we look up

# 2016 Financial and Operating Performance

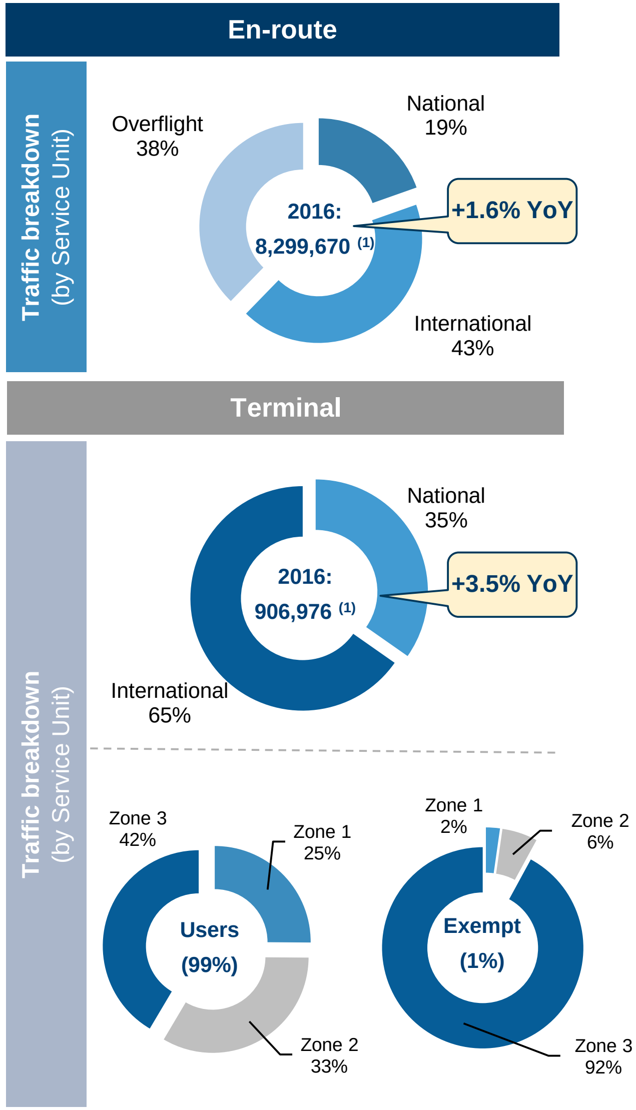
March 16, 2017

# 2016 Highlights

- **Solid** financial and operating **results** driven by traffic growth
  - **Net Revenue up 1.8%** YoY **to €865m**
  - 2016 **underlying EBITDA** (net of IPO costs) **increased by 8.0% to over €262m,** with **margin** growing to **30.3%**; on a reported basis EBITDA reached €255m, up 4.9% YoY
  - **Net profit of €76.3m, up 15.5%** over previous year
  - **Net debt / LTM EBITDA of 0.4x,** comfortable with current debt structure
  - Capex of €116m in 2016
- Continued **focus on cost efficiency and innovation**
- Successfully completed **IPO in July 2016**, first listed ANSP worldwide
- **Dividend per share of €0.176** proposed for 2016 financial year

# 2016 Key Operational Highlights

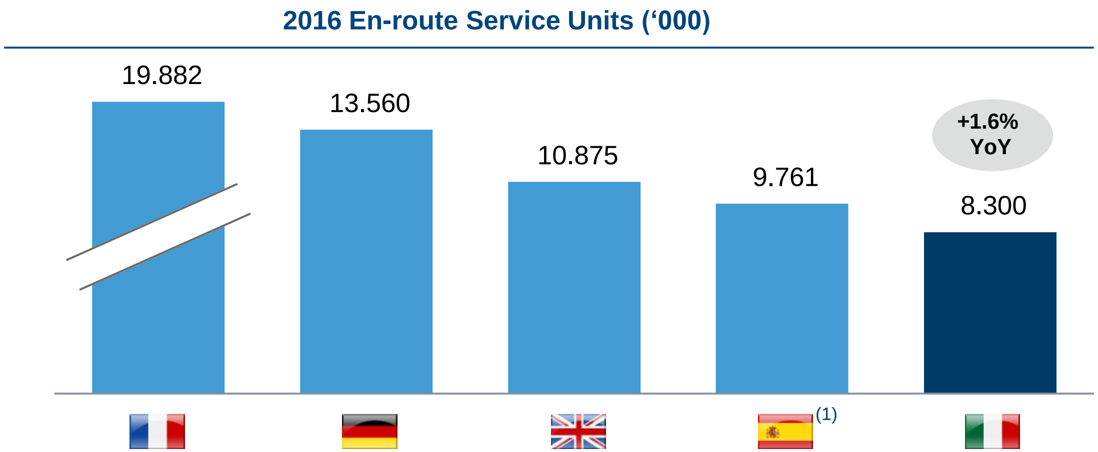
- **En-route** service units **grow 1.6%[1]** YoY mainly driven by:
  - Strong performance in International traffic, with service units up 2.9% YoY
  - Positive trend in National traffic, with service units growing 1.5% YoY
  - Stable performance in Overflights, up 0.4% YoY
- Strong performance in **Terminal traffic** service units, **up 3.5%[1]** YoY, as a result of:
  - Growth in International traffic, up 5.9% YoY, in particular in TZ2 (+6.8%) and TZ3 (+8.0%)
  - Solid performance in TZ1 with traffic increasing 1.7% YoY
  - Marginal decrease in national traffic on TZ2 and TZ3
  - Decrease in exempt flight SUs in particular in TZ3
- TZ3 traffic positively impacted by inclusion of Brindisi and Rimini airports under ENAV perimeter effective from December 2015 and November 2016 respectively




