

Innovation is looking beyond.



- ▶ 40+ YEARS
- ▶ 20 YEARS LISTED
- ▶ 466.9 €M SALES
- ▶ 1800+ PEOPLE
- ▶ 8 PLANTS
- ▶ R&D COMMITMENT (5%-6% on sales)
- ▶ 13,000+ INSTALLATIONS
- ▶ 80+ COUNTRIES

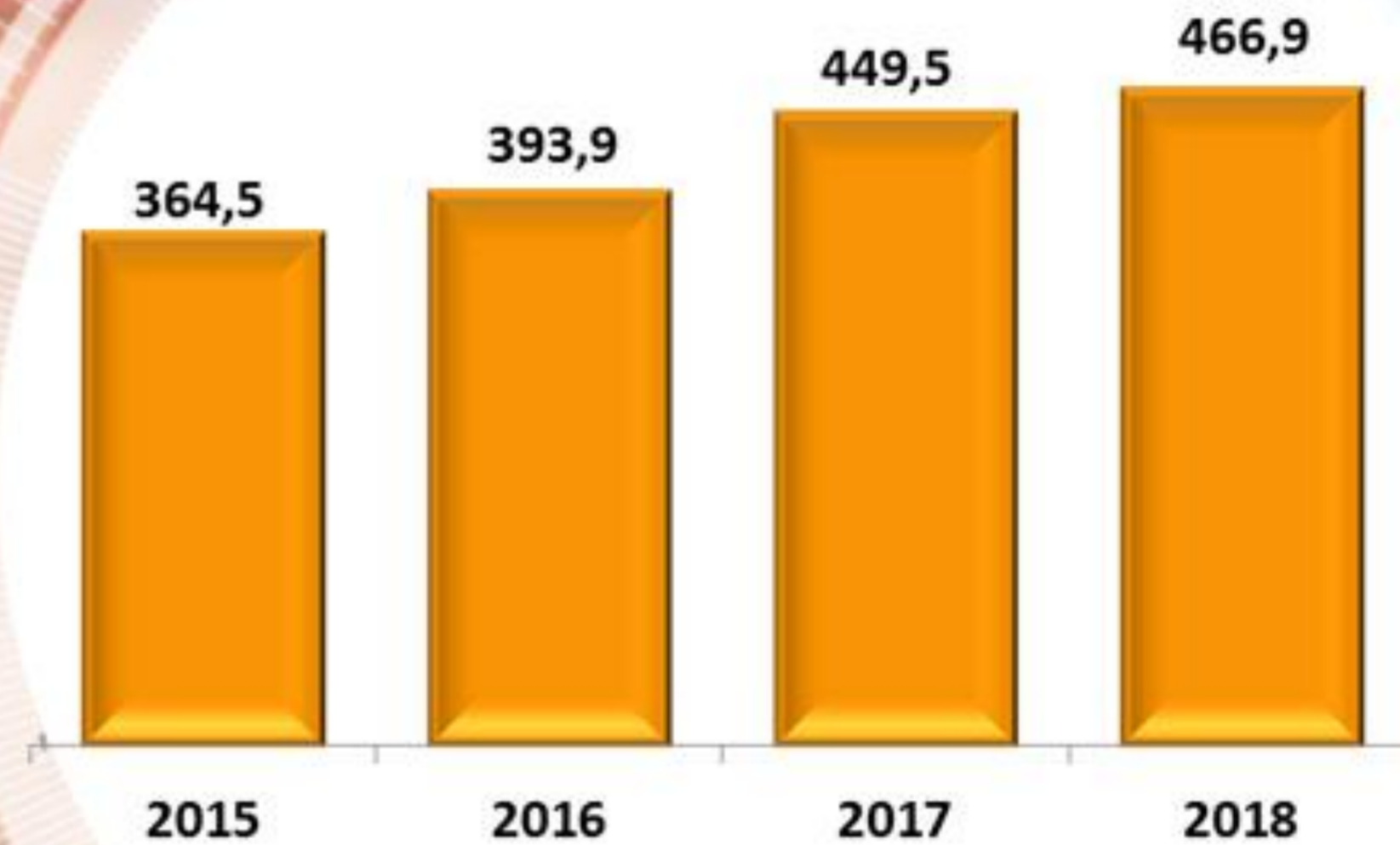
## 2018 RESULTS

**+4%**  
Increase in  
revenues

**+14%**  
Increase in  
adjusted EBIT

**+29%**  
Increase in  
Net Profit

### Revenues

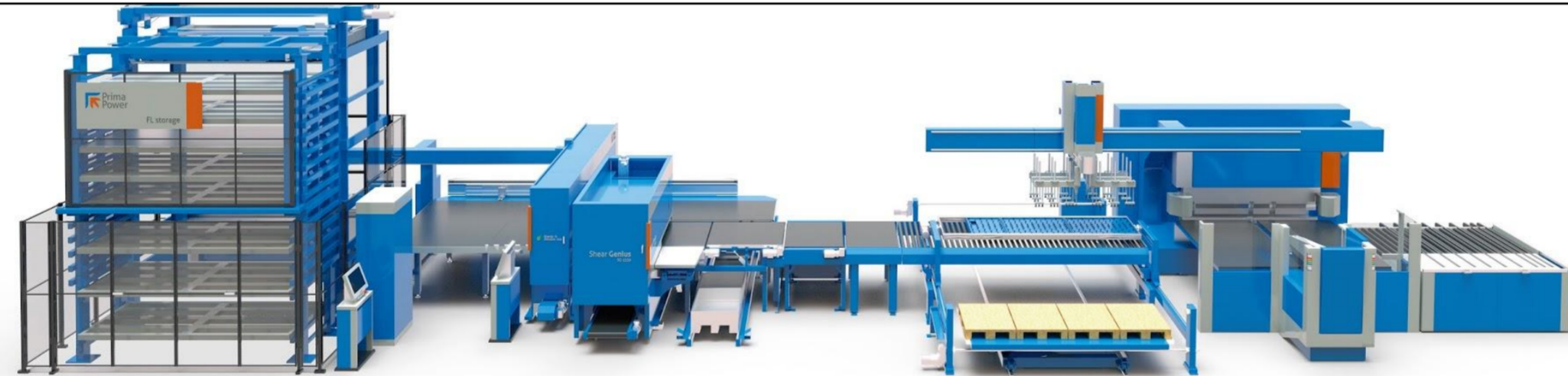


CAGR 2015 - 2018  
**9%**

# LASER MACHINES



# SHEET METAL PROCESSING MACHINES & SYSTEMS



# ELECTRONICS & LASER SOURCES



# SERVICES



# ADDITIVE MANUFACTURING





HQTC - Turin (ITALY)



MFG PLANT - Seinajoki (FINLAND)



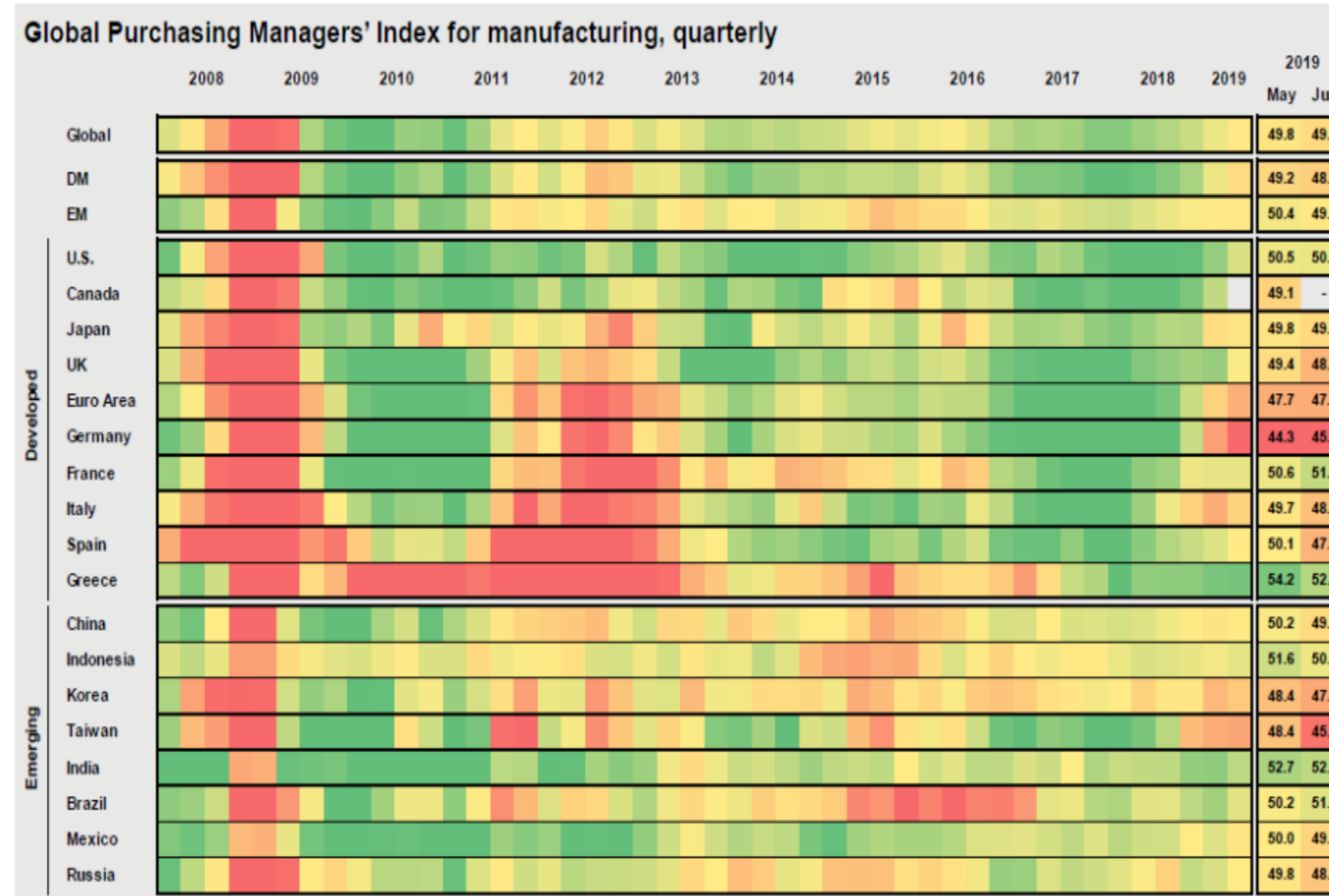
MFG PLANT - Suzhou (CHINA)



OFFICES AND TECHNOLOGY CENTER - Chicago (USA)



# GLOBAL MFG. PMI TO 49,8 - LOWEST SINCE 2012



Source: Markit, JP Morgan Asset Management



04 June 2019 | Chris Williamson

- Global PMI dips to 49.8, lowest since October 2012
- Order books contract, led by export downturn
- Spare capacity takes pressure off prices, but also hits jobs
- Japan and UK join Eurozone in decline, with sharp slowing in US growth also recorded

Source: IHS Markit

# GLOBAL PMI INDEX CHANGE YoY



IN 2017 ALMOST ALL WORLD MARKET ECONOMIES WERE EXPANDING (GREEN)

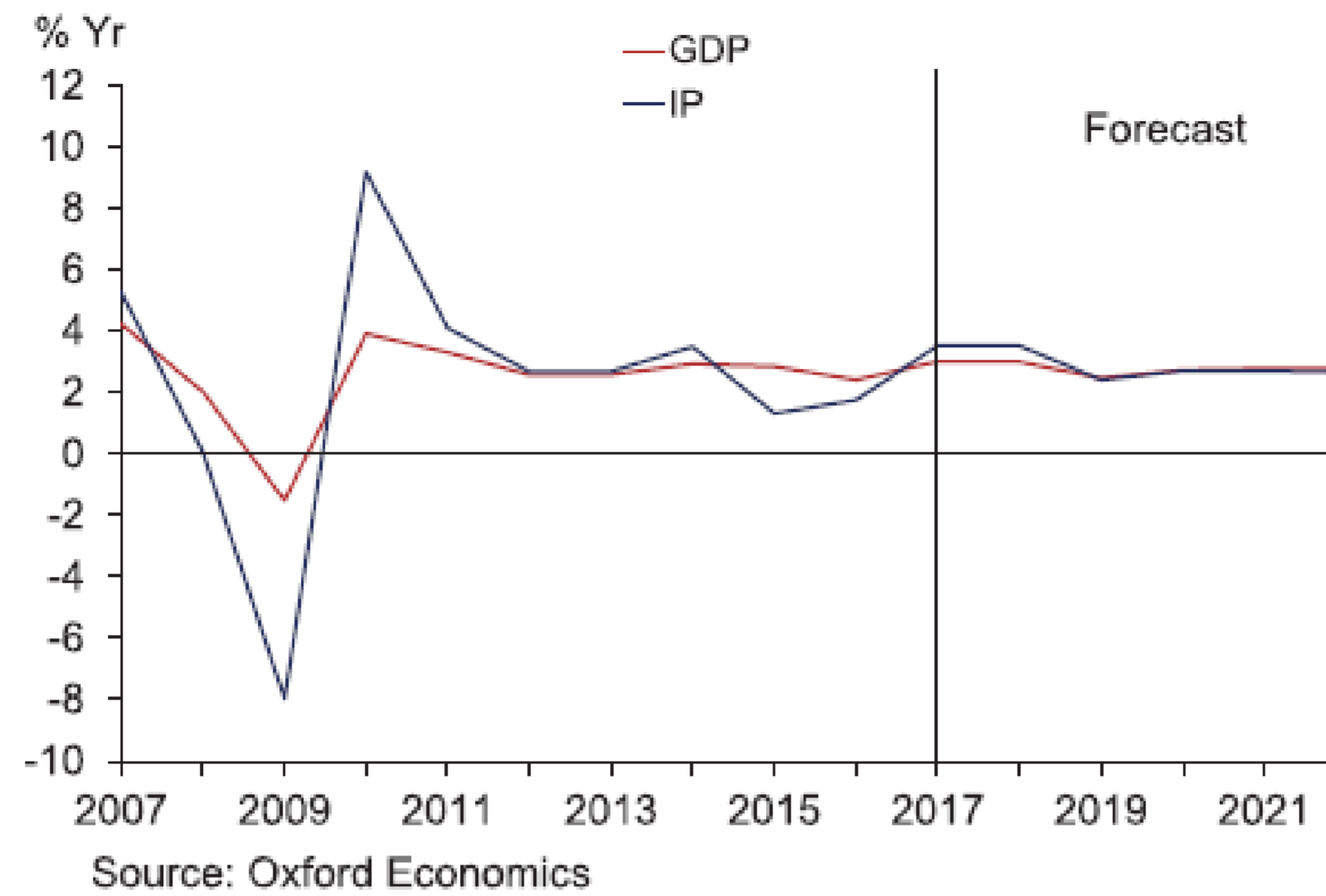
IN 2019 ALMOST ALL WORLD MARKET ECONOMIES ARE CONTRACTING (RED)

