Customer Support & Training, offsetting softness on the civil side
- Proven ability to capture opportunities in growing military / governmental markets and international programmes
- Significant backlog providing resiliency and visibility
- Productivity is continuing to increase and order intake is showing positive signs
- Strong confidence in our core business fundamentals and well positioned for the medium-long term

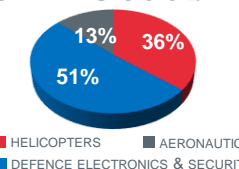


# Demonstrating resilience in extreme market conditions

## COMMERCIALLY STRONG

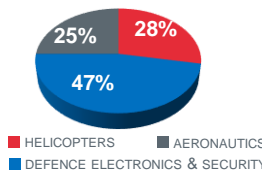
- Inevitable civil slowdown offset by continued military / governmental performance
- Strong support from domestic customers (i.e Helicopters up ca. 41% YoY)
- Resilient customer support and training

### ORDERS € 8.5 bn

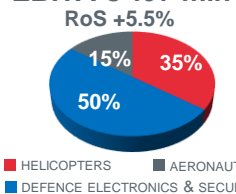


## SOLID RESULTS

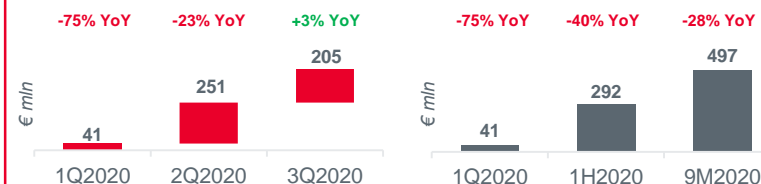
### REVENUES € 9 bn



### EBITA € 497 mln



### EBITA +3% YoY IMPROVEMENT IN 3Q2020



## HIGHER PRODUCTIVITY

- Industrial efficiency back to normal in September
- Productive hours recovering shortfall



### COST CUTTING MEASURES BEARING FRUIT

	BUDGET 2020 BASELINE	FY2020 TARGET	9M2020 ACHIEVEMENT
LABOR COST	€ 2.9 bn	ca. € 450 mln	✓
CONTROLLABLE COSTS	€ 1.4 bn		✓
NET INVESTMENTS**	€ 700-750 mln	40-50%	ahead of expectations

\*\* Benefiting from Government Grants

## INCREASINGLY AGILE

- System promptly reacting / operational machine responding to new environment
- Rightsized our businesses for demand (i.e. Helicopters in the UK and ATR)
- Re-oriented commercial effort leveraging key pockets of demand

## STRONG LIQUIDITY AND FINANCIAL FLEXIBILITY

- FOCF heavily weighted towards Q4
- No need for additional liquidity
- No need to raise equity
- No refinancing needs until 2022

**successfully navigating and responding to 2020 short term challenges**

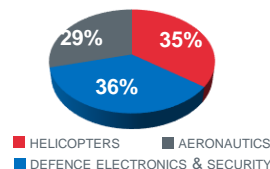


# Strong confidence in core business fundamentals and clear path for the future

## Our business mix is a real strength

### STRONG BACKLOG

BACKLOG € 35 bn



- > well diversified across businesses and markets
- > with very good visibility of 2.5 years

### LEVERAGING GROWING MILITARY / GOVERNMENTAL MARKETS

#### EXPECTED DEFENCE EXPENDITURE\*

\$ bn	ITALY	UK	USA	POLAND	FRANCE	NATO TOTAL
2019E	23.6	59.4	730.1	11.9	49.6	1,031.5
2020E	24.9	59.6	785.0	12.0	50.2	1,092.5
ΔYoY	+5.5%	+0.3%	+7.5%	+0.8%	+1.2%	+5.9%

\* Source: NATO

### STRONG RELATIONSHIPS WITH DOMESTIC CUSTOMERS

- Strategically relevant in Italy, in the UK and in the US
- Leonardo DRS fully aligned with DoD priorities

### ANCHORED IN KEY INTERNATIONAL PROGRAMMES

- Running and future, leveraging our presence on both Platforms & Systems
  - > Eurofighter opportunities in OE and systems upgrades (i.e. radar)
  - > NH90
  - > EuroMale
  - > Tempest programme
- Strong set of export opportunities identified

### HIGH QUALITY PRODUCTS AND SERVICES

- Leadership position in key market segments
- Continued technological innovation leveraging core competences driving business opportunities
- Growing customer support, service and training activities