(1) Excluding exempt flights not communicated to Eurocontrol (for FY16 en-route 3,331 SUs, terminal 1,954 SUs)

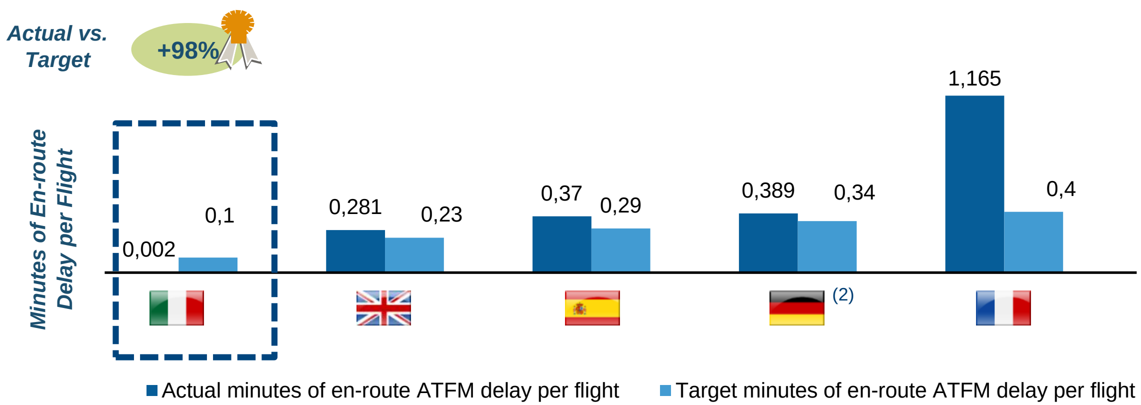
# Best in Class Performance, Attractive European Traffic Outlook

## 5th Largest Air Navigation Service Provider in Europe




Source: Eurocontrol, February 2017

## Performance Quality Leader in Europe (2016)



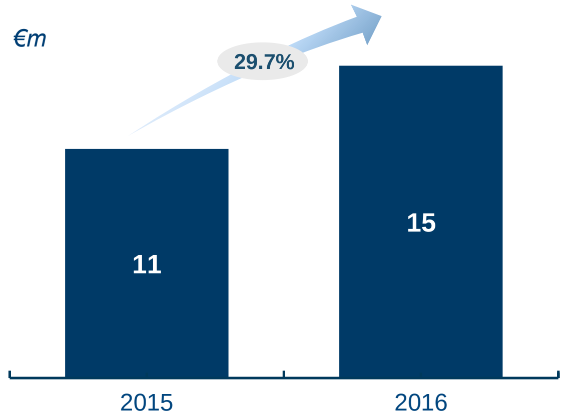

Source: ENAV elaborations on third parties data

- **5th Largest** Air Navigation Service Provider in **Europe**
- **Traffic** in Italian airspace has **returned to growth in 2016** and independent forecasts point to growth trend
- **Best-in-class performance** in terms of quality and safety of services confirmed also in 2016

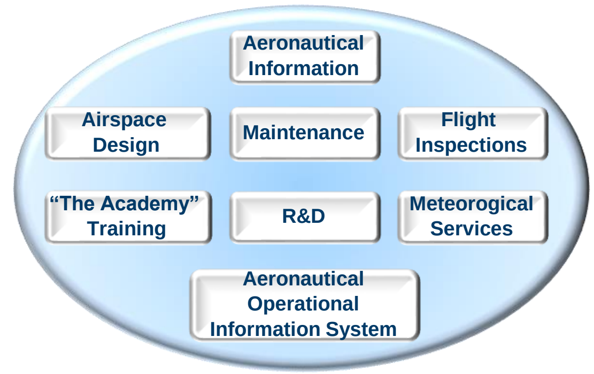
Notes: (1) Refers to continental Spain.
(2) Refers to DFS only