Source: Thomson Reuters Markit

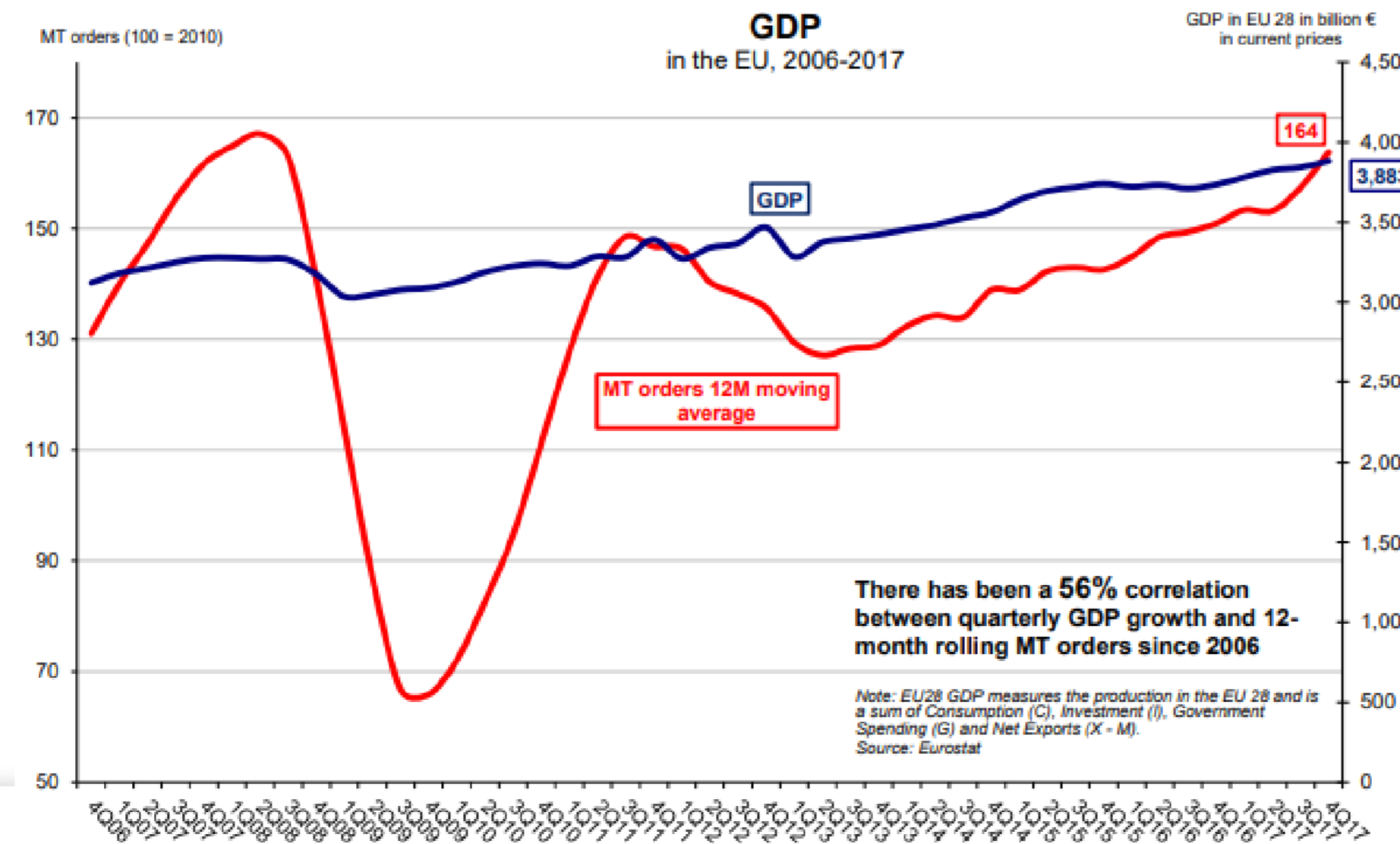
# CAPITAL GOODS DERIVATIVE WITH RESPECT TO GDP TREND

World: GDP & Industrial production

World

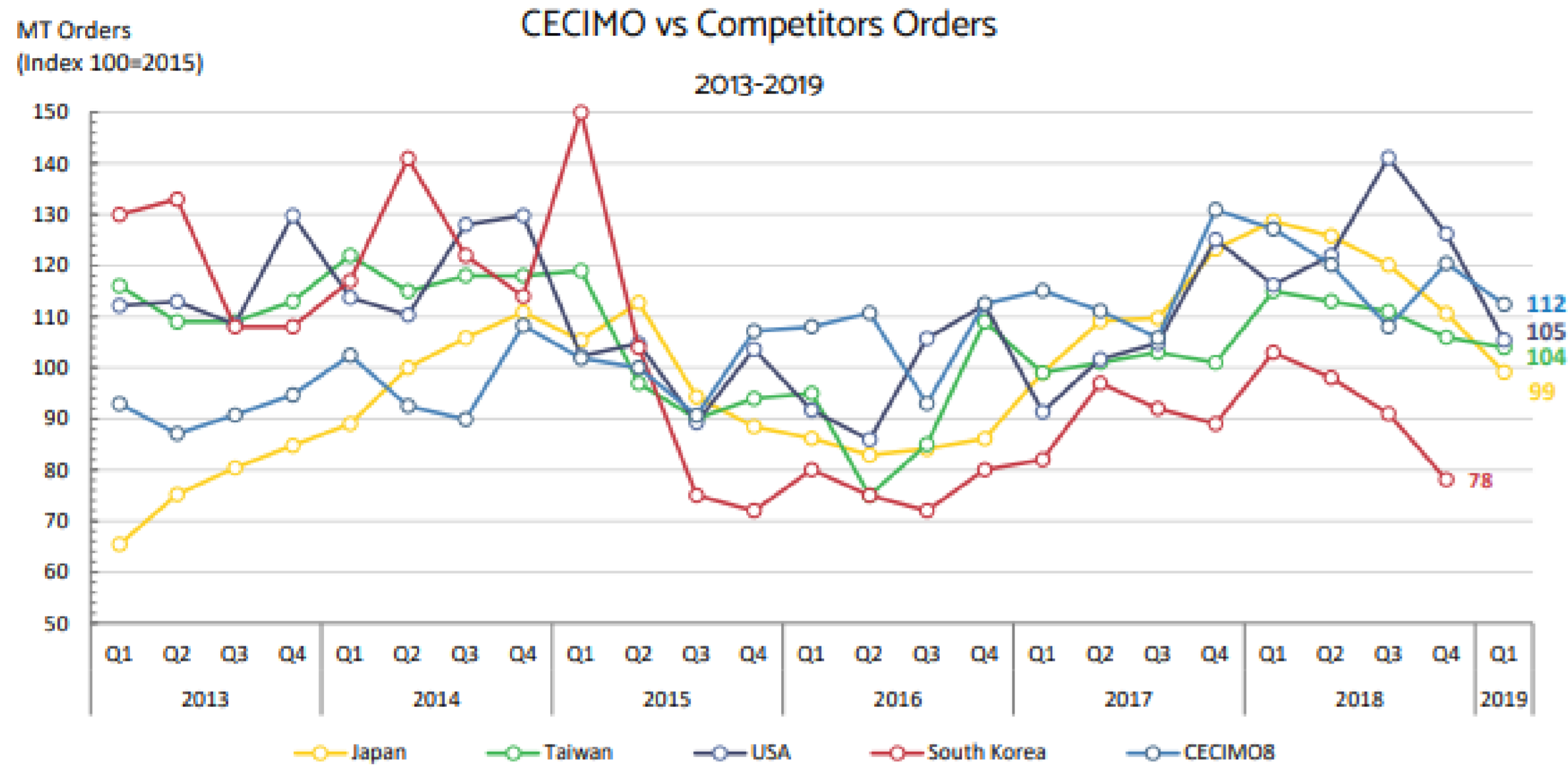


Europe





# CECIMO ORDERS 1Q2019 DOWN 19% YoY UCIMU ORDERS 2Q2019 DOWN 31,4% YoY VDW ORDERS 2Q19 DOWN 22% YOY



CECIMO MEMBERS ARE MACHINE TOOLS ASSOCIATIONS FROM ITALY (UCIMU), SWITZERLAND, GERMANY, (VDW) FRANCE, SPAIN, PORTUGAL, UK, BELGIUM, THE NETHERLANDS, DENMARK, SWEDEN, FINLAND, AUSTRIA, CZECHIA, TURKEY

## UCIMU-SISTEMI PER PRODURRE

Associazione Costruttori Italiani Macchine Utensili, Robot e Automazione  
Italian Machine Tools, Robots and Automation Manufacturers' Association



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comunicato stampa / press release

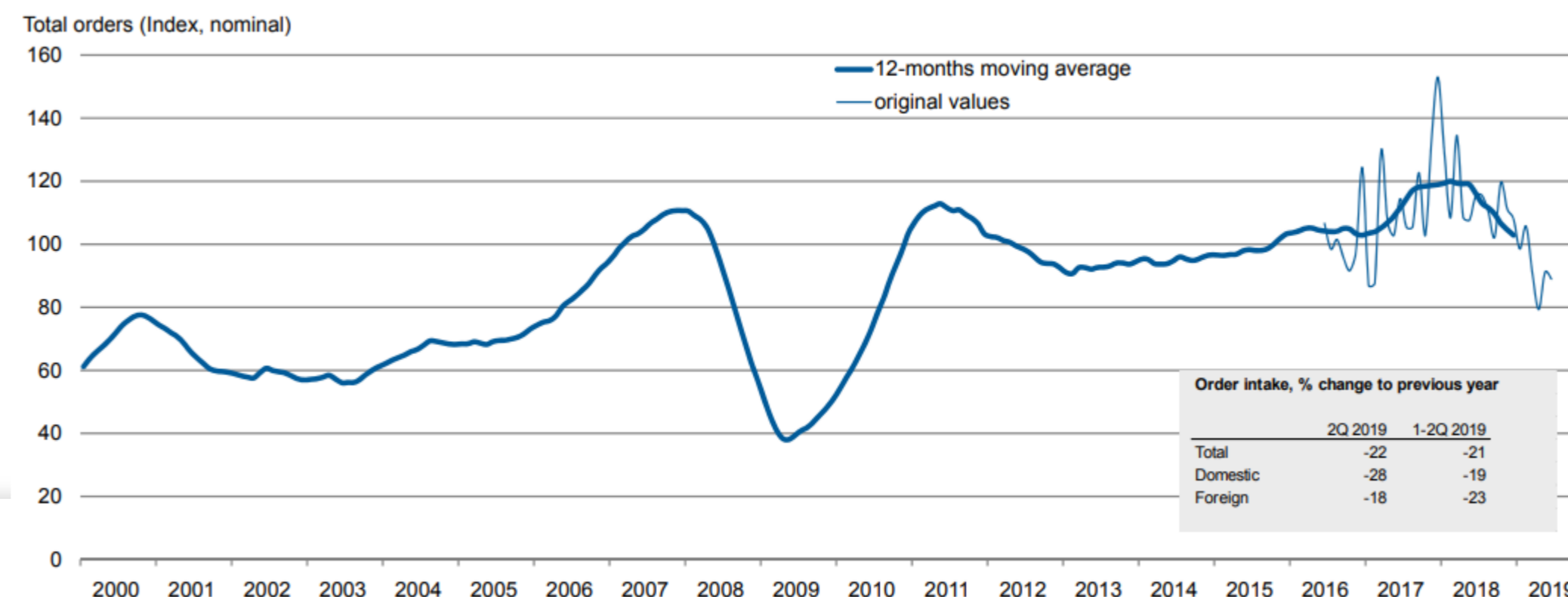
### SECONDO TRIMESTRE 2019: ARRETRANO GLI ORDINI DI MACCHINE UTENSILI (-31,4%) ORDINI INTERNI (-43%); ORDINI ESTERI (-28,5%)

Nel secondo trimestre 2019, l'indice UCIMU degli ordini di macchine utensili ha segnato un calo del 31,4% rispetto allo stesso periodo dell'anno precedente. In valore assoluto l'indice si è attestato a 74,6 (base 100 nel 2015). Il risultato complessivo è stato determinato dal deciso arretramento registrato nella raccolta **ordinativi sia sul mercato interno che sul mercato estero.**

**In particolare, gli ordini raccolti dai costruttori sul mercato interno hanno segnato un calo del 43%** rispetto al periodo aprile-giugno 2018. Il valore assoluto dell'indice si è attestato a 84,4 ma su base semestrale l'indice assoluto è decisamente migliore, pari a 106,8.

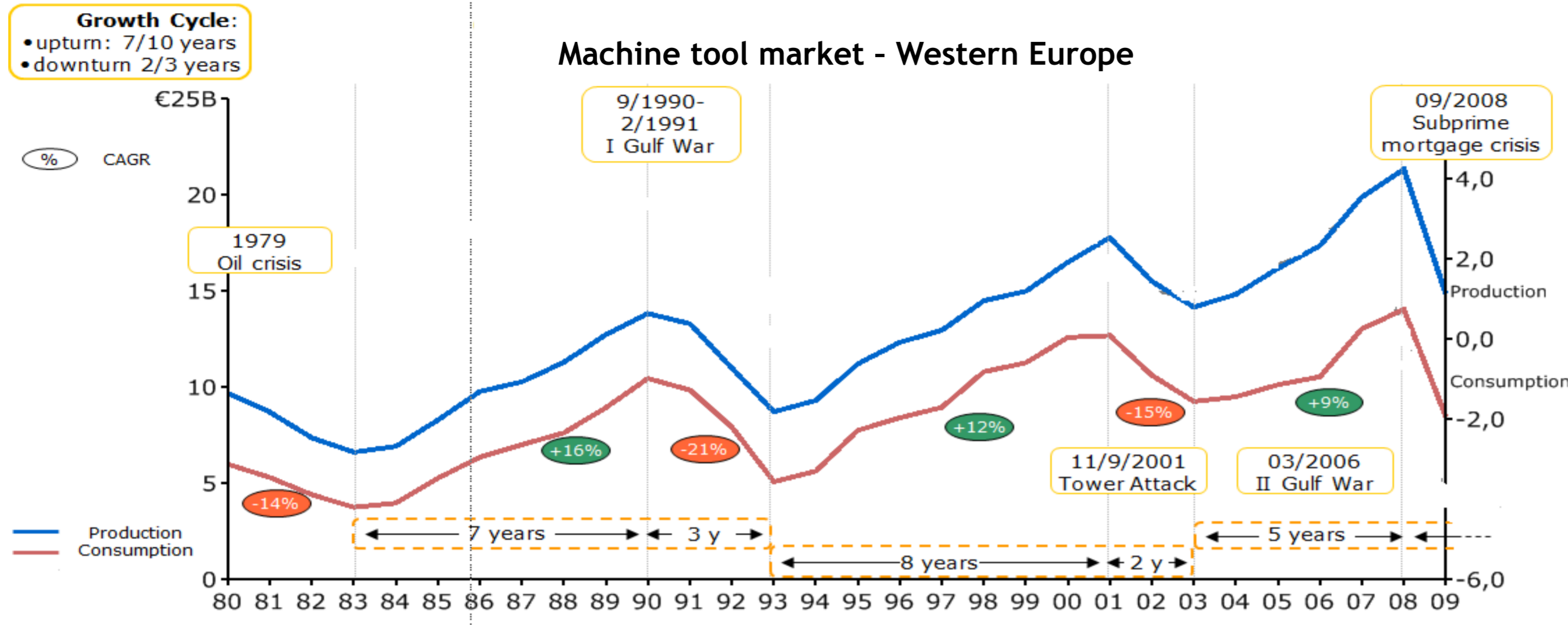
Anche sul **fronte estero i costruttori italiani hanno registrato una sensibile riduzione degli ordinativi, scesi del 28,5%** rispetto al secondo trimestre 2018. Il valore assoluto dell'indice si è attestato a 68,8 ma su base semestrale l'indice risulta più alto, pari a 96,6.

### Order Intake of the German Machine Tool Industry Sharp decline in machine tool orders – Many sectors reluctant to invest



Note: Index basis shipments 2015 = 100, data until June 2019, Sources: VDMA, VDW

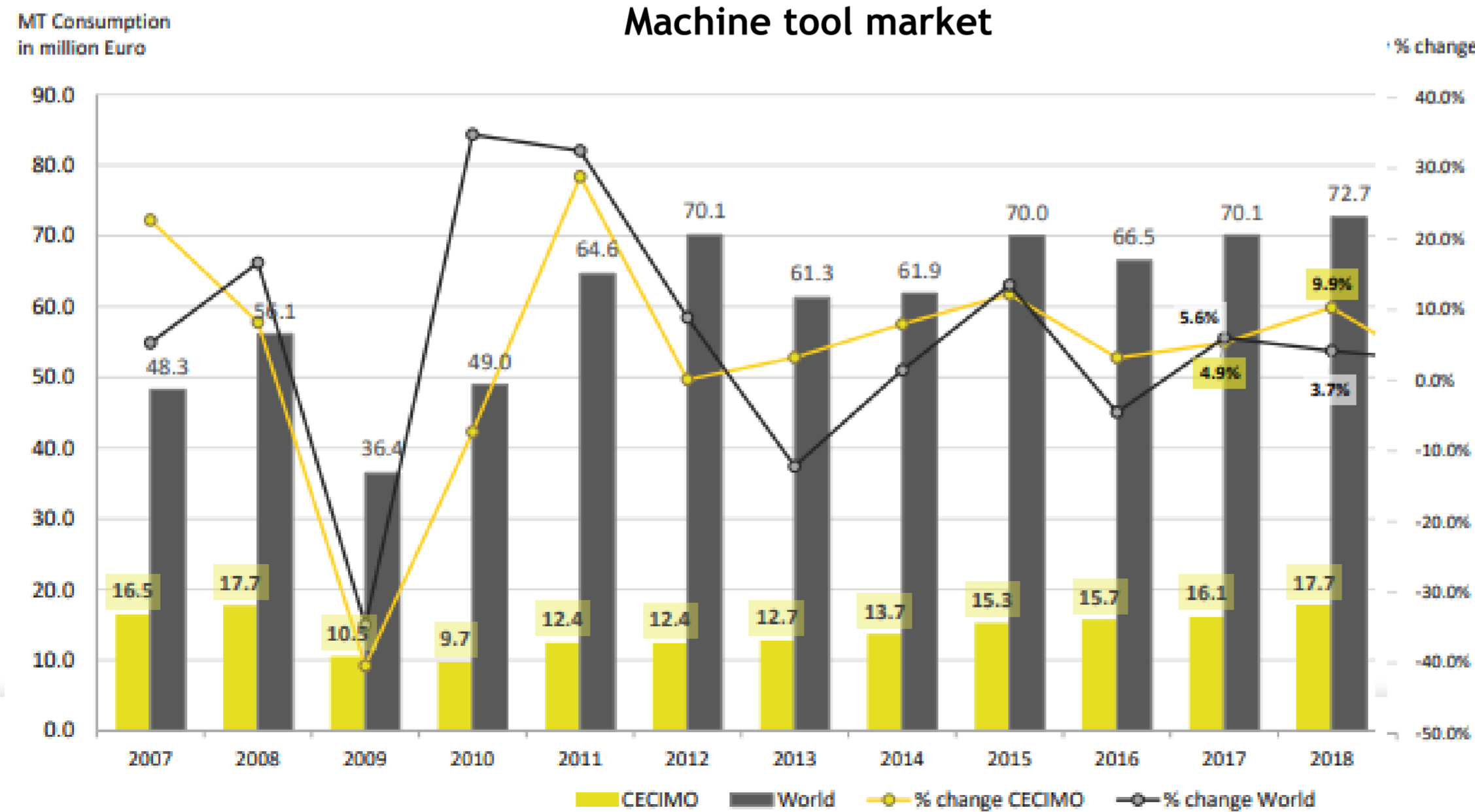
## Past cycles: the 80s through 2009



The capital goods sector has always experienced a secular growth with relevant cyclicity, with:

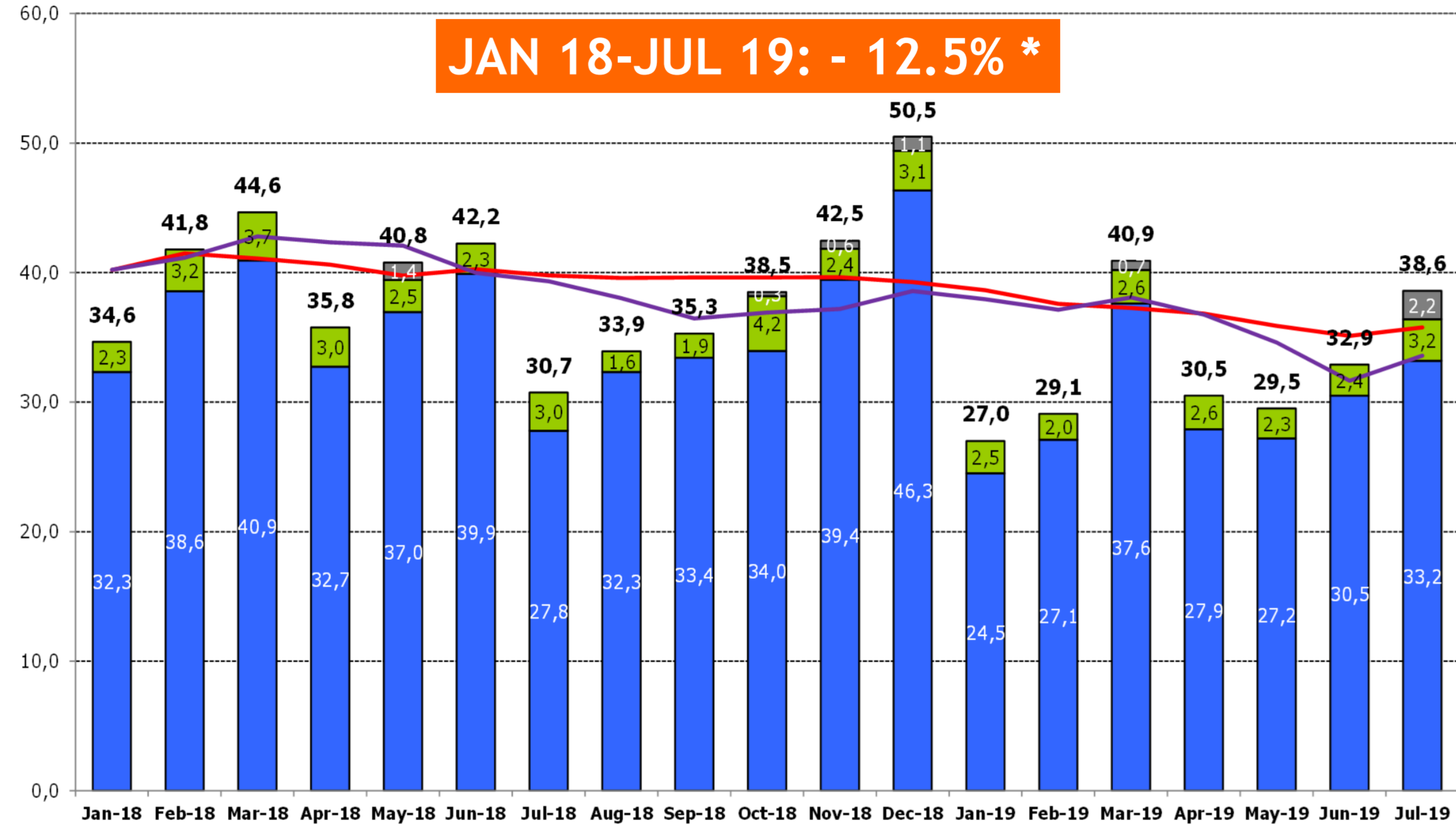
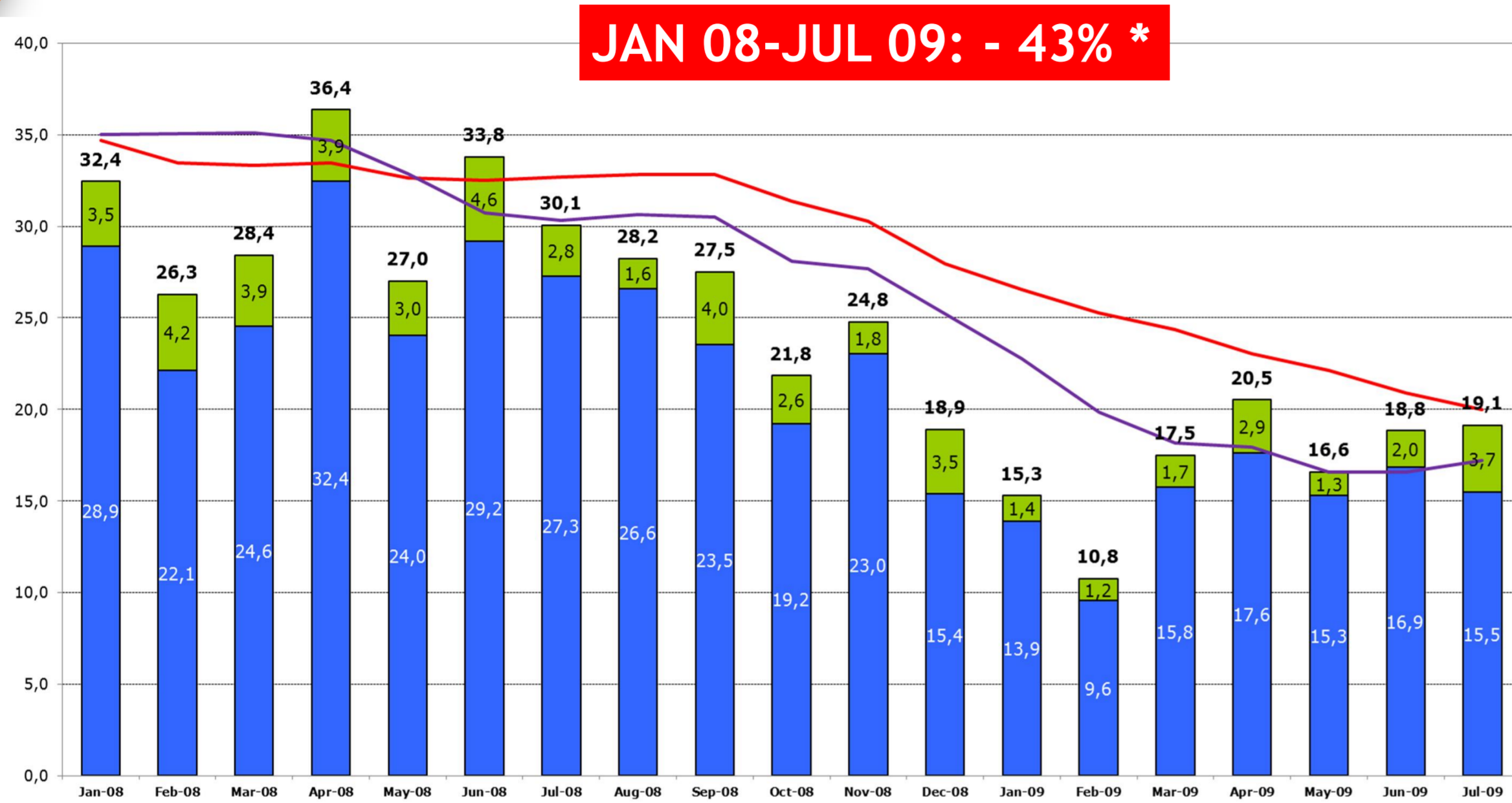
- ✓ “up-period” of 7-8 years and
- ✓ “down-period” of 2-3 years.

## Recent years: 2007 to 2018



Last cycle showed an “up-period” starting from mid 2010 which lasted until mid 2018.

# PRIMA INDUSTRIE GROUP ORDER INTAKE



\*: calculated on the 4Q avg

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■ Prima Power ■ Prima Electro ■ Prima Additive — 4-Q-avg — 2-Q-avg

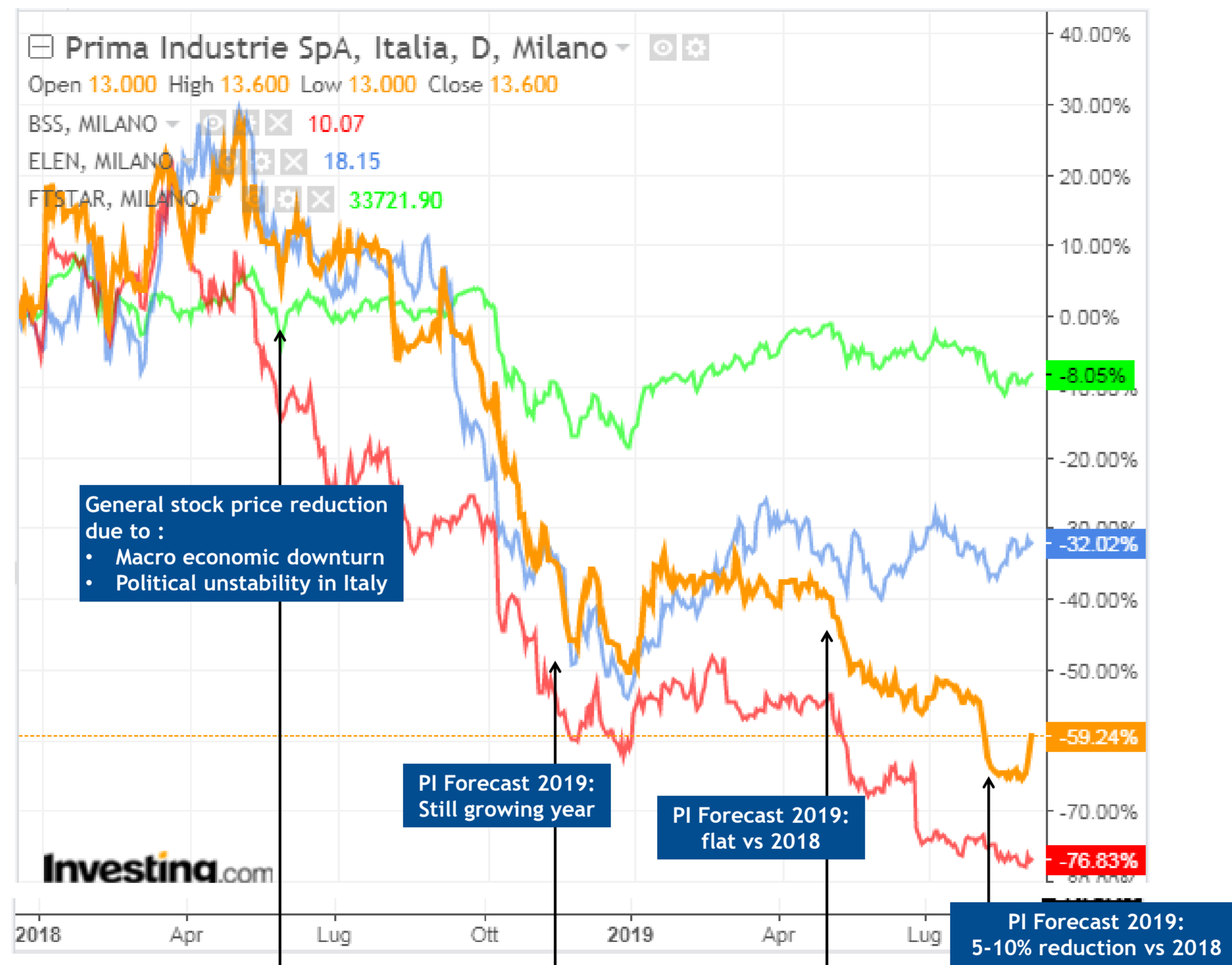
The chart shows, as from mid 2018, the beginning of a downturn of our market which is not currently as hard and sharp as the global crisis of 2008-09

## NEW GUIDANCE FOR FY2019 ISSUED ON JULY 31<sup>TH</sup>, 2019

- SALES EXPECTED IN THE RANGE OF € 420-440 million (≈ 5% to 10% down from 2018, thanks to significant backlog of Jan.1<sup>st</sup> 2019)
- EBITDA MARGIN OF ≈ 9% (thanks to important structural reorganization and costs reduction actions that will bring structural benefits to the future profitability of the Group).
- NET FINANCIAL POSITION: IMPROVEMENT (compared to June 30, 2019). The strategy to downsize NWC is based on:
  - Fiber laser components stock consumption
  - Demo machines rationalization
  - Credit collection improved
  - Inventory excess absorption

*“At the expiration of the current three-year plan and after the international exhibitions scheduled in the autumn, the 2020-2022 three-year plan will be prepared and the main guidelines of it will be disclosed to the market. We remain strongly positive on the medium-term prospects thanks to the technological content of the products, the strengthened international presence and the quality and expertise of the human resources characterizing our Group”.*

# TREND JAN 2018 THROUGH AUG 2019 vs ITALIAN PEERS



|            | TP | TP   | TP   | TP   |
|------------|----|------|------|------|
| B. IMI     | 42 | 33   | 29   | 16.5 |
| Mediobanca | 36 | 30,5 | 26   | 18   |
| B. Akros   | 40 | 33   | 28,5 | 16   |

# LOWER TP, CONSERVATIVE RECOMMENDATIONS BUT SIGNIFICANT UPSIDE

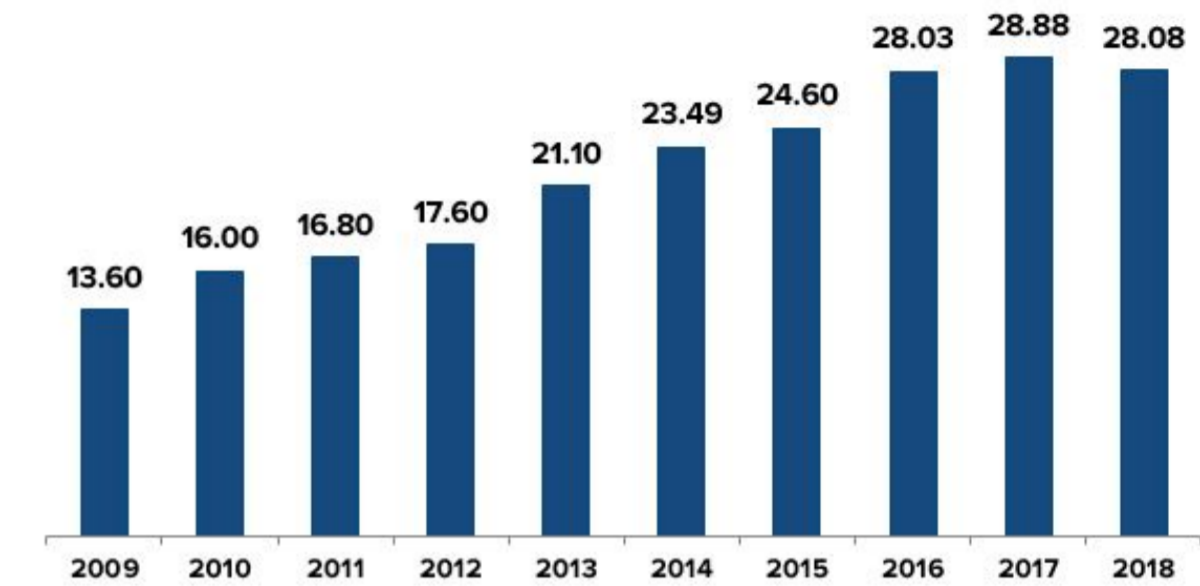
|            | 2019   |            |          |           | 2020   |            |          |           |
|------------|--------|------------|----------|-----------|--------|------------|----------|-----------|
|            | B. IMI | Mediobanca | B. Akros | Consensus | B. IMI | Mediobanca | B. Akros | Consensus |
|            | 16,5   | 18,0       | 16,0     |           | 16,5   | 18,0       | 16,0     |           |
|            | ADD    | NEUTRAL    | NEUTRAL  |           | ADD    | NEUTRAL    | NEUTRAL  |           |
| REVENUES   | 430    | 433,6      | 434      | 432,5     | 438,6  | 440,6      | 436      | 438,4     |
| EBITDA     | 37,5   | 40,1       | 39       | 38,9      | 41,84  | 43,2       | 42       | 42,3      |
| EBIT       | 13,5   | 17,3       | 19       | 16,6      | 17,84  | 20,4       | 21       | 19,7      |
| NET RESULT | 5,65   | 8,1        | 10       | 7,9       | 10,25  | 11,5       | 12       | 11,3      |
| NFP        | -103,6 | -93,1      | -97      | -97,9     | -98,5  | -87,4      | -85      | -90,3     |