**well positioned for the medium long term**



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*Chief Executive Officer*

***Chief Financial Officer***



## 9M 2020 highlights

**Resilient top line performance with EBITA steadily recovering QoQ. FOCF reflecting usual seasonality and some pressure from COVID-19**

- **Commercially strong performance through 9M2020 despite COVID-19, domestic order intake balancing lower exports**
- **Top line on track and stable**
  - Order intake of € 8.5 bn, flat YoY
  - Revenues at € 9 bn, flat YoY
- **Strong domestic order intake balancing lower exports**
- **EBITA at € 497 mln, down 28% YoY, steadily recovering QoQ, affected by JVs contribution**
- **FOCF at € -2.6 bn, reflecting usual seasonality and postponements of cash-ins due to COVID-19, with higher working capital cash absorption**



# Order Intake

**Commercially strong, reflecting continued strength of domestic military / governmental business**

	€ mln	Δ % YoY	
<b>9M2019A</b>	<b>8,579</b>		
HELICOPTERS	3,154	+41.2%	Higher domestic military / governmental orders (IMOS UK, AW169 and NEE5 for Italy and TH-73A in US)
ELECTRONICS EUROPE*	2,246	-15.6%	Lower order intake due to large orders in UK Airborne Systems in 1H19 and delays in export campaigns
LEONARDO DRS*	2,262	+12.8%	Strong order increase overall and additional orders for Mounted Family of Computer Systems (MFoCS) for US Army
AIRCRAFT**	772	-49.2%	F-35, C-27J and EFA only partially offsetting large 1H2019 M-345 contract for Italian Air Force and delays in export campaigns
AEROSTRUCTURES**	449	-16.1%	Affected by lower demand from ATR (19 aircrafts vs 51 in 9M2019)
ELIMINATIONS & OTHER	-315		
<b>9M2020A***</b>	<b>8,510</b>	<b>-0.8%</b>	

\* Excluding € 9 mln of Defence Electronics & Security eliminations

\*\* Excluding € 49 mln of Aeronautics eliminations

\*\*\* Including ca. € 63 mln of positive forex





# Revenues

**Solid performance across the Group, EFA Kuwait ramping up and Leonardo DRS continuing to grow**

	€ mln	Δ % YoY	
<b>9M2019A</b>	<b>9,134</b>		
HELICOPTERS	2,642	-3.4%	Lower civil deliveries and lower volumes on some programmes due to COVID-19, partially offset by CS&T and NH90 Qatar
ELECTRONICS EUROPE*	2,731	-0.3%	Stable YoY with expected growth in volumes offset by COVID-19 effects
LEONARDO DRS*	1,719	+6.4%	Higher volumes driven by increasing activities on equipment for the US Army
AIRCRAFT**	1,704	+13.4%	EFA Kuwait ramp-up more than offset production slowdown in other programmes
AEROSTRUCTURES**	630	-25.5%	B787 and ATR production slowdown due to COVID-19
ELIMINATIONS & OTHER	-320		
<b>9M2020A***</b>	<b>9,025</b>	<b>-1.2%</b>	

\* Excluding € 32 mln of Defence Electronics & Security eliminations

\*\* Excluding € 49 mln of Aeronautics eliminations

\*\*\* Including ca. € 47 mln of positive forex



# EBITA and Profitability

Improving operationally quarter by quarter, despite negative contribution from JVs and COVID-19