# Focus on Non-regulated Business Opportunities and Future Technologies

## Leveraging on Strong Technical Capabilities to Provide Non-regulated Services to Third Parties

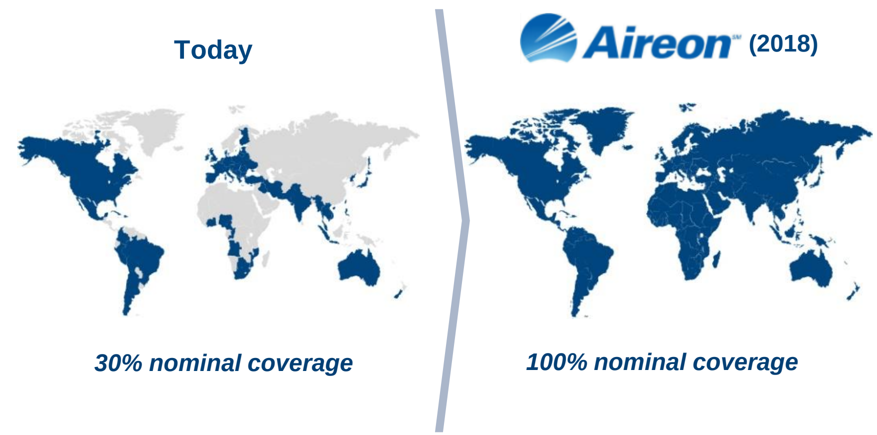



- **Significant growth in non-regulated business** from :
  - Flight inspection services provided in **Saudi Arabia, Kenya** and **UAE**
  - Portion of multi-year contract with **Malaysian** Ministry of Transportation for air traffic control center
  - Training and ATC re-certification of **Libyan** controllers
- Order portfolio of €21m over next 3 years




## Investments in New Technologies Put ENAV at the Forefront of Innovation in ATC

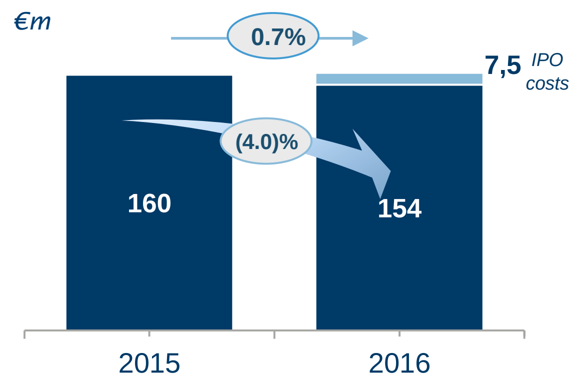
- **Aireon** is the company set to develop the **first global air traffic satellite surveillance system by 2018**
- **ENAV** is one of the main shareholders with a 12.5% stake (1)
- Prevents air traffic blind spots and allows an **extensive control of all the global routes.** Increases air traffic volumes, route optimisation and exceptional levels of flight safety and efficiency
- **Successful launch and deployment of first 10 satellites** hosting Aireon's space-based automatic dependent surveillance broadcast (ADS-B) system on January 14, 2017




(1) Total stake in Aireon upon completion of the investment in 2017. Current stake equal to 8.63%, final tranche of USD 6 million scheduled by end of 2017.

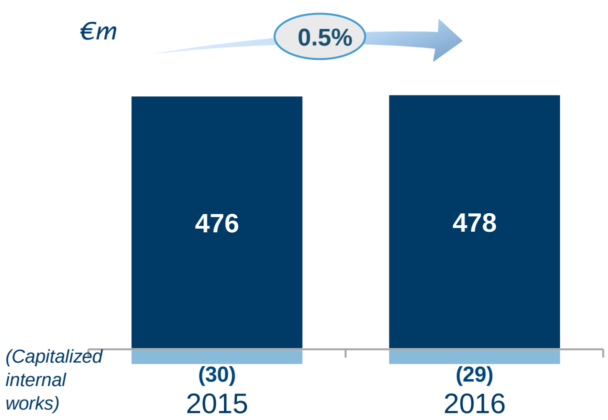
# Enhancing Cash Flow Generation Through Cost Efficiency