## PRIMA POWER SALES TO AUTOMOTIVE SECTOR HAVE DROPPED FROM 25% IN 2017 TO 14% IN 2018 and 12.5% IN 1H2019

- The automotive industry is facing major challenges around the world.
- For the first time in twenty years, sales in the automotive industry in China are declining
- Automakers are facing a shift in core competencies, as a changing business environment is requiring new skills and capabilities while making others less important. This requires a significant investment in new business models and new solutions.
- Four reasons the car industry is struggling (source BBC UK):
  - Falling demand: after years of strong growth, global car sales were broadly flat in 2018, largely because of a slump in demand in the world's biggest market, China.
  - Emissions woes: in Europe, emissions issues are also causing headaches for car firms.
  - The electric challenge: A lot of carmakers are not ready to deliver electric vehicles at the right quantities (they need to change their operations but that requires investment. On the other side the market isn't quite ready for electric cars.
  - A shift away from ownership? Renting can be an option



Vehicle sales in China  
(million units–2009-2018)

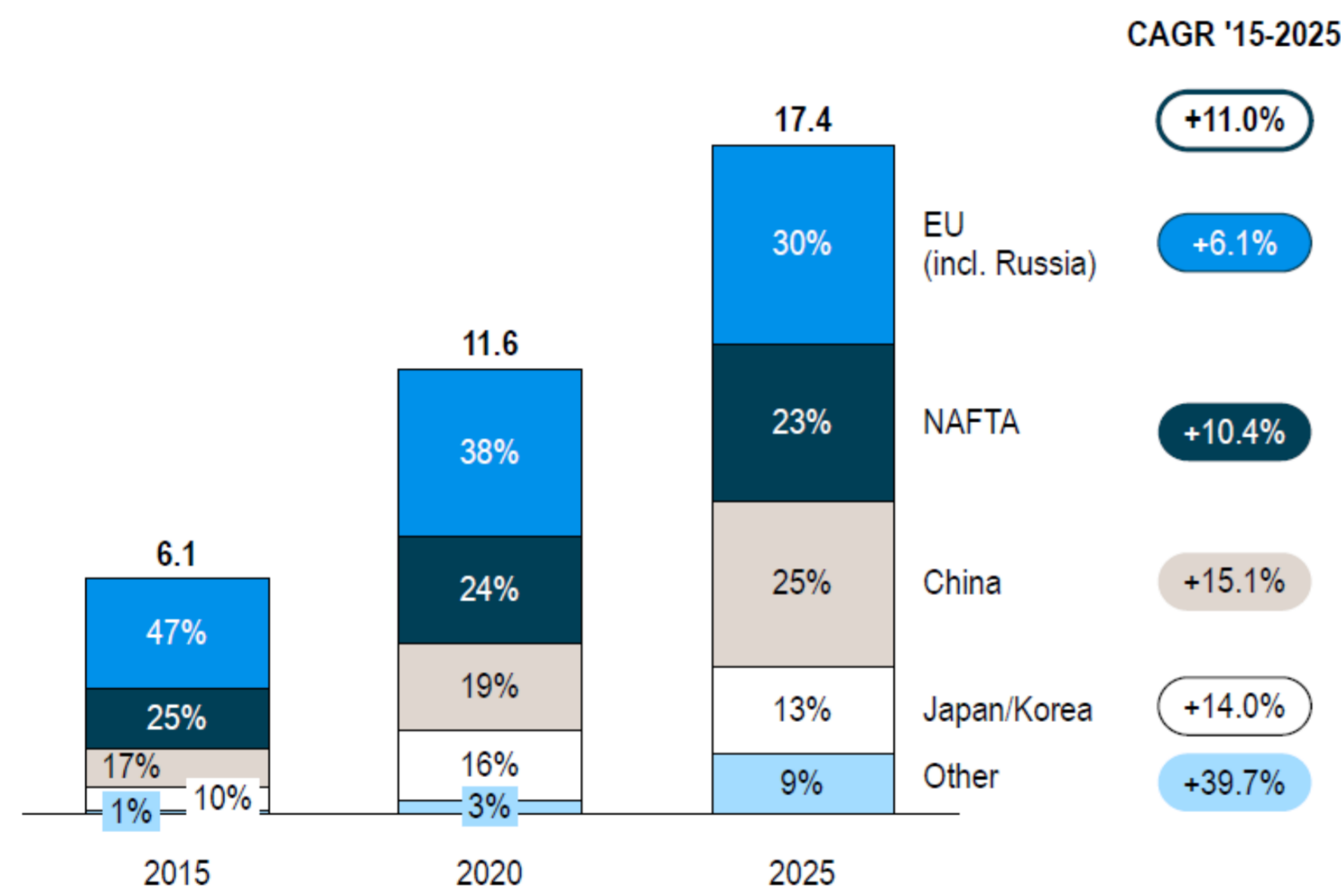


[Source: China Association of Automobile Manufacturers "Cars sales in China in 2018"]

# AUTOMOTIVE MARKET: HSS STILL AN OPPORTUNITY

Forecast growth of the hot stamping market is 11% – Significantly higher than growth of total stamping component market

Total BIW hot stamping revenues by region -, 2015-25 [EUR bn; %]



**Comments**

- > China is the key growth driver as it is expected that its body safety structures will be adapted to European standards, including wider use of hot stamping components for structural components
- > Europe has the weakest growth rate, indicating a market slowdown as the penetration of hot stamped components in the car body reaches a plateau



## HSS is the main application for 3D laser machines

- Hot stamping technology will be the key growth driver for stamped components, almost tripling the market size to more than EUR 15 bn by 2025
  - > Risk of price pressure due to increasing competition as more suppliers start using hot stamping technology and OEMs gain a better understanding of the hot stamping cost structure through in-house competencies
  - > Further technology improvements are possible (e.g. tailored material properties), offering suppliers the opportunity to add further value
- On a macro perspective, environmental conditions are expected to remain volatile, placing special requirements on the supplier business model
  - > High degree of flexibility so suppliers can adjust operations simply and cheaply depending on OEM volumes
  - > Close monitoring of potential disruptive factors in the automotive industry – current vehicle production forecasts show growing volumes but conditions and underlying assumptions may change in the future

Source: Expert interviews; Roland Berger market model





# AUTOMOTIVE MARKET: HSS STILL AN OPPORTUNITY

ELECTRIFICATION WILL INCREASE THE NEED FOR LIGHT AND RESISTANT MATERIALS

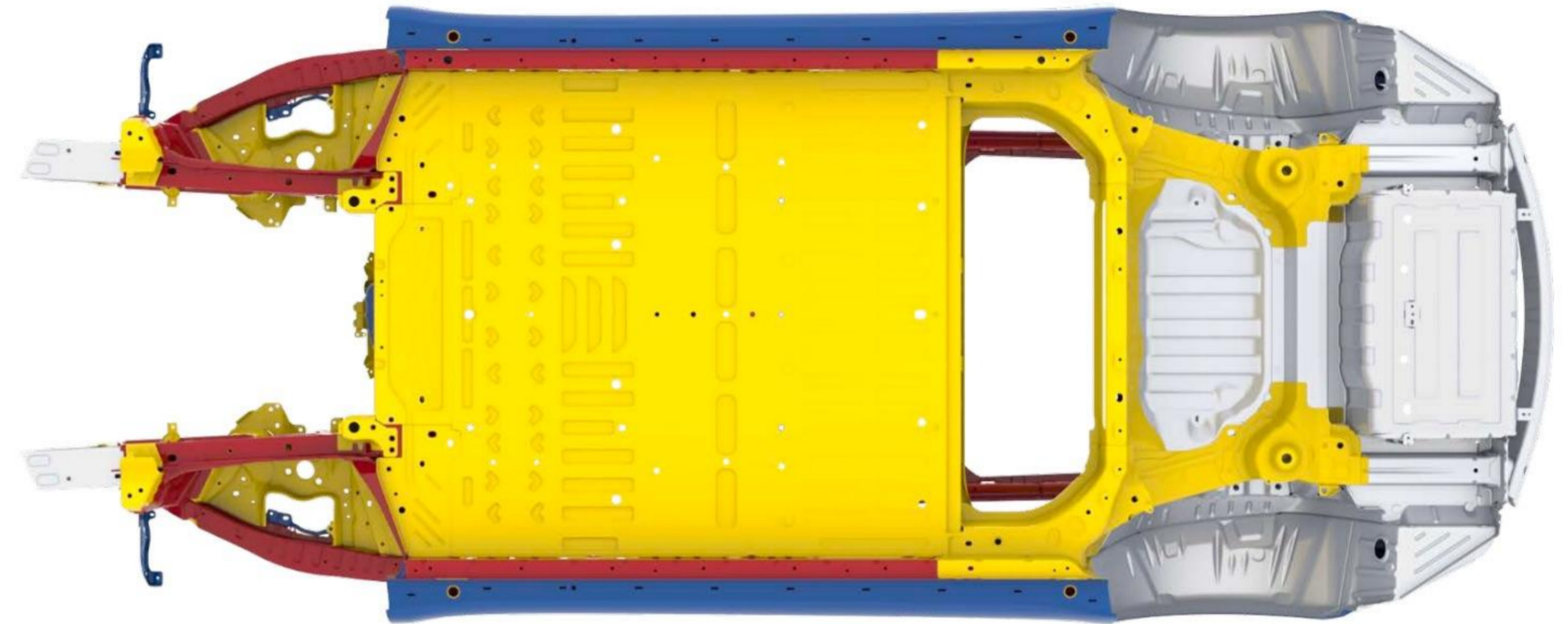
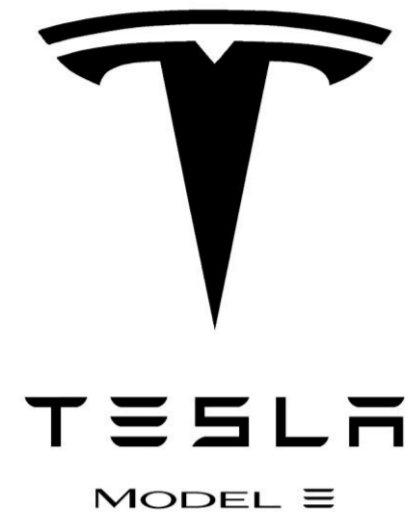


Figure 4 (Bottom view)



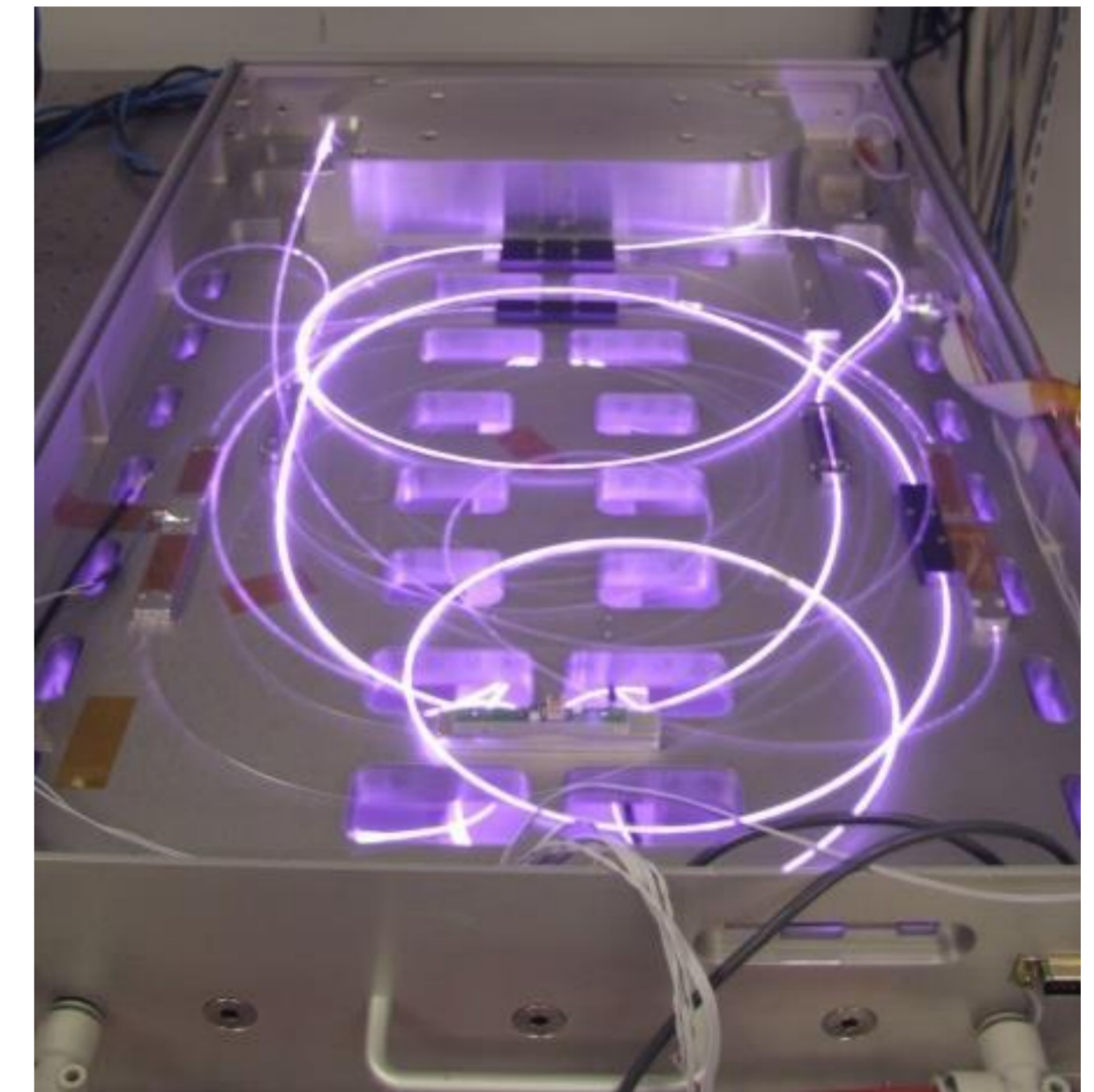
Figure 5 (Front components, exploded view of Shotgun)



## FIBER LASER TECHNOLOGY

- A quick change of the global scenario took place in the last few months: the entry of new Chinese fiber laser manufacturers caused an aggressive and unexpected fiber laser price decrease both
  - ✓ in Europe ( $\approx$  -20-30%, depending on purchased quantities) and
  - ✓ mostly in China ( $\approx$  -30-40% depending on purchased quantities)

**Strategy: the introduction of the new pumping units and higher power modules by mid 2020 shall allow Prima a significant cost reduction and an important gain of competitiveness.**