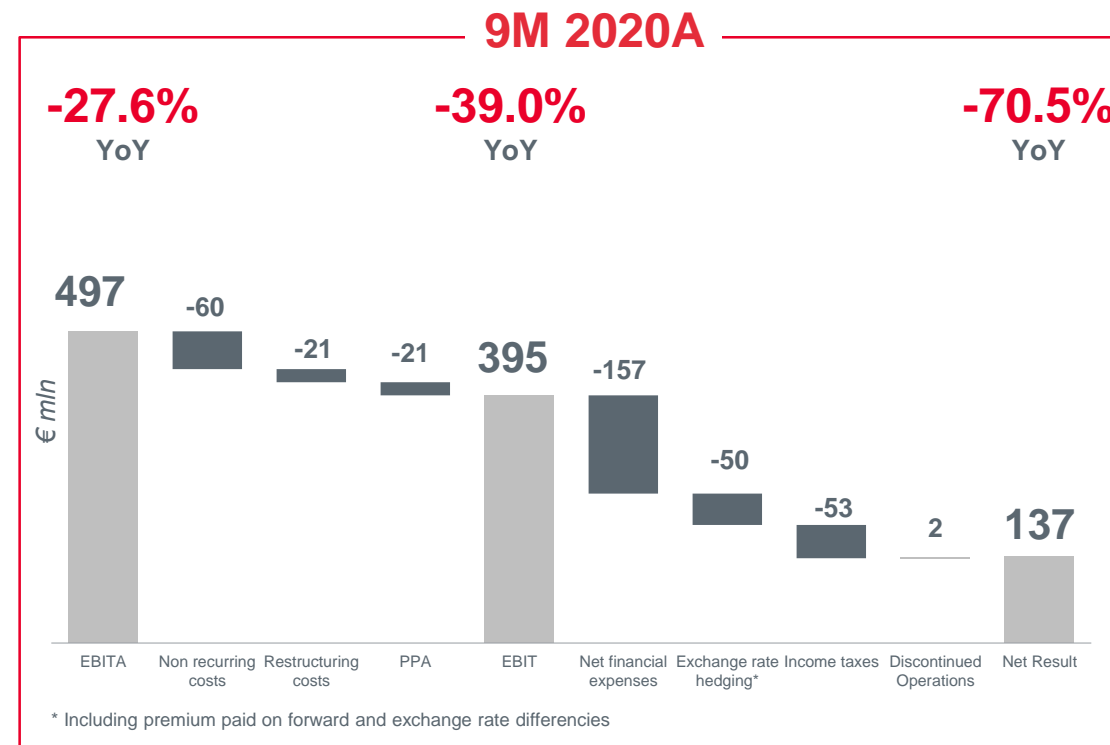
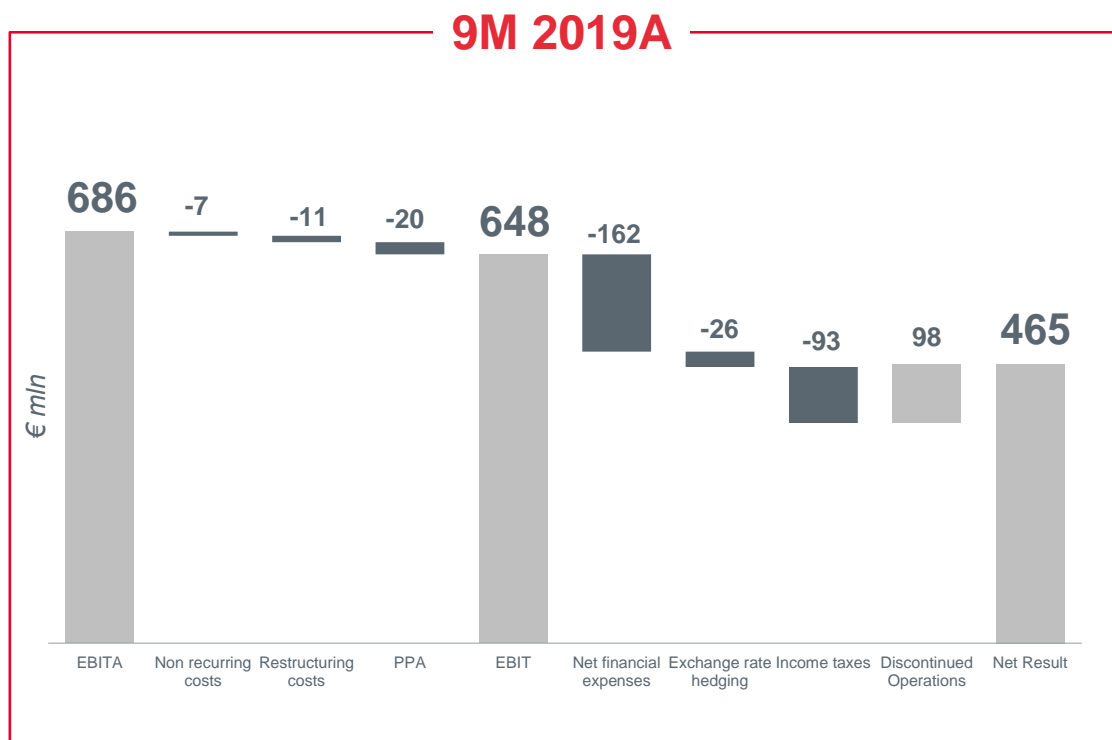
	€ mln (RoS)	RoS	Δ % YoY	
<b>9M2019A</b>	<b>686</b>	<b>7.5%</b>		
HELICOPTERS	219	8.3%	-18.9%	Driven by slowdown in Revenues and lower efficiencies due to COVID-19 partially offset by cost savings. 1H2019 benefitted from revision of UK pension scheme
ELECTRONICS EUROPE	216	7.9%	-9.6%	Mix affected by programme in development phase and extra-costs in Automation partially offset by cost savings
LEONARDO DRS	101	5.9%	-1.9%	In line YoY
AIRCRAFT	204	12.0%	+8.5%	EFA Kuwait ramp up and cost savings more than offsetting lower productivity due to COVID-19
AEROSTRUCTURES	-47	-7.5%	-74.1%	Lower productive hours driving under recovery of fixed costs and manufacturing inefficiencies due to COVID-19, partially offset by A380 termination
ATR	-62	n.a.	n.m.	Lower deliveries due to COVID-19. 1 aircraft delivered in 9M20 vs 29 in 9M2019
SPACE	-1	n.a.	-104.3%	Space manufacturing lower activities in commercial telecommunication and lower productivity due to COVID-19
CORPORATE & OTHER	-133		-16.7%	
<b>9M2020A*</b>	<b>497</b>	<b>5.5%</b>	<b>-27.6%</b>	