## Significant Reduction of External Opex




- Efficiency plan delivering solid results with an underlying reduction, excluding IPO related opex of €7.5m, of 4.0% YoY:
  - Renegotiation of insurance contract in June 2016, effective from July, with same level of coverage providing annualized savings of €4m (€2m savings in H2 2016)
  - Reduction in utilities and telecommunication expenses of more than €3.6m vs previous year
  - Lower maintenance costs as a result of cost optimization
- Offset by higher Eurocontrol contributions of €2.6m, included in 2016 tariff

## Stable Personnel Costs Despite Wider Perimeter

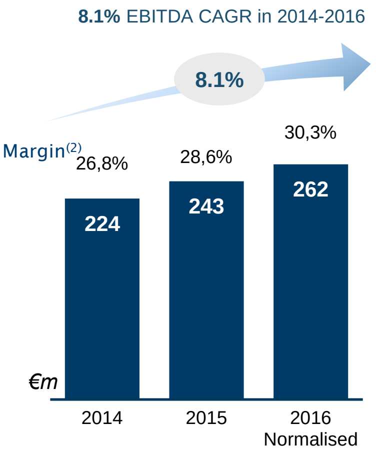



- Marginal increase in Personnel Costs, up 0.5% YoY, despite larger perimeter of airports under management in 2016 and higher average headcount during the year:
  - Increase in average headcount vs previous year of 39 resources mostly on low traffic volume airports partly offset by lower unit cost of new staff on these airports
  - Last portion of voluntary redundancy plan initiated in 2015 and finalised during 2016
  - Contract renewal discussions at early stages, old contract remains in force until new one is in place

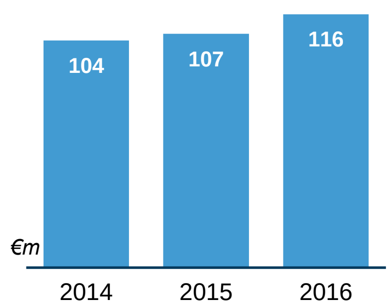
# High Cash Conversion Confirms Solid Dividend Capacity

## Growing and Resilient Cash Flow Generation

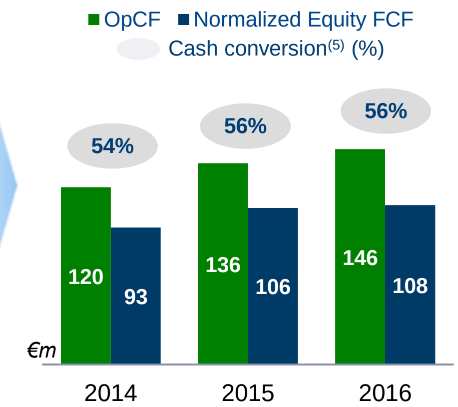
### *Growing EBITDA and Profitability*



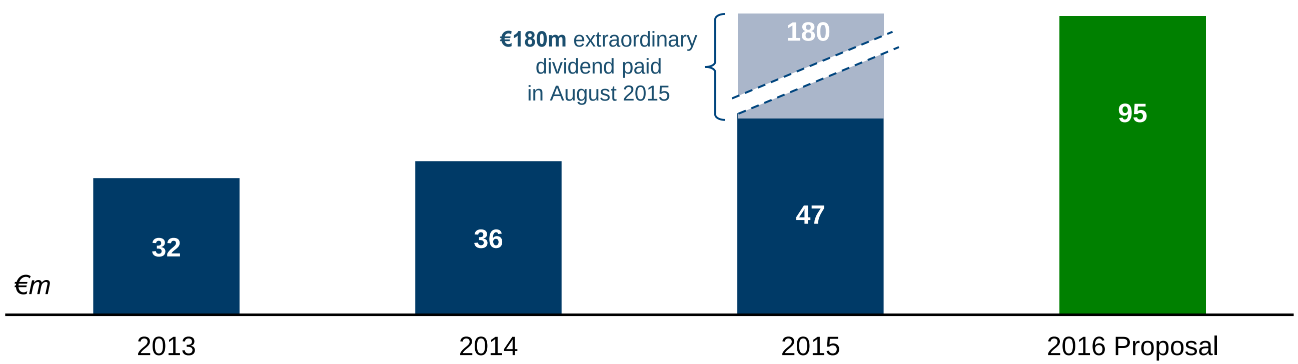

### *Normalizing Capex vs. Historical Levels(1)*




### *Operating Cash-Flow(3) and Normalized Equity FCF(4) Evolution*




## Increasing Historical Dividend Distribution




- **Significant EBITDA growth** over last 3 years, with growing EBITDA and margin despite the weak macroeconomic environment
- **Capex normalising** at levels in line with previous years
- Resulting in a **strong** and **increasing operating cash flow** (3)
- **Growing** historical **dividend** distribution with **clear dividend policy** going forward

