

# Officine Maccaferri Group

## BNP Paribas 15th Annual High Yield and Leveraged Finance Conference

Company presentation

London, 17th January 2019



Gruppo  
Industriale  
Maccaferri



Engineering a Better Solution



### **Officine Maccaferri company overview**

### 2018 performance

### 2022 strategy horizon highlights

## Our enduring history – the beginning

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For 140 years, we have researched, designed and developed solutions to solve technical problems in the Civil Engineering, Geotechnical and Environmental Construction Markets.



### 1879

#### The origins

On May 3rd, 1879 Raffaele Maccaferri established 'Ditta Maccaferri Raffaele, Officina da Fabbro' in Lavino (Bologna) for the production of wrought iron items.

### 1907

#### Beginning of expansion

The original 'sack' gabions were followed by the new box-shaped design, which was used in many large public work projects.

### 1946-1966

#### New launch and products

Reorganisation and re-launch of production. Creation of new products: Officine Maccaferri was the first company in Europe to introduce 'heavy duty' galvanising. In 1966 Florence was hit by disastrous floods: gabions proved to be extremely efficient for the reconstruction of roads and water courses.

### 1893

#### The gabion invention

"Ditta Maccaferri" invented the 'gabion'. The old craft trade transforms in an industrial enterprise.

### 1914-1940

#### Diversification

Start of the diversification process: 18 new companies set up, through mergers and new acquisitions.

## Our enduring history – today

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### 1995-2005

#### Evolution

Start of systematic partnerships to offer to customers a full range of durable and cost-effective environmental solutions. Maccaferri enters the Geosynthetic market with its own portfolio of solutions.

### today

#### New challenges

Development of new value-added solutions: geosynthetics specialties, rockfall protection systems, applications for tunnelling and solutions in the defence and security sectors. The growth is supported by a continuous focus on innovation, research and development.

### 1967-1995

#### Five continents

Operations expanded over 5 continents. Sharp acceleration in geographical and product diversification. New market approach in compliance with international standards and specifications. The overseeing presence of our engineers at the most important sites in every part of the world.

### 2005-2015

#### Expansion

Geographical expansion through localization, further widening the portfolio of environmental engineering solutions.



## Our Values, Vision and Mission

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### VALUES

Our values are the foundations of Maccaferri which have defined our success for nearly 140 years.

**M People**

**M Entrepreneurship**

**M Open mindedness**

**M Passion**

**M Knowledge**

***Nurturing** for Maccaferri means to care, to protect, to be responsible for. Our vision is not just about 'what' we want to be but even more importantly it is also about 'how' we want to be as an organisation. Responsible, respectful, caring, and sensitive not only to the environment but also very much to our people, our stakeholders and to the world at large.*



### VISION

Trusted global partner,  
**nurturing**  
the world of tomorrow,  
harmonizing life and nature  
through innovative solutions.



### MISSION

Pursue excellence through continuous improvement while delivering to our customers engineered solutions that are innovative, advanced and environmentally friendly.

We are committed to outstanding safety, quality and sustainability, to create value for all stakeholders as well as our communities.



## Our footprint

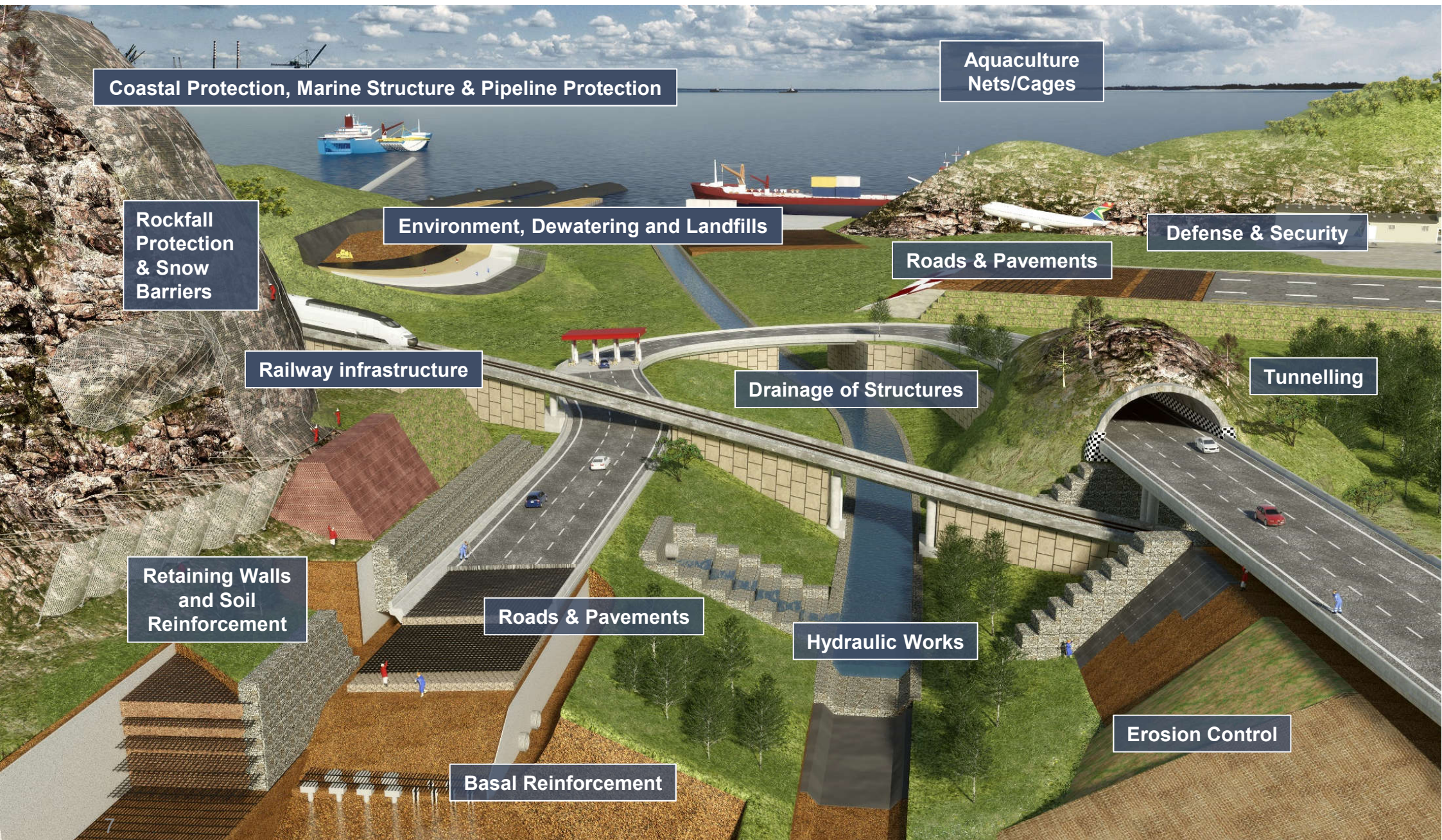
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## Our Key Applications