\* Including ca. € 1 mln of positive forex



# From EBITA to Net Result

**Net Result affected by EBITA performance and higher financial expenses associated with FX hedging**



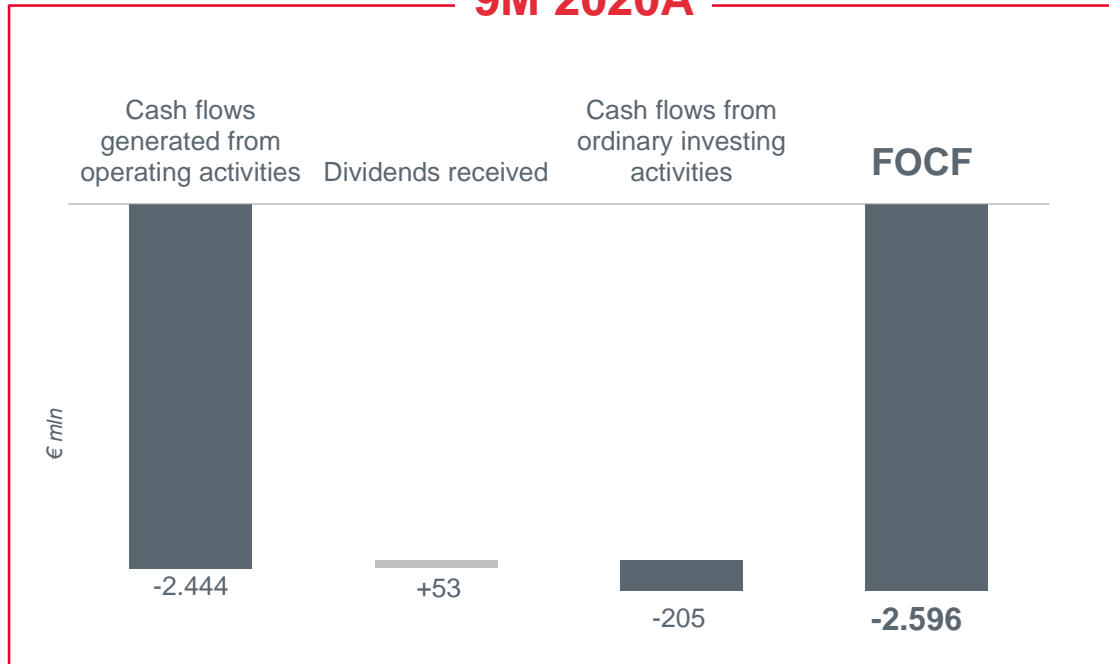
- EBIT down 39% due to EBITA decrease and COVID-19 extra costs
- Net Result mainly affected by EBITA performance and by slightly higher financial expenses associated with exchange rate hedging
- 9M19 Net Result benefitted from the release of the risk provision set against guarantees given upon disposal of transportation business of AnsaldoBreda



# Free Operating Cash Flow

**Usual seasonality amplified by higher working capital as expected**

## 9M 2020A



- FOCF at € -2.6 bn reflecting
  - › Usual seasonality
  - › COVID-19 driving higher cash absorption from working capital increase associated with
    - finalisation of programme milestones on specific military/governmental contracts shifted towards the right
    - inventory build up associated with delayed civil deliveries