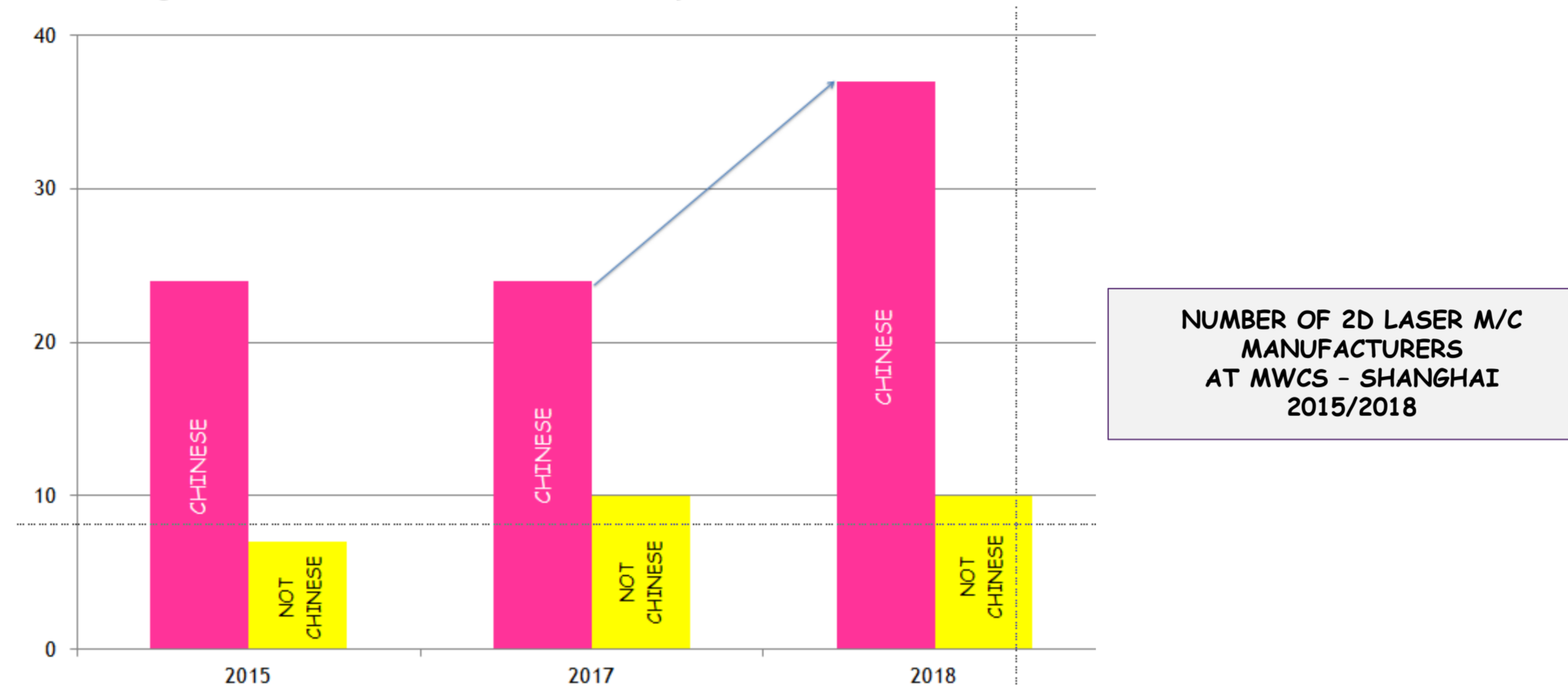
## ADDITIVE MANUFACTURING

- Since several years Prima Industrie is investing in Additive Manufacturing (AM) technologies, leveraging on internal know-how on fiber laser.
- Among Prima Industrie competitors only Trumpf is investing in this technology which is expected to further boom in the next years.
- All dedicated R&D investments (partially funded with EU projects) have been charged to P&L; no capitalizations have been made so far.
- In 2019 AM contribution to Prima Group revenues will be of approx. 2% of Group revenues and expected to grow in the next years.
- Prima Additive division (PA) has been established in 2018 and a new dedicated building has been completed in 2019.
- PA is active on both main AM technologies (Powder Bed Fusion and Direct Energy Deposition).
- PA will exhibit for the first time at Formnext 2019 in November in Frankfurt (main AM world exhibition).
- A set of new products will be introduced to the market in 2H19 and 1H20.



# THE CHINA CHALLENGE

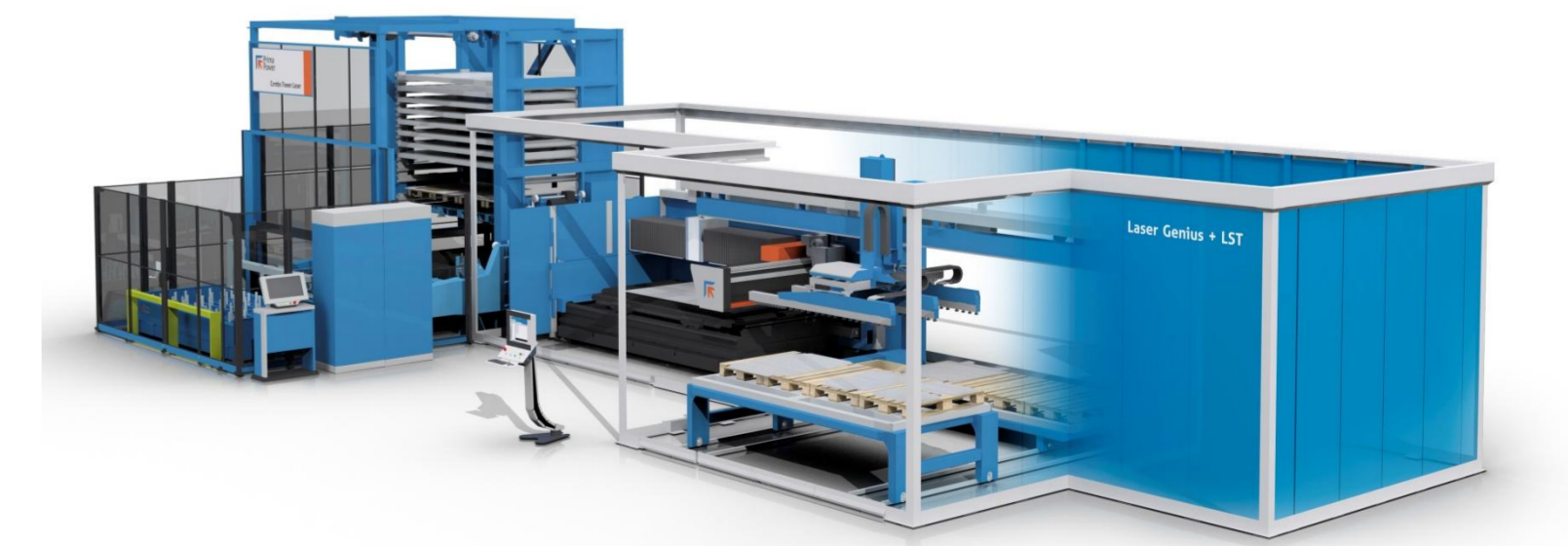
- ✓ 2D laser cutting stand alone machines are becoming a commodity in China; the number of competitors present at the Chinese MWCS Expo in Shanghai has considerably increased from 2017 to 2018.



- ✓ High level Chinese manufactures have also started competition on 3D laser cutting machines

**Strategy:** Prima can count on its wide and high tech product range and will focus in particular on :

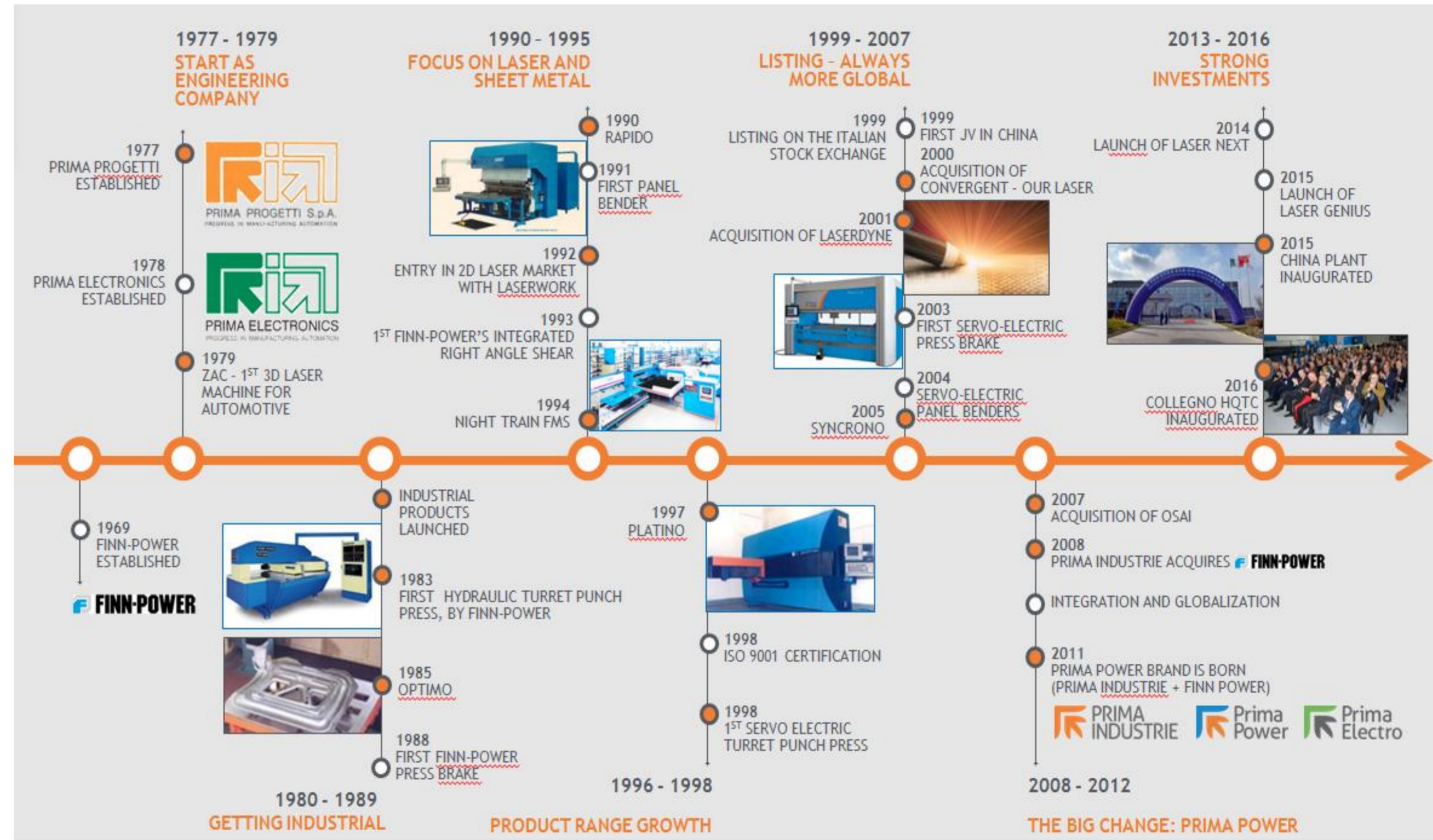
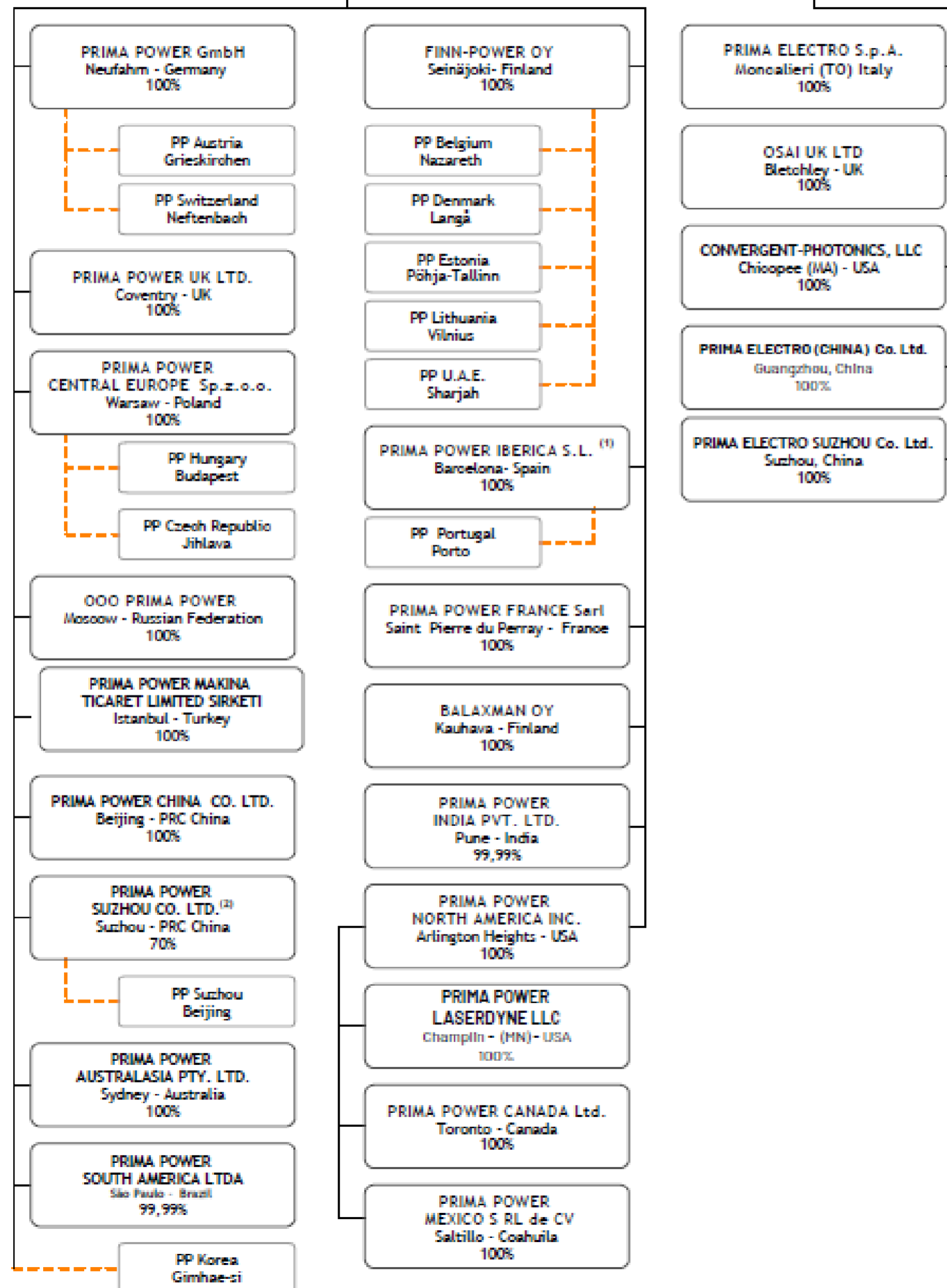
- the best available 3D machine on the market
- 2D top of the range laser machines integrated within automatic cells
- cooperation with Lead Laser for mid range products



# A COMPLEX GROUP, due to past external growth



PRIMA INDUSTRIE S.p.A. (PI)  
Collegno (TO) Italy




# GROUP REORGANIZATION & COST SAVING INITIATIVES

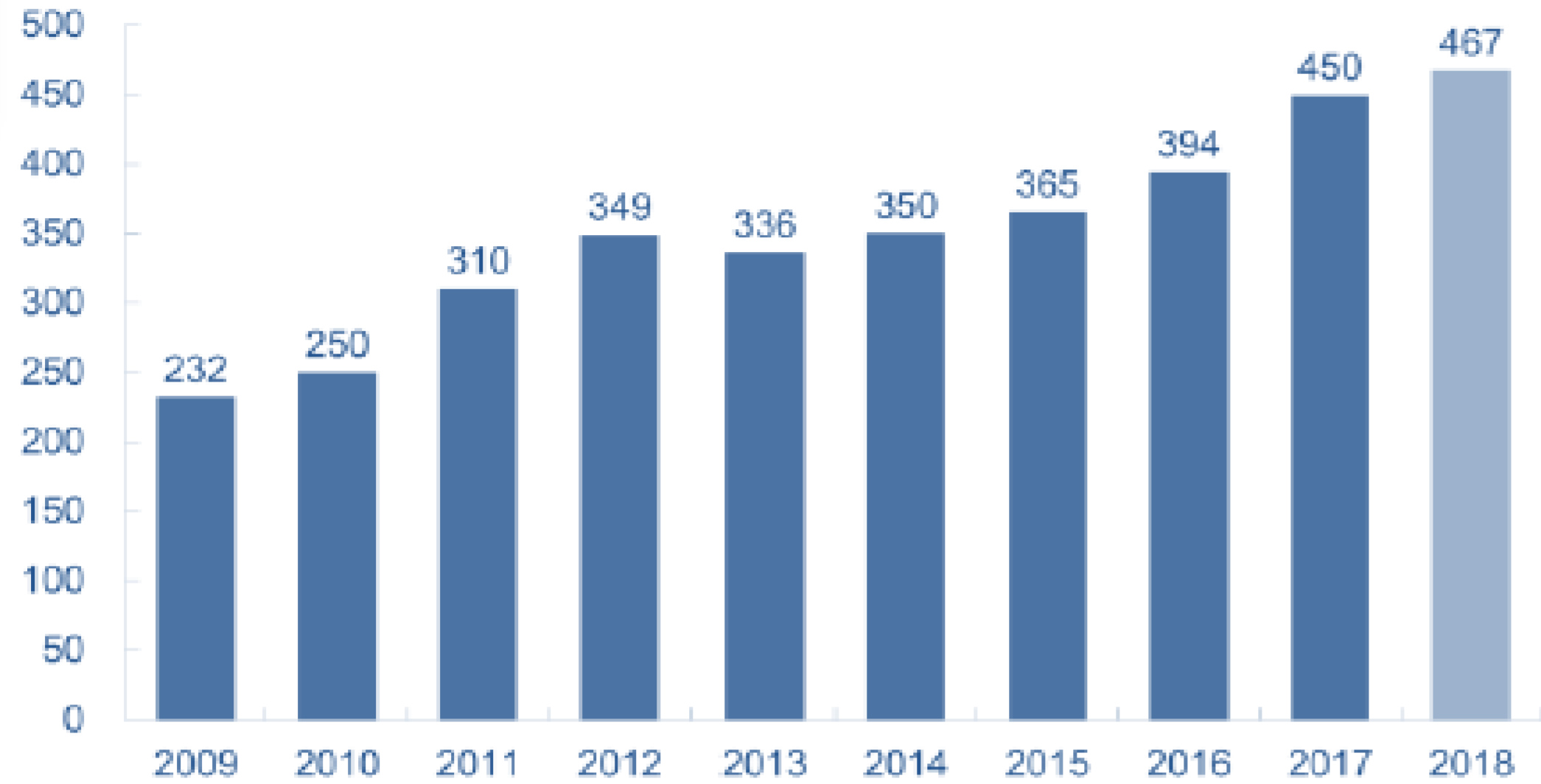
|                                       |  |
|---------------------------------------|--|
| ONE COUNTRY - ONE COMPANY CONCEPT     | Significant cost savings and tax optimization in Italy and USA   |
| HUB CONCEPT FOR EU SUBSIDIARIES       | Reduction of the number of legal entities and leaner branch offices structure (done in Belgium, Denmark and Baltics. To be extended to other countries). |
| DEMO ROOM RATIONALIZATION IN EUROPE   | 2 main spots in Italy and Finland.<br>In other countries short dedicated events with reduction of demo machines in stock.                                |
| G&A - S&M COST SAVING INITIATIVES     | Several planned initiatives  |
| R&D FOCUS ON FEW SIGNIFICANT PROJECTS | Fiber laser, Additive Manufacturing, new mid range laser products etc.   |
| FLATTER ORGANIZATION                  | Shorter reporting chains, younger management   |
| WORKFORCE REBALANCING                 | No replacement of turnover, retirement incentives, temporary workforce reduction (if necessary).   |