- **€95.3m dividends payable in 2017 (€0.176 per share) and, for the following years, no less than 80% of Equity FCF(6)**

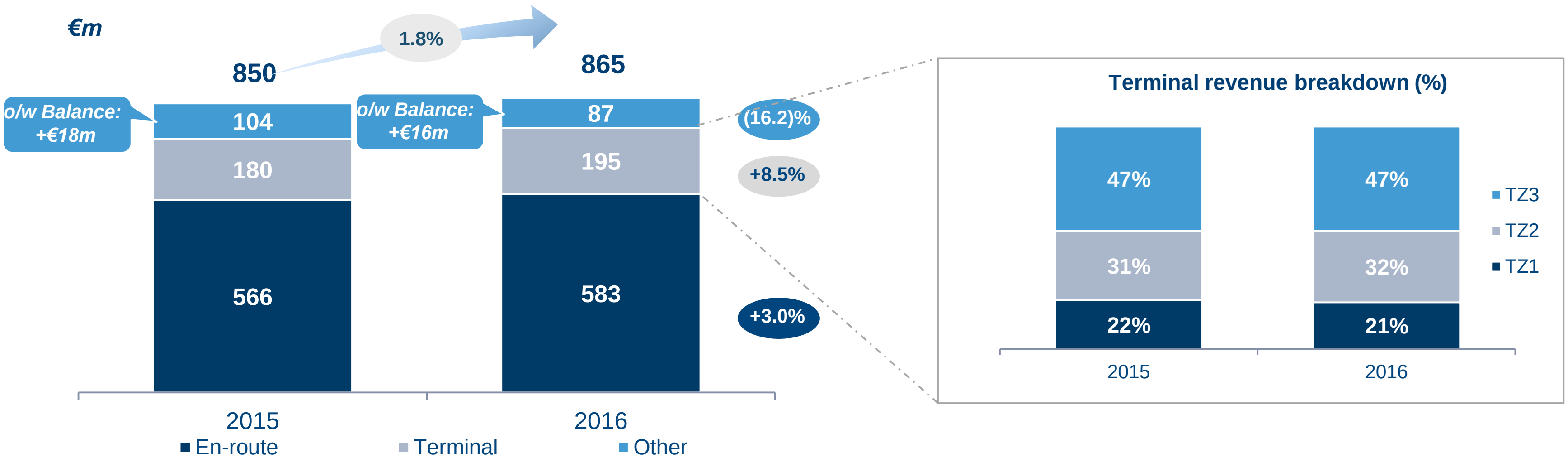


Source: ENAV. Note: (1) Non financial capex, excluding M&A Capex (€26m in 2014 and €9m in 2015 related to Aireon acquisition). (2) Margin based on revenues net of capex contribution. (3) Measured as EBITDA minus non financial capex. (4) Normalized Equity FCF calculated as normalized net Income (net of IPO costs post tax) + D&A – non financial capex. (5) Cash conversion defined as (EBITDA – non financial capex) / EBITDA. (6) Equity FCF calculated as normalised net income (excl IPO costs post tax) + D&A gross of capex contribution – normalized capex.