***detailed action plan in place addressing unwinding of working capital of every single programme***

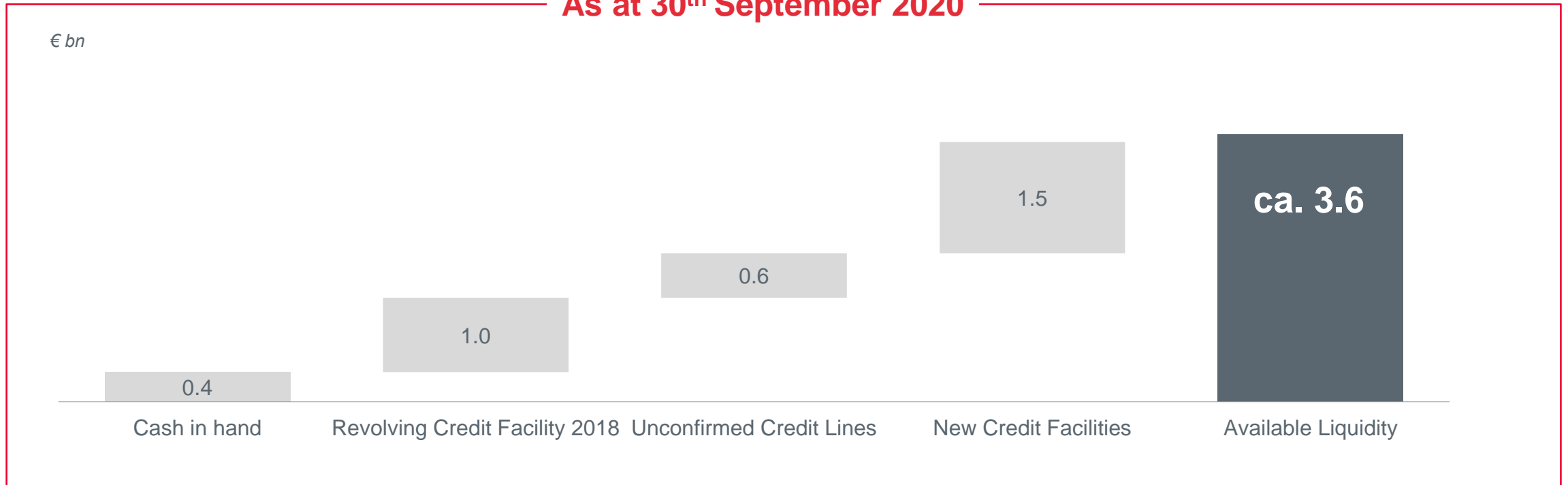


## Strong liquidity position at ca. € 3.6 bn

Leonardo can leverage multiple sources of liquidity to meet financing needs, even in stress case scenarios

- 30 September cash balance of ca. € 0.4 bn
- Available Credit lines worth € 3.1 bn (confirmed and unconfirmed)
- Bank Bonding lines of € 10.7 bn out of which approximately € 3.7 bn available to support Leonardo's commercial activity