# BACK UP INFORMATION

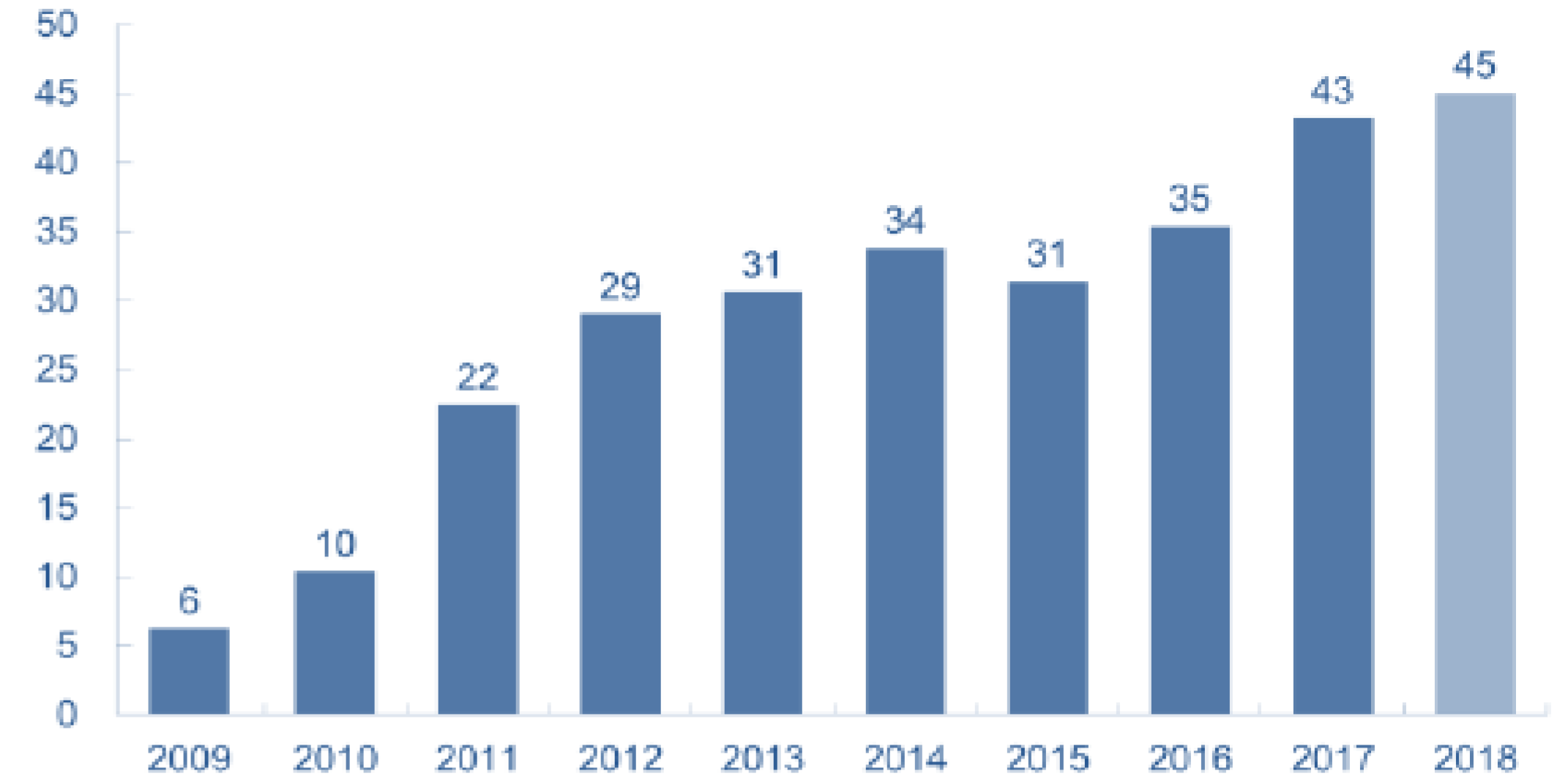
Connecting global innovation.

A stylized globe composed of a grid of small dots, with glowing orange lines representing global connectivity. A bright light source is visible behind the globe, and a small orange airplane icon is shown in flight.