# 2016 Financials Overview

# Net Sales Performance

## Net sales(1) breakdown

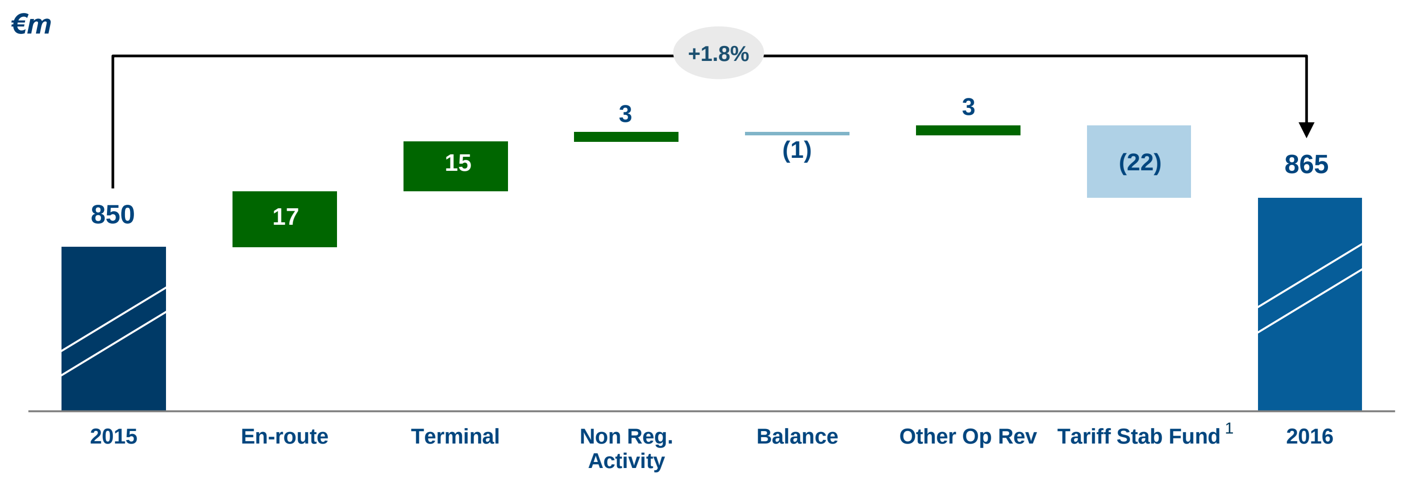



- Net sales increase driven by strong growth in operating activities
- En-route revenue growth remains resilient driven by increase in traffic and marginal increase in tariff applied vs 2015
- Strong terminal revenue growth, up 8.5% YoY, mainly driven by traffic increase in part driven by wider airports perimeter (+2 airports vs 2015)
- Non-regulated revenue increases by 29.7% driven by strong commercial performance in 2016 from projects in Middle-east, Africa and Malaysia
- Balance revenue of €16m, decreasing slightly vs previous year, mainly due to:
  - Balance revenue for approx. €32m as net effect of traffic risk balance for €20m (€21m en-route, -€1m terminal), TZ3 balance for €21m, capacity performance bonus for €6m and inflation balance for -€15m (-€13m en-route, -€2m terminal)
  - Balance reversal in 2016 tariff for a negative amount of -€15m
- Other Operating Revenue mainly includes opex contributions for Safety and Security (under law 248/05) of €30m, equipment grants for €10m, European financing related to common projects for €9m

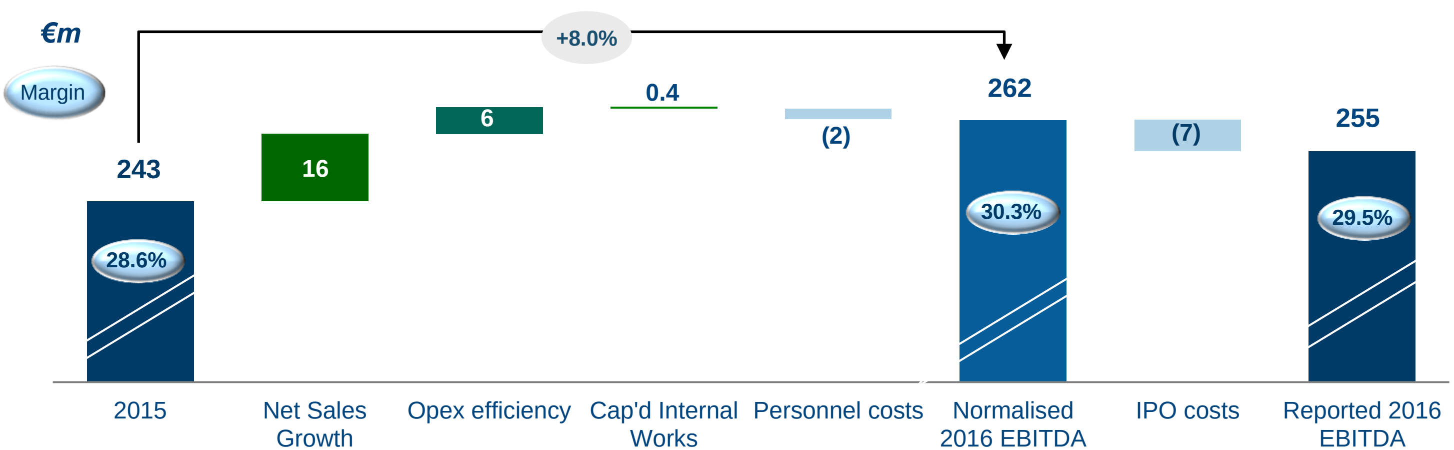
(1) Sales net of capex contribution (€9.7m in 2016, €9.3m in 2015)
(2) Other includes balance, tariff stabilization funds in 2015, non-regulated activities, opex contributions, exemptions and other income.