**As at 30<sup>th</sup> September 2020**



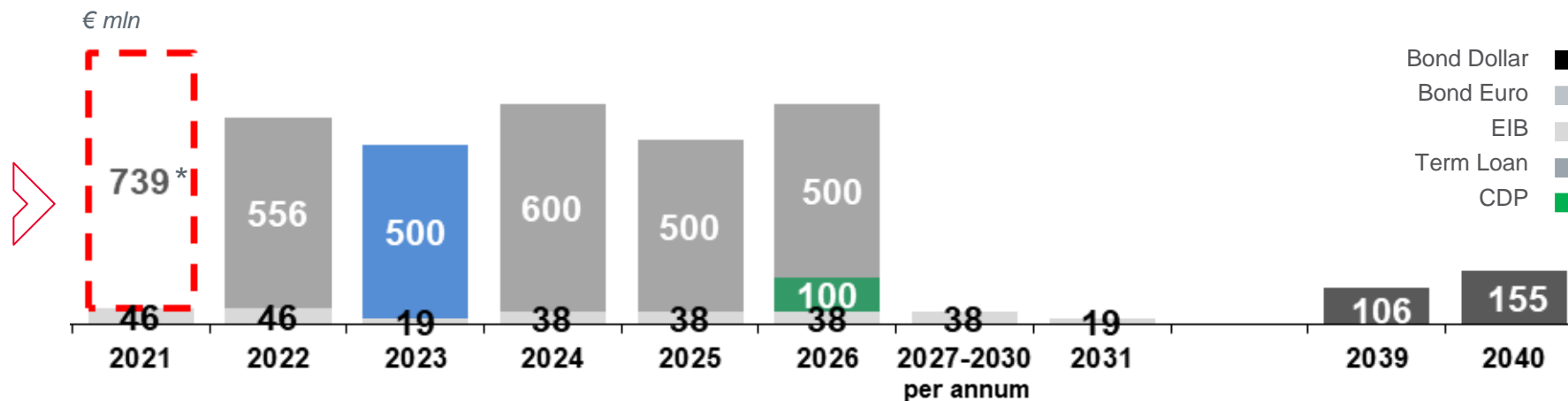


# Balanced debt maturity profile

**No refinancing needs until 2022**

## DEBT MATURITY

Average life: ≈ 5.0 years\*



## CREDIT RATING

	As of today	Before last review	Date of review
<b>Moody's</b>	Ba1 / <i>Stable Outlook</i>	Ba1 / <i>Positive Outlook</i>	October 2018
<b>S&amp;P</b>	BB+ / <i>Stable Outlook</i>	BB+ / <i>Positive Outlook</i>	April 2020
<b>Fitch</b>	BBB- / <i>Negative Outlook</i>	BBB- / <i>Stable Outlook</i>	May 2020

\* Excluding the bond expiring in January 2021, refinanced in July 2020 through issuance of € 500 mln 2026 bond



## 2020 Guidance

### FY2020 GUIDANCE PROVIDED AT 1H RESULTS

		FY2020 Guidance
<b>New Orders</b>	(€ bn)	12.5 – 13.5
<b>Revenues</b>	(€ bn)	13.2 – 14.0
<b>EBITA</b>	(€ mln)	900 – 950
<b>FOCF</b>	(€ mln)	heading to neutral
<b>Group Net Debt</b>	(€ bn)	ca. 3.3*

\* Including € 0.1 bn higher IFRS16 effect, Kopter acquisition (ca. € 0.2 bn) and dividend payment

2020 forex assumptions: € / USD = 1.15 and € / GBP = 0.88

### PROGRESS TOWARDS FY2020 GUIDANCE\*\*

- Progressing well on Orders anchored on ongoing commercial campaigns
- Revenues supported by delivery of Backlog and advancement on milestones
- EBITA supported by productivity improvement and military / governmental activities across the Group
- Actions in place to control costs delivering expected results and helping offset JVs and civil performance
- Fully focused on FOCF generation
- Detailed action plan to deliver cash-ins on every single programme, reflecting exceptionally high concentration of activities in the last 2 months of the year and the current level of COVID-19 related restrictions

\*\* In absence of further worsening of the pandemic and consequent additional restrictions which may compromise operations



## Strong business fundamentals to leverage on in the medium- long term

- Strong backlog of € 35 bn
- Sound business mix
- Growing military / governmental and security markets
- Strong relationships with domestic customers
- Anchored in key international programmes
- Innovation leveraging competences and products to enlarge business opportunities
- Leadership position in key segments of Helicopters, Defence Electronics and Aircrafts, well recognised in export markets