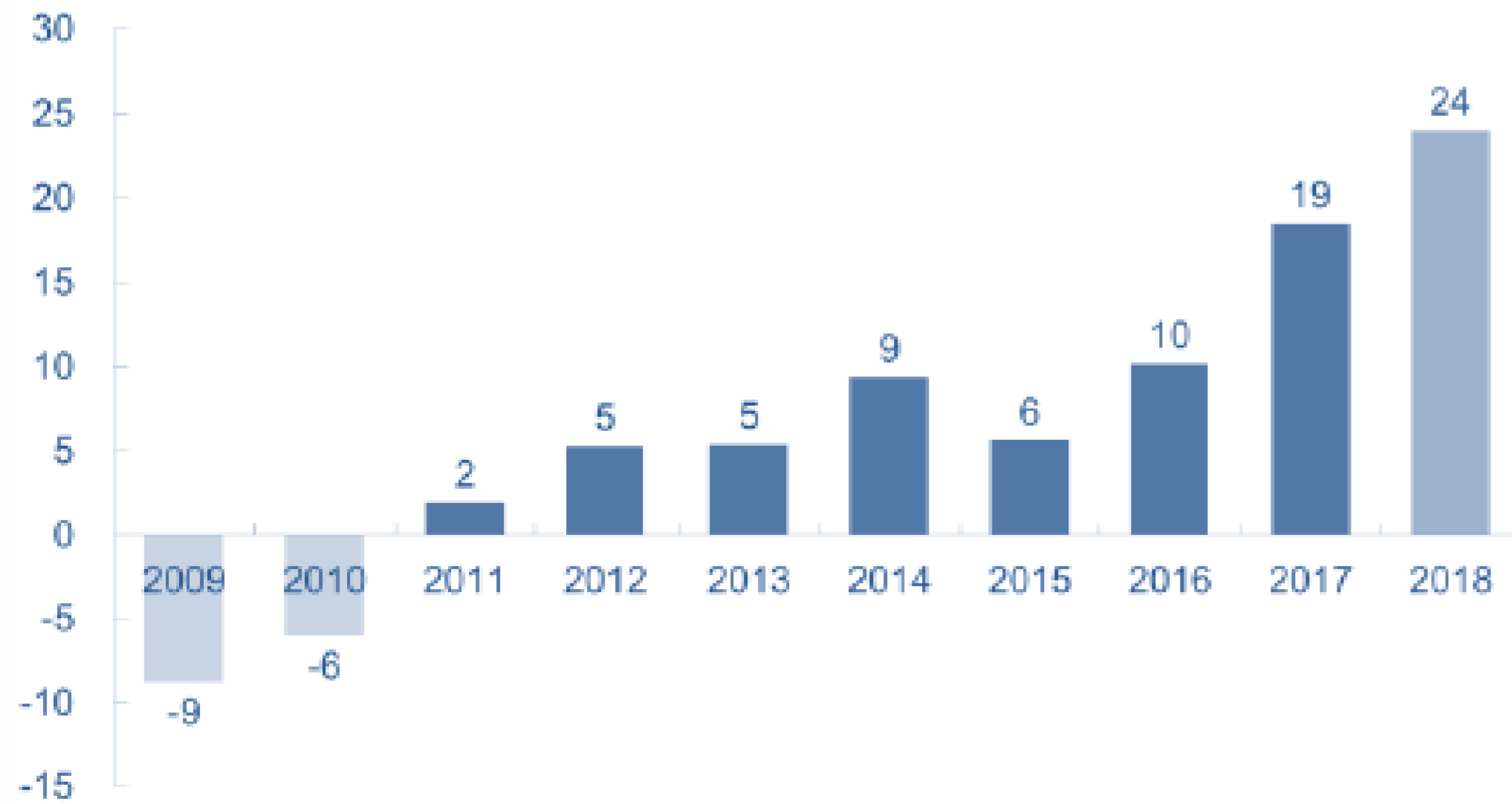
REVENUES 2009-2018 €/mio



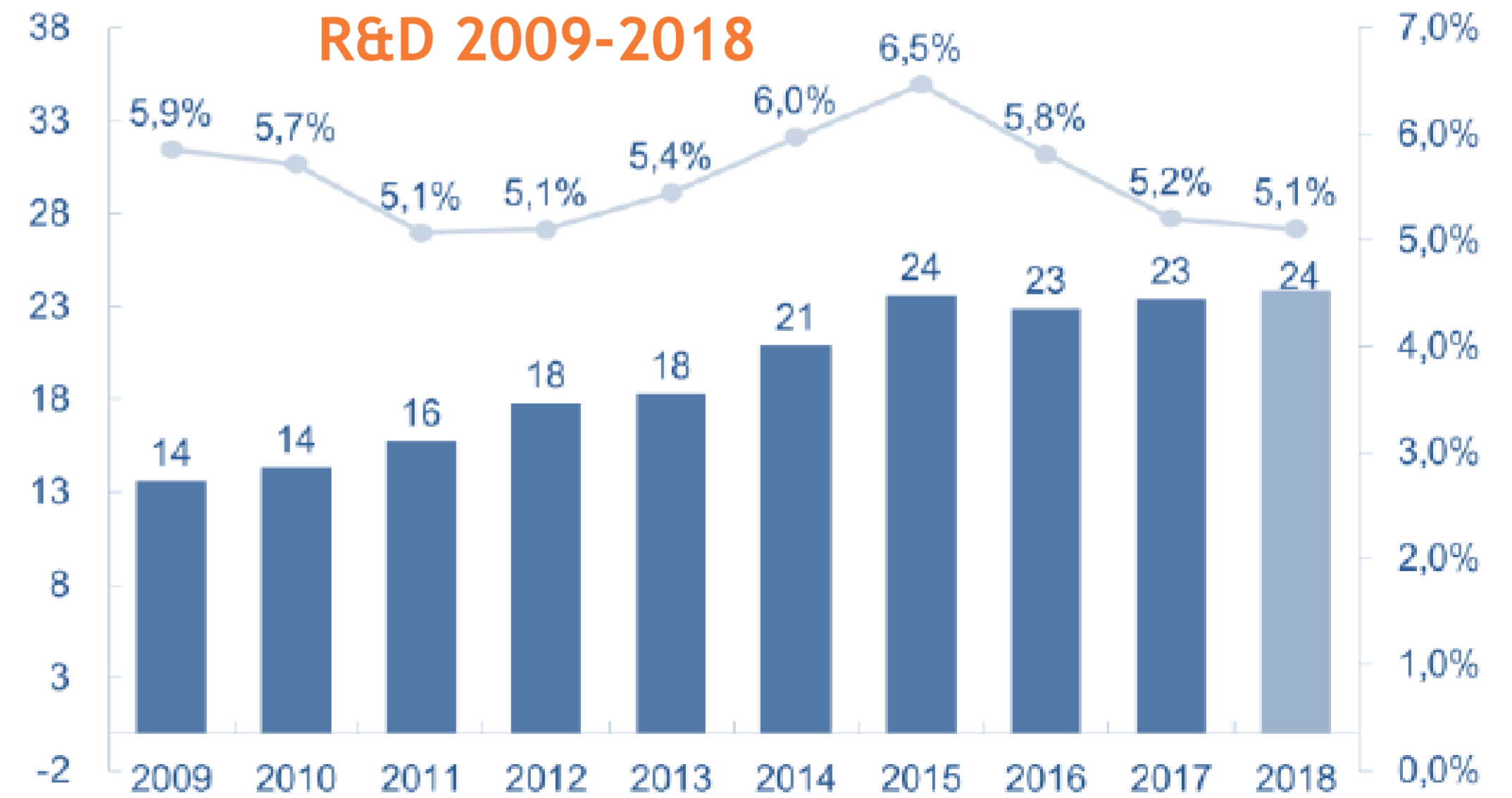
EBITDA 2009-2018 €/mio



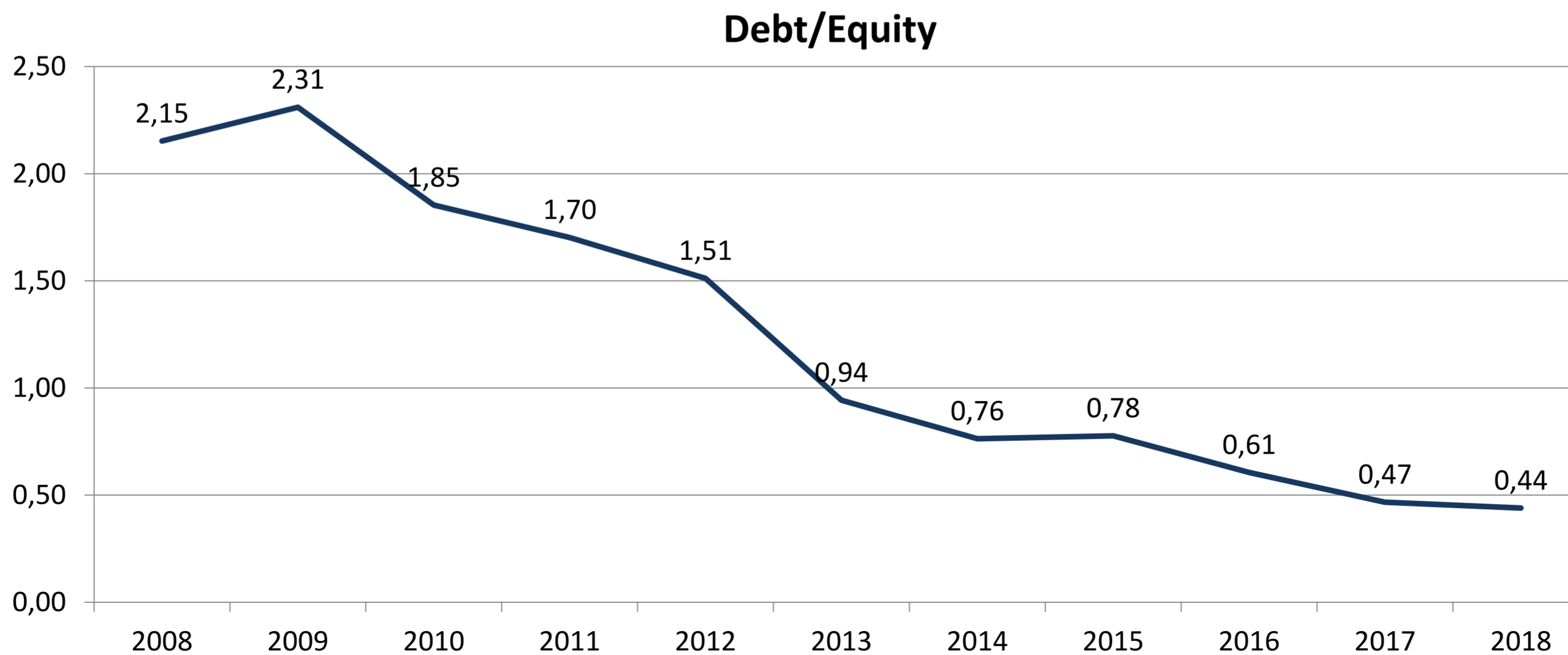
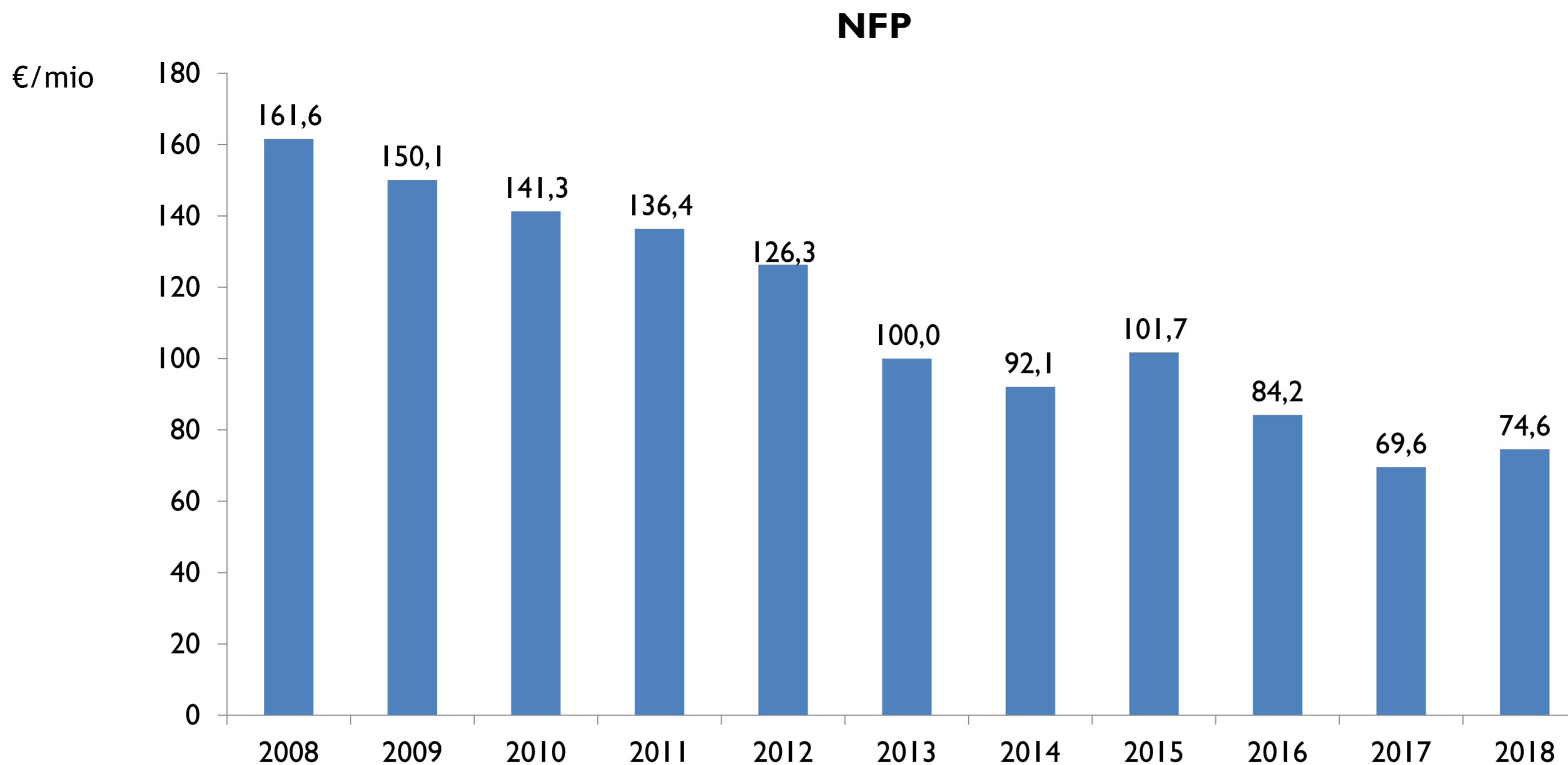
NET RESULT 2009-2018 €/mio