# Net Revenue and EBITDA Bridge

## Net Sales Bridge




## EBITDA Bridge 2015-16




- **Net sales growth of 1.8%** YoY mainly driven by traffic increases in terminal and en-route and non-regulated activities
- **Balance** revenue decreases marginally by €1m YoY
- Tariff stabilization fund recorded in 2015 no longer available in 2016, included in Balance for 2016
- On a **normalised** basis, excluding IPO costs for €7.5m, **EBITDA increases 8.0%** to a normalised level of **€262m** driven by top-line growth and cost efficiency, **30.3% margin**
- **Reported** EBITDA increases 4.9% to €255m with strong EBITDA margin, increasing 1 p.p. YoY to 29.5%

(1) Tariff Stabilization Fund and Flight Exemptions

## ENAV P&L

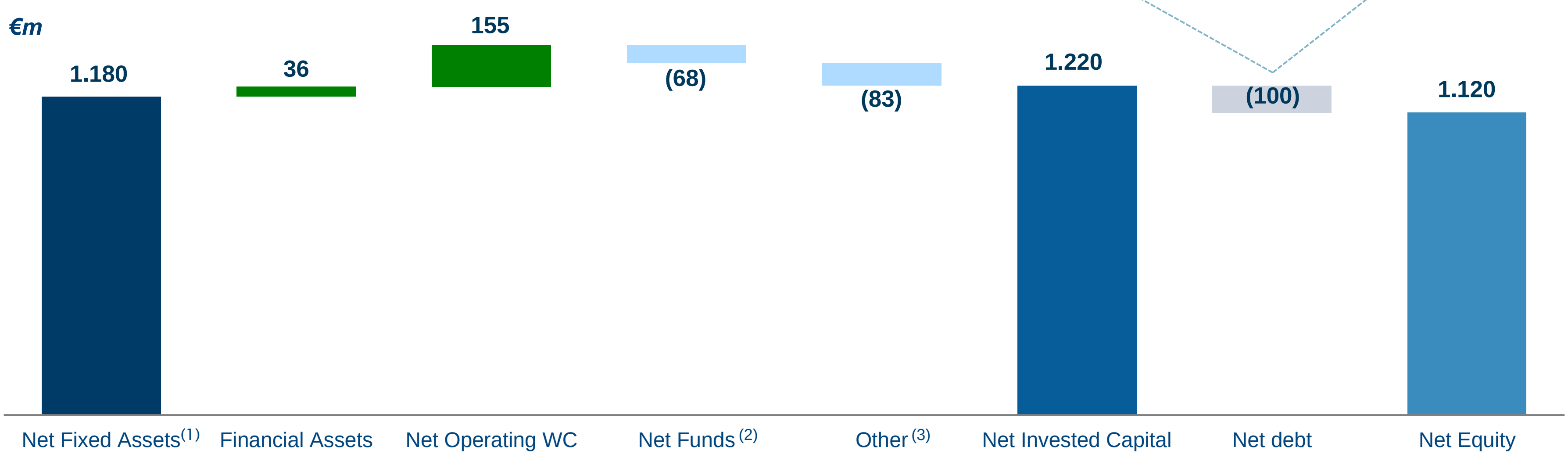
| Euro '000 | 2016 | 2015 | Change | Change % |
|---|---|---|---|---|
| Revenue from operations | 806.410 | 792.059 | 14.351 | 1,8% |
| Balance | 16.428 | 17.708 | (1.280) | -7,2% |
| Other operating income | 42.433 | 39.798 | 2.635 | 6,6% |
| **Total Net Revenue** | **865.271** | **849.565** | **15.706** | **1,8%** |
| Personnel costs | (478.134) | (475.777) | (2.357) | 0,5% |
| Capitalized internal works | 29.273 | 29.668 | (395) | -1,3% |
| Other net operating costs | (161.531) | (160.484) | (1.047) | 0,7% |
| **Total operating costs** | **(610.392)** | **(606.593)** | **(3.799)** | **0,6%** |
| **EBITDA** | **254.879** | **242.972** | **11.907** | **4,9%** |
| *EBITDA margin* | *29,5%* | *28,6%* | | |
| D&A (net of capex contributions) | (132.769) | (137.403) | 4.634 | -3,4% |
| Provisions and writedowns | (5.226) | (12.131) | 6.905 | -56,9% |
| **EBIT** | **116.884** | **93.438** | **23.446** | **25,1%** |
| Financial income / (expenses) | (2.180) | 2.286 | (4.466) | n.m. |
| **Profit before income taxes** | **114.704** | **95.724** | **18.981** | **19,8%** |
| Income taxes | (38.359) | (29.641) | (8.718) | 29,4% |
| **Net Income** | **76.345** | **66.083** | **10.263** | **15,5%** |