# SECTOR RESULTS

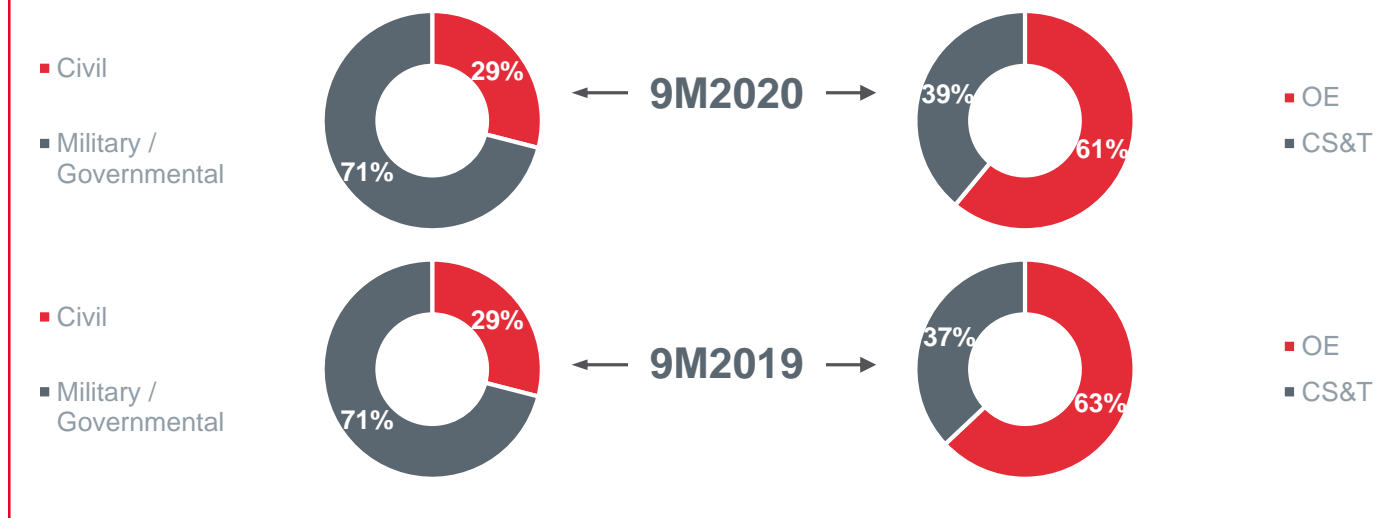




# Helicopters

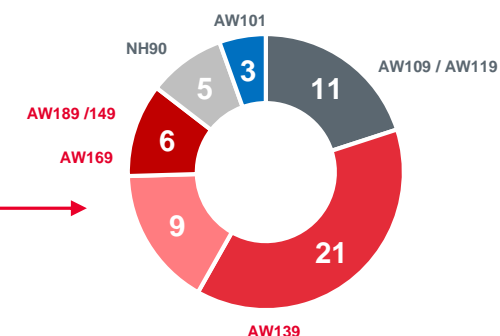
€ mln	3Q 2019	3Q 2020	% Change	9M2019	9M2020	% Change	FY 2019
Orders	527	628	+19.2%	2,234	3,154	+41.2%	4,641
Revenues	841	949	+12.8%	2,736	2,642	-3.4 %	4,025
EBITA	70	80	+14.3%	270	219	-18.9%	431
RoS	+8.3%	+8.4%	+0.1 p.p.	+9.9%	+8.3%	-1.6 p.p.	+10.7%

## REVENUES BY CUSTOMER / SEGMENT

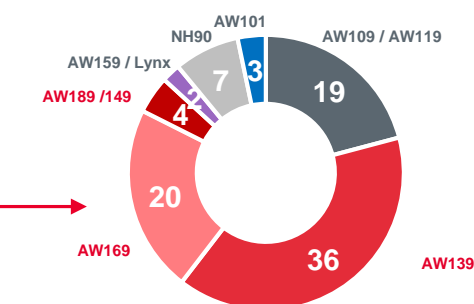


## DELIVERIES BY PROGRAMME

9M2020 = 55 new units



9M2019 = 91 new units



AW FAMILY



# Defence Electronics & Security

## ELECTRONICS – EU

€ mln	3Q 2019	3Q 2020	% Change	9M2019	9M2020	% Change	FY 2019
	Orders	652	826	+26.7%	2,660	2,246	-15.6%
Revenues	867	919	+6.0%	2,738	2,731	-0.3%	4,289
EBITA	67	134	+100.0%	239	216	-9.6%	427
RoS	+7.7%	+14.6%	+6.9 p.p.	+8.7%	+7.9%	-0.8 p.p.	+10.0%

## LEONARDO DRS

\$ mln	3Q 2019	3Q 2020	% Change	9M2019	9M2020	% Change	FY 2019
	Orders	676	951	+40.7%	2,253	2,543	+12.9%
Revenues	687	713	+3.8%	1,816	1,932	+6.4%	2,729
EBITA	53	44	-17.0%	116	114	-2.0%	208
RoS	+7.7%	+6.2%	-1.5 p.p.	+6.4%	+5.9%	-0.5 p.p.	+7.6%

Avg. exchange rate €/€ @ 1.12412 in 9M2020

Avg. exchange rate €/€ @ 1.12371 in 9M2019



# Aeronautics

## AIRCRAFT

	3Q 2019	3Q 2020	% Change	9M2019	9M2020	% Change	FY 2019
€ mln							
Orders	534	103	-80.7%	1,521	772	-49.2%	1,904
Revenues	641	630	-1.7%	1,502	1,704	+13.4%	2,329
EBITA	58	82	+41.4%	188	204	+8.5%	320
RoS	+9.0%	+13.0%	+4.0 p.p.	+12.5%	+12.0%	-0.5 p.p.	+13.7%