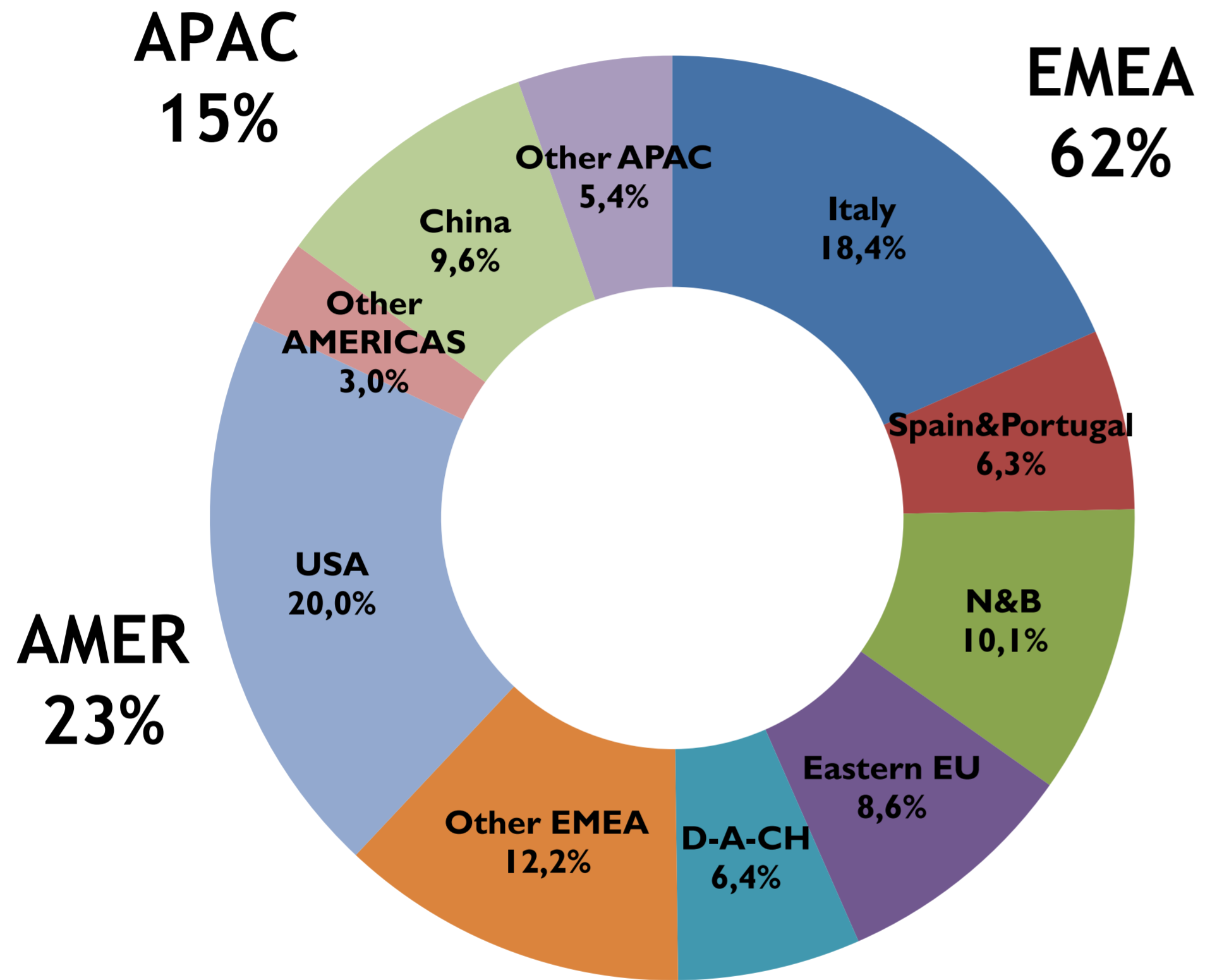
R&D 2009-2018



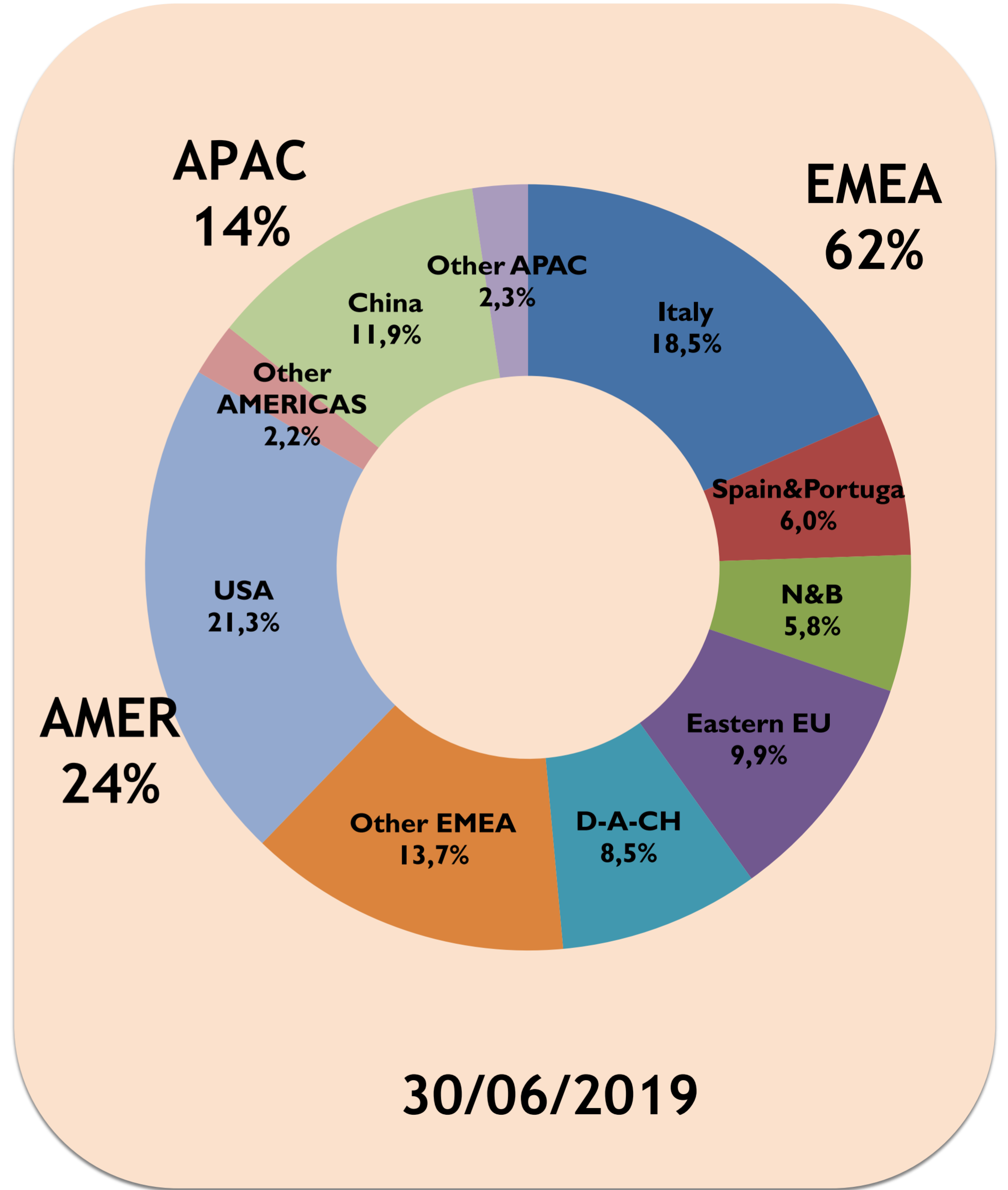




OUR GROUP | REGIONS WE SERVE



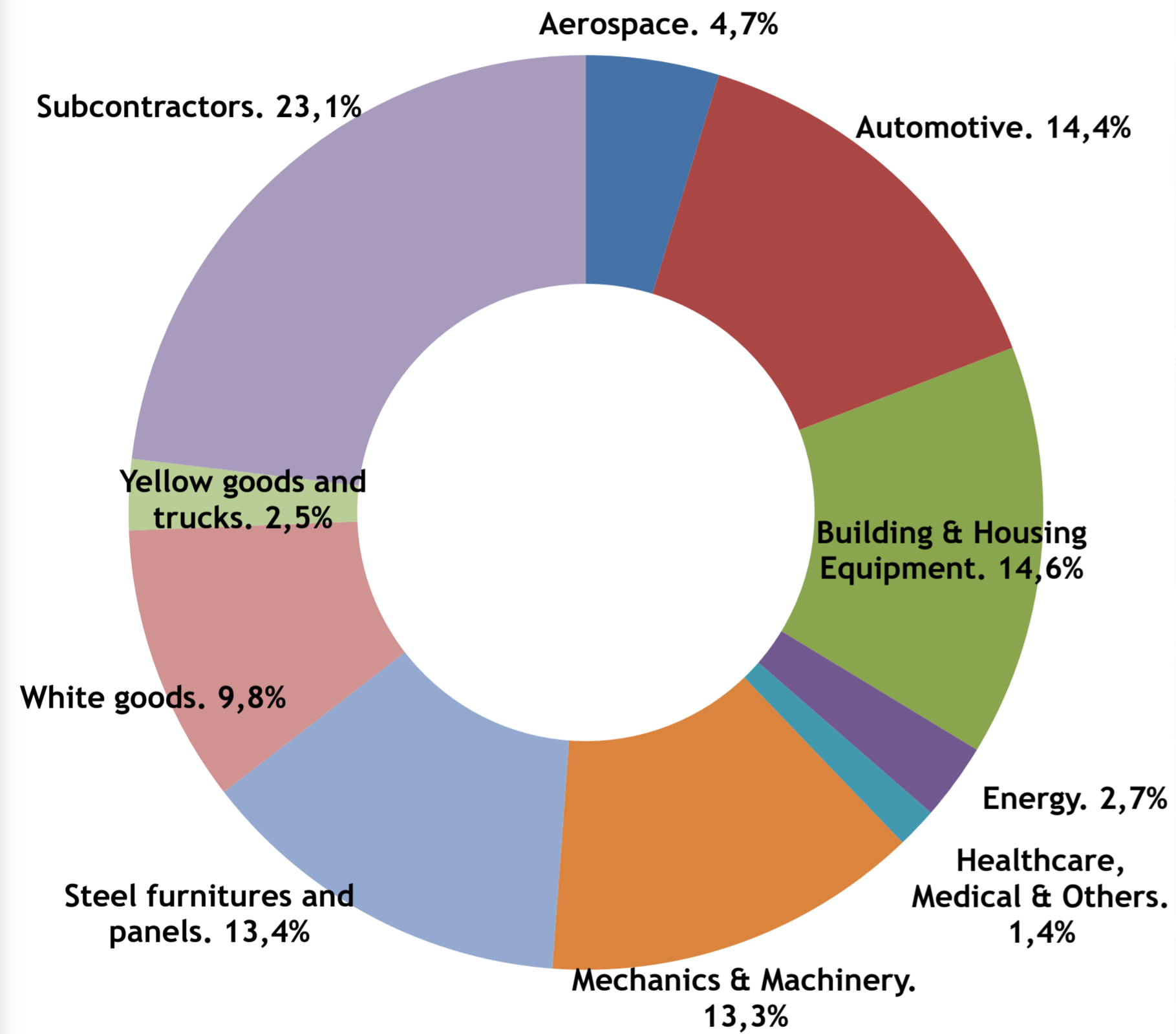
31/12/2018



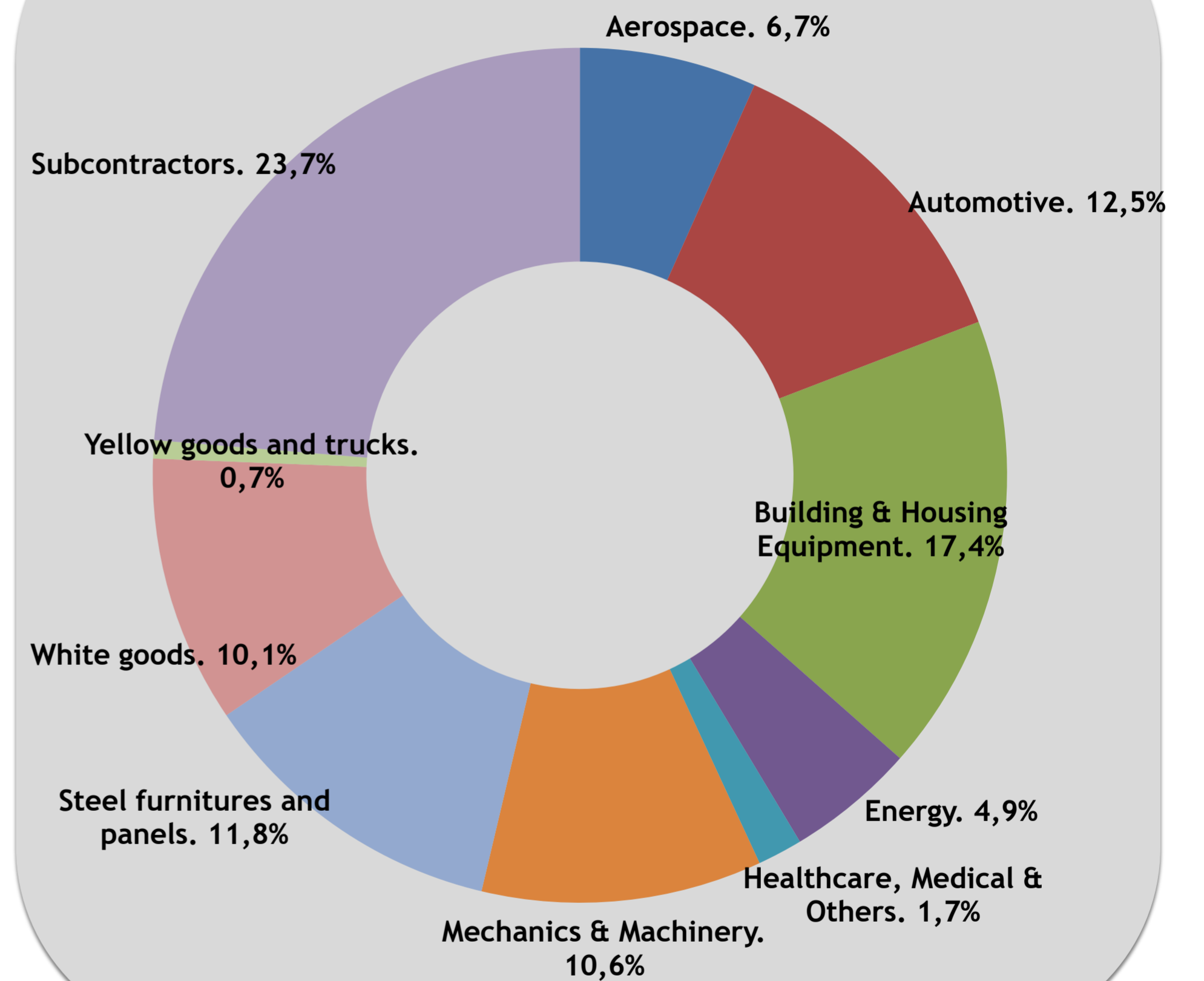
30/06/2019

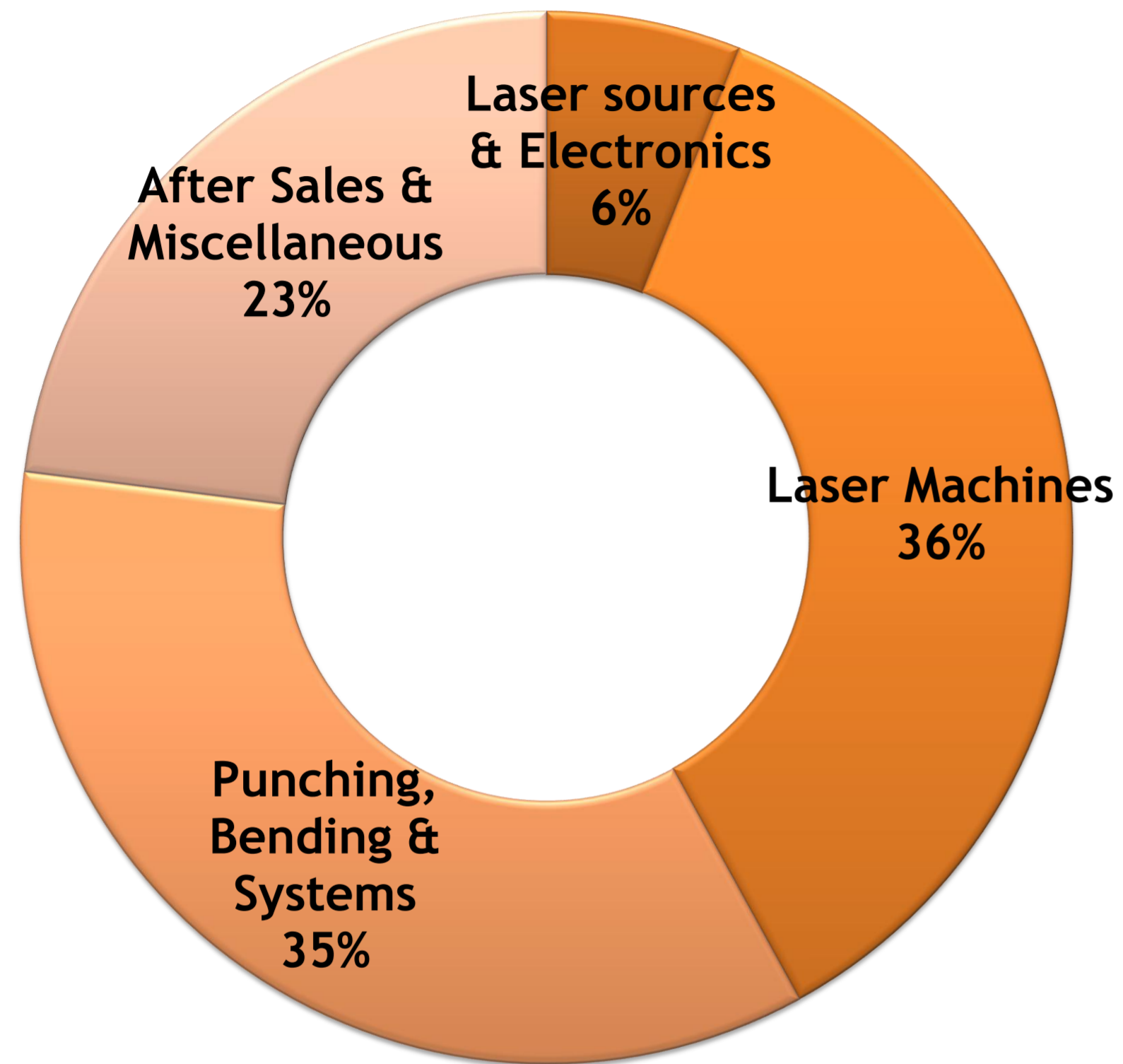
# OUR GROUP | INDUSTRIES WE SERVE

31/12/2018

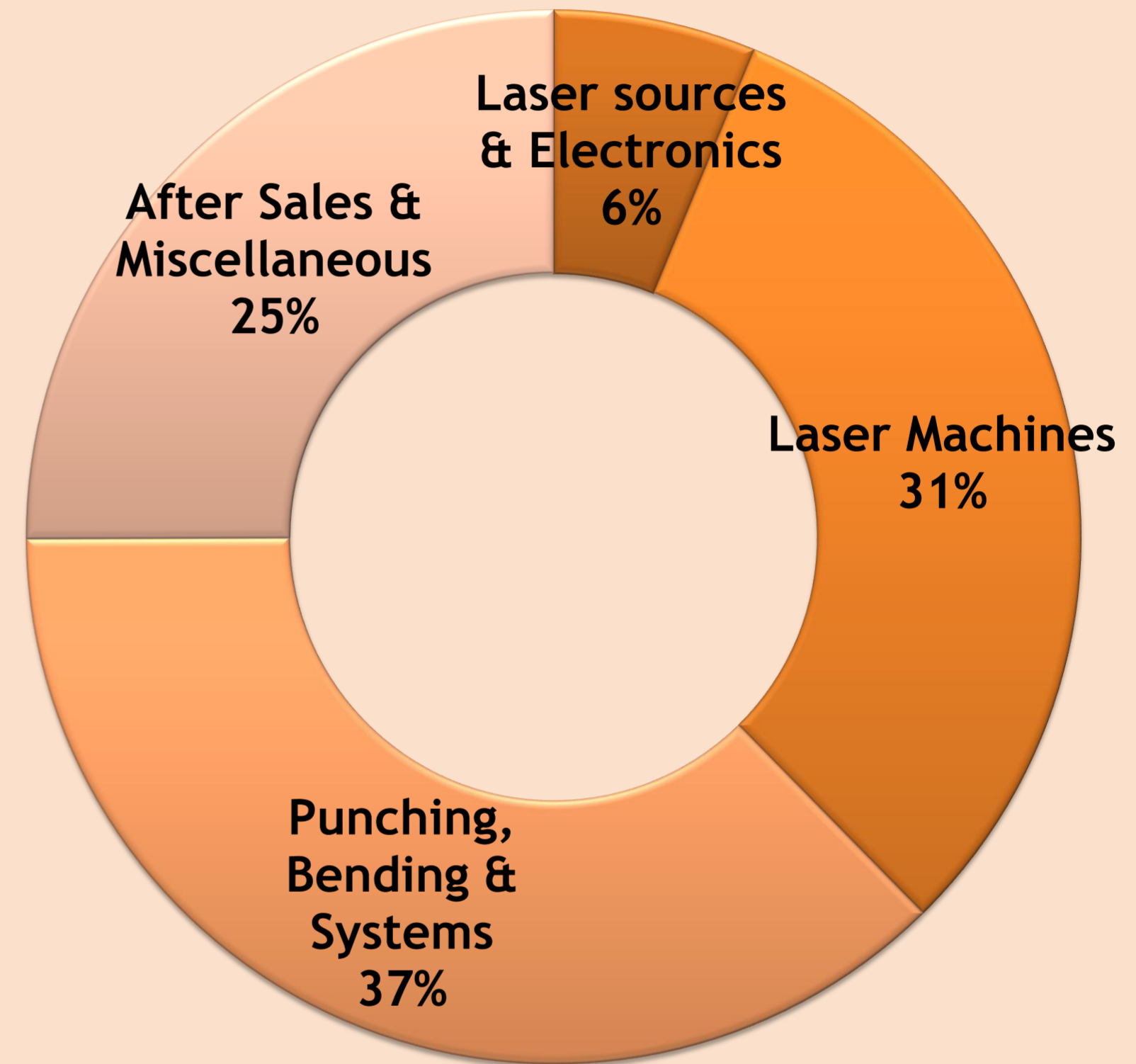


30/06/2019





31/12/2018



30/06/2019

**AUTOMOTIVE**



**AEROSPACE**



**ENERGY**



**CONSTRUCTION & BUILDING**



**MECHANICS & MACHINERY**



**WHITE GOODS & COMMERCIAL EQUIP.**



**ELECTRONICS, MEDICAL & OTHERS**



## Highlights 1H2019

| Values in €/thousand   | ACT 30.06.19 | ACT 30.06.18 | Δ '19 vs '18 | Δ '19 vs '18 % |
|------------------------|--------------|--------------|--------------|----------------|
| Order Intake           | 189.904      | 240.236      | (50.332)     | -21,0%         |
| Backlog                | 136.055      | 191.962      | (55.907)     | -29,1%         |
| Revenues               | 214.757      | 216.710      | (1.953)      | -0,9%          |
| EBITDA                 | 18.585       | 18.681       | (96)         | -0,5%          |
| EBITDA%                | 8,7%         | 8,6%         | 0,1%         | N/A            |
| EBIT                   | 6.480        | 10.826       | (4.346)      | -40,1%         |
| EBIT%                  | 3,0%         | 5,0%         | -2,0%        | N/A            |
| Net Result             | 1.815        | 11.102       | (9.287)      | -83,7%         |
| FCF                    | (26.628)     | (9.256)      | (17.372)     | -187,7%        |
| Net Financial Position | (132.824)    | (75.544)     | (57.280)     | -75,8%         |
| Headcount              | 1.856        | 1.834        | 22           | 1,2%           |

(% calculated over the revenues)

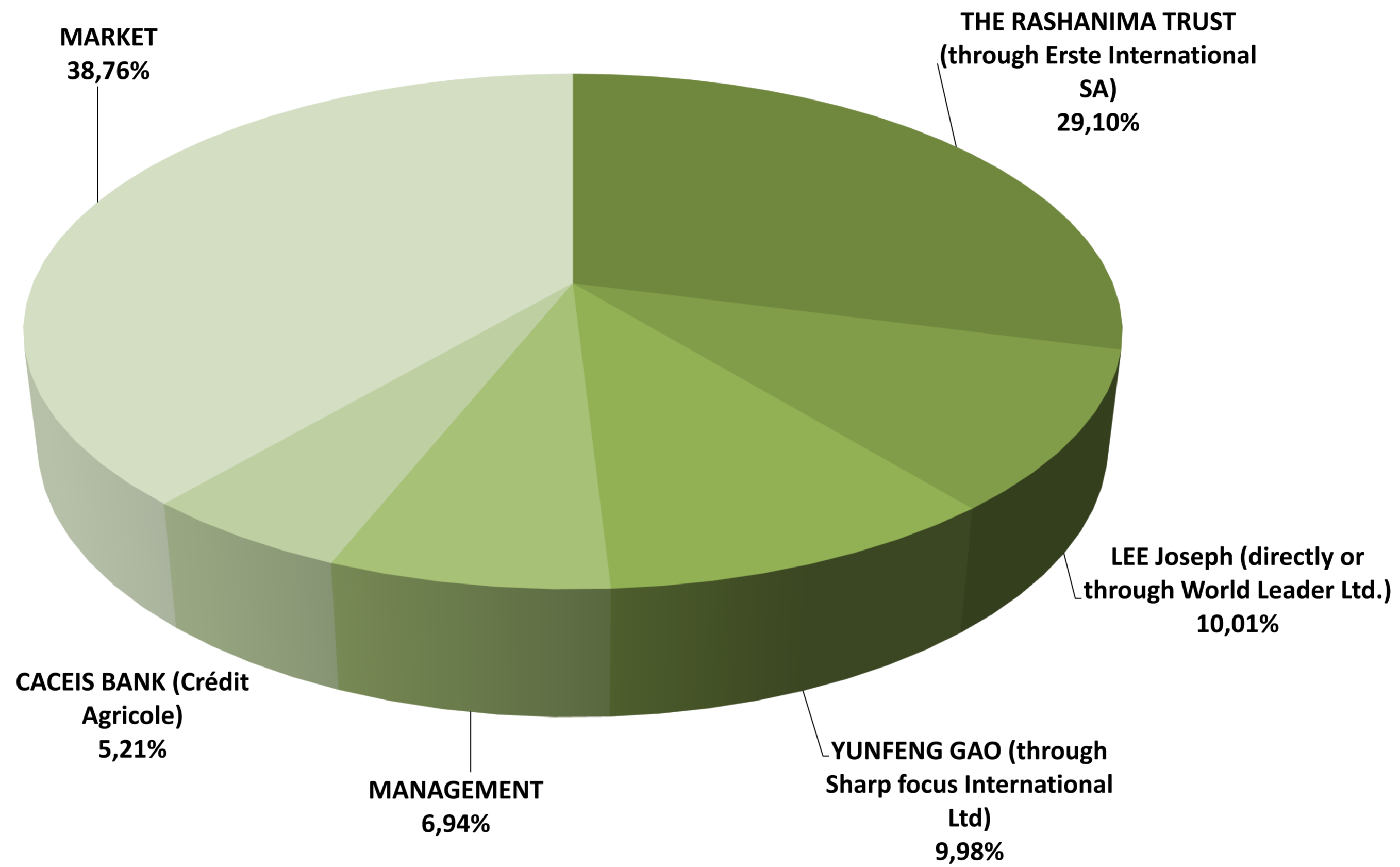
(headcount in units)

## P&amp;L adjusted with non recurring items and IFRS 16

Values in €/thousand

|                     | ACT 30.06.19 | ACT 30.06.18 | Δ '19 vs '18 | Δ '19 vs '18 % |
|---------------------|--------------|--------------|--------------|----------------|
| Revenues            | 214.757      | 216.710      | (1.953)      | -0,9%          |
| EBITDA              | 18.585       | 18.681       | (96)         | -0,5%          |
| Non-Recurring Items | (1.150)      | (1.286)      |              |                |
| IFRS 16             | 2.689        | -            |              |                |
| EBITDA Adj          | 17.046       | 19.967       | (2.921)      | -14,6%         |
| EBITDA Adj%         | 7,9%         | 9,2%         | -1,3%        | N/A            |
| EBIT                | 6.480        | 10.826       | (4.346)      | -40,1%         |
| Non-Recurring Items | (2.299)      | (1.595)      |              |                |
| IFRS 16             | 107          | -            |              |                |
| EBIT Adj            | 8.672        | 12.421       | (3.749)      | -30,2%         |
| EBIT Adj%           | 4,0%         | 5,7%         | -1,7%        | N/A            |
| Net Result          | 1.815        | 11.102       | (9.287)      | -83,7%         |
| Non-Recurring Items | (2.440)      | 3.581        |              |                |
| IFRS 16             | (267)        | -            |              |                |
| Net Result Adj      | 4.522        | 7.521        | (2.999)      | -39,9%         |
| NFP                 | (132.824)    | (75.544)     | (57.280)     | -75,8%         |
| IFRS 16             | (26.146)     | -            |              |                |
| NFP Adj             | (106.678)    | (75.544)     | (31.134)     | 41,2%          |

(% calculated over the revenues)



Source: company info + official communications to Consob