- Significant decrease in Provisions and write-downs in 2016 mainly related increase in 2015 of bad debt for credits outstanding for services towards an airport in previous years and higher provisions for employee disputes in 2015
- Financial expenses in 2016 reflect interest payments on bond issued in August 2015 partly offset by lower interest on bank loans as a result of reduction of outstanding amounts and lower interest rate applied; 2015 financial income mainly attributable to balance receivables actualization
- Income taxes increase YoY as a result of higher Profit Before Tax on a stable tax rate

# Balance Sheet and Capitalisation

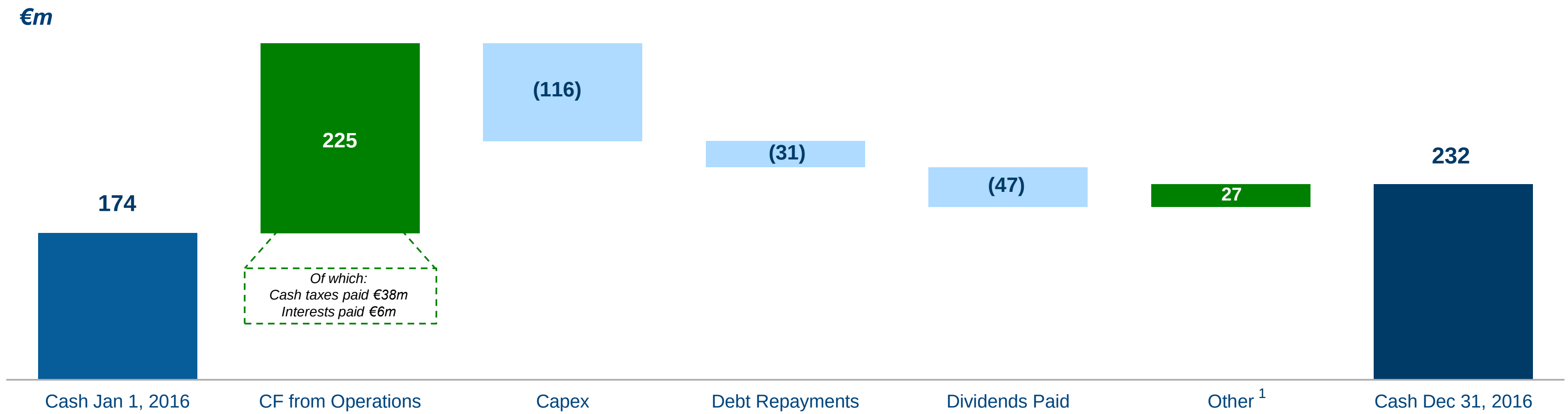
- **Net Operating working capital** declined marginally YoY, mainly due to lower trade receivables driven by higher amounts cashed in from Eurocontrol; trade payables increased as a net effect of payments to suppliers and cash-in of funds for European funded projects
- **Solid capital structure** and financial metrics providing strong financial and operating flexibility
- **Net debt of €100m** as of December 31, 2016 mainly funded by bond issued in August 2015, due in 2022, as well as European Investments Bank and Unicredit facilities

| | Maturity | | Total debt outstanding/cash (€m) |
|---|---|---|---|
| | Current (<1 year) | Non-current | |
| **Total Debt** | 32 | 300 | 332 |
| **Cash & Equivalents** | | | 232 |
| **Net Debt** | | | 100 |
| **Net Debt / EBITDA** | | | 0.4x |




(1) Net fixed assets include tangible and intangible assets
(2) Net funds include employee benefits and provision for risks
(3) Other includes other current and non-current assets and liabilities

# Solid Cash Generation




- Cash Flow from Operations of €225m in 2016 with main differences vs previous year mainly driven by:
  - Higher Net Income recorded in the period for €10m
  - Receipt of €61.5m VAT credit refunds, €21.4m received in 2015
  - Funds received for national operating program financed projects for €26m (vs €6.3m in 2015)
  - Sharp increase in non-current trade receivables related to balance
- Cash Flow generated from Operations covers investing activities and financing activities leaving cash surplus of €58m

(1) Includes change in trade payables from investment activities, change in current and non-current financials assets, net change in short and long term financial liabilities, exchange differences on cash & equivalents

# Key Take Aways

- Solid performance in both en-route traffic and terminal traffic, positive traffic forecasts supporting growth outlook
- Developing non-regulated business with new contracts signed in key markets
- Maintain leadership role in ATM innovation with pipeline of new technologies
- Enhance cash flow through cost efficiency and capex normalization
- Playing active role in the European air transport ecosystem
- Delivering attractive returns to shareholders and aligning management incentive to long term company performance

**2017 Guidance**

- Low single-digit net revenue growth
- EBITDA margin ~30%
- Capex €105-110 million
- DPS for 2018 expected to grow by 4% over 2017

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