## AEROSTRUCTURES

	3Q 2019	3Q 2020	% Change	9M2019	9M2020	% Change	FY 2019
€ mln							
Orders	162	106	-34.6%	535	449	-16.1%	948
Revenues	289	157	-45.7%	846	630	-25.5%	1,125
EBITA	-19	-35	-84.2%	-27	-47	-74.1%	-11
RoS	-6.6%	-22.2%	-15.6 p.p.	-3.2%	-7.5%	-4.3 p.p.	-1.0%

## ATR

	3Q 2019	3Q 2020	% Change	9M2019	9M2020	% Change	FY 2019
€ mln							
EBITA	5	-28	-660%	4	-62	-1,650%	53



# Space

	€ mln	3Q 2019	3Q 2020	% Change	9M2019	9M2020	% Change	FY 2019
EBITA		10	9	-10.0%	23	-1	-104.3%	39

# APPENDIX





# 3Q/9M 2020 Results

## Group Performance

	€ mln	3Q 2019	3Q 2020	% Change	9M2019	9M2020	% Change	FY 2019
New Orders		2,434	2,406	-1.2%	8,579	8,510	-0.8%	14,105
Backlog					35,672	34,980	-1.9%	36,513
Revenues		3,172	3,147	-0.8%	9,134	9,025	-1.2%	13,784
EBITA		199	205	+3.0%	686	497	-27.6%	1,251
	<i>RoS</i>	+6.3%	+6.5%	+0.2 p.p.	+7.5%	+5.5%	-2.0 p.p.	+9.1%
EBIT		186	168	-9.7%	648	395	-39.0%	1,153
	<i>EBIT Margin</i>	+5.9%	+5.3%	-0.6 p.p.	+7.1%	+4.4%	-2.7 p.p.	+8.4%
Net result before extraordinary transactions		115	76	-33.9%	367	135	-63.2%	722
Net result		116	77	-33.6%	465	137	-70.5%	822
EPS (€ cents)		0.202	0.134	-33.7%	0.809	0.237	-70.7%	1.428
FOCF		-167	-707	-323.4%	-1,217	-2,596	-113.3%	241
Group Net Debt		4,301	5,884	+36.8%	4,301	5,884	+36.8%	2,847
Headcount					49,234	49,973	+1.5%	49,530

Free Operating Cash-Flow (FOCF): is the sum of the cash flows generated by (used in) operating activities (which includes interests and income taxes paid) and the cash flows generated by (used in) ordinary investment activity (property, plant and equipment and intangible assets) and dividends received



## Covenant FY2019

	FY2019A Post IFRS 16
EBITDA*	€ 1,743 mln
Net Interest	- € 182 mln
<b>EBITDA / Net Interest</b>	<b>9.6</b>
<b>THRESHOLD</b>	<b>&gt; 3.25</b>

	FY2019A Post IFRS 16
Group Net Debt	€ 2,847 mln
Leasing (IFRS 16)	- € 451 mln
Financial Debt to MBDA	- € 651 mln
Group Net Debt for Covenant	€ 1,745 mln
EBITDA	€ 1,743 mln
<b>Group Net Debt / EBITDA</b>	<b>1.0</b>
<b>THRESHOLD</b>	<b>&lt; 3.75</b>

\* EBITDA net of depreciation of rights of use





## SAFE HARBOR STATEMENT

NOTE: Some of the statements included in this document are not historical facts but rather statements of future expectations, also related to future economic and financial performance, to be considered forward-looking statements. These forward-looking statements are based on Company's views and assumptions as of the date of the statements and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Given these uncertainties, you should not rely on forward-looking statements.

The following factors could affect our forward-looking statements: the ability to obtain or the timing of obtaining future government awards; the availability of government funding and customer requirements both domestically and internationally; changes in government or customer priorities due to programme reviews or revisions to strategic objectives (including changes in priorities to respond to terrorist threats or to improve homeland security); difficulties in developing and producing operationally advanced technology systems; the competitive environment; economic business and political conditions domestically and internationally; programme performance and the timing of contract payments; the timing and customer acceptance of product deliveries and launches; our ability to achieve or realise savings for our customers or ourselves through our global cost-cutting programme and other financial management programmes; and the outcome of contingencies (including completion of any acquisitions and divestitures, litigation and environmental remediation efforts).

These are only some of the numerous factors that may affect the forward-looking statements contained in this document.

The Company undertakes no obligation to revise or update forward-looking statements as a result of new information since these statements may no longer be accurate or timely.



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