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Coastal Protection, Marine Structure & Pipeline Protection

Aquaculture  
Nets/Cages

Rockfall  
Protection  
& Snow  
Barriers

Environment, Dewatering and Landfills

Defense & Security

Roads & Pavements

Railway infrastructure

Drainage of Structures

Tunnelling

Retaining Walls  
and Soil  
Reinforcement

Roads & Pavements

Hydraulic Works

Erosion Control

Basal Reinforcement



## Our solutions portfolio

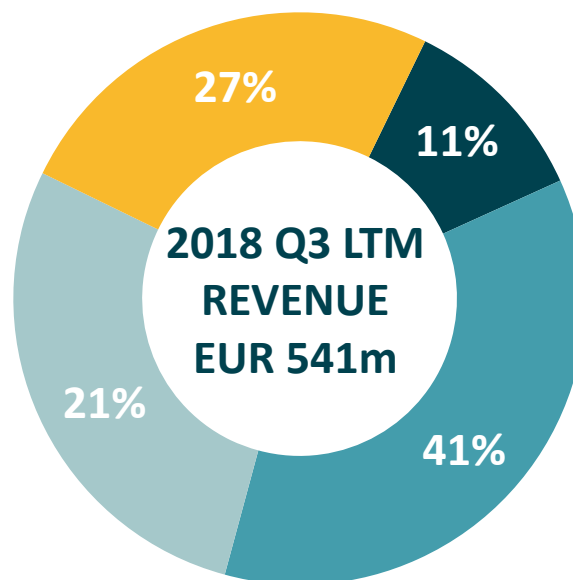
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### 1 Double twist mesh solutions

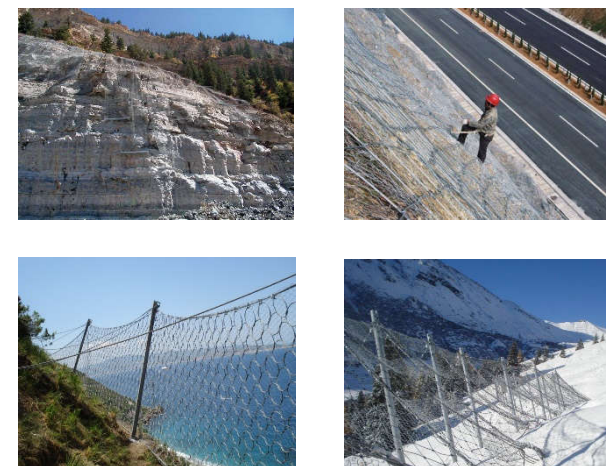


### 2 Geosynthetics solutions



### Rockfall solutions

3



### Other solutions and products

4

4A  
Tunnelling & flooring



4B  
Vertical concrete retaining walls



4C  
Defense & Security



4D  
Wire and other products





## Our positioning: we are leaders in most of our business segments

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	Double Twist	Geosynthetics	Rockfall	Defense & Security
Market position	# 1	Top 5	# 2	# 2
Comments	<ul style="list-style-type: none"> <li>&gt; Officine Maccaferri's strong suite</li> <li>&gt; Global leader in double twist mesh products</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Strong positions in Latin America and Asia and also presence in EMEA and North America</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Effectively a duopoly in almost all regions globally with Officine Maccaferri and Geobrugg holding co-leaders</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Growing market share and geographical footprint.</li> <li>&gt; Official supplier of NATO, UN, and several national armies (DLA-US, France, Germany, Italy, ...)</li> </ul>
Top 5 competitors	<div> Severstal</div> <div> Kiciman</div> <div> Link Middle East</div> <div> DeAcero</div> <div> Prodac</div>	<div> Tencate </div> <div> Tensar </div> <div> Bonar </div> <div> Intermas </div> <div> Huesker </div>	<div> Geobrugg </div> <div> Trumer</div> <div> Isofer</div> <div> OST</div> <div> Incofil</div>	<div> Hesco Bastion </div> <div> Bridgeway </div> <div> Sufia</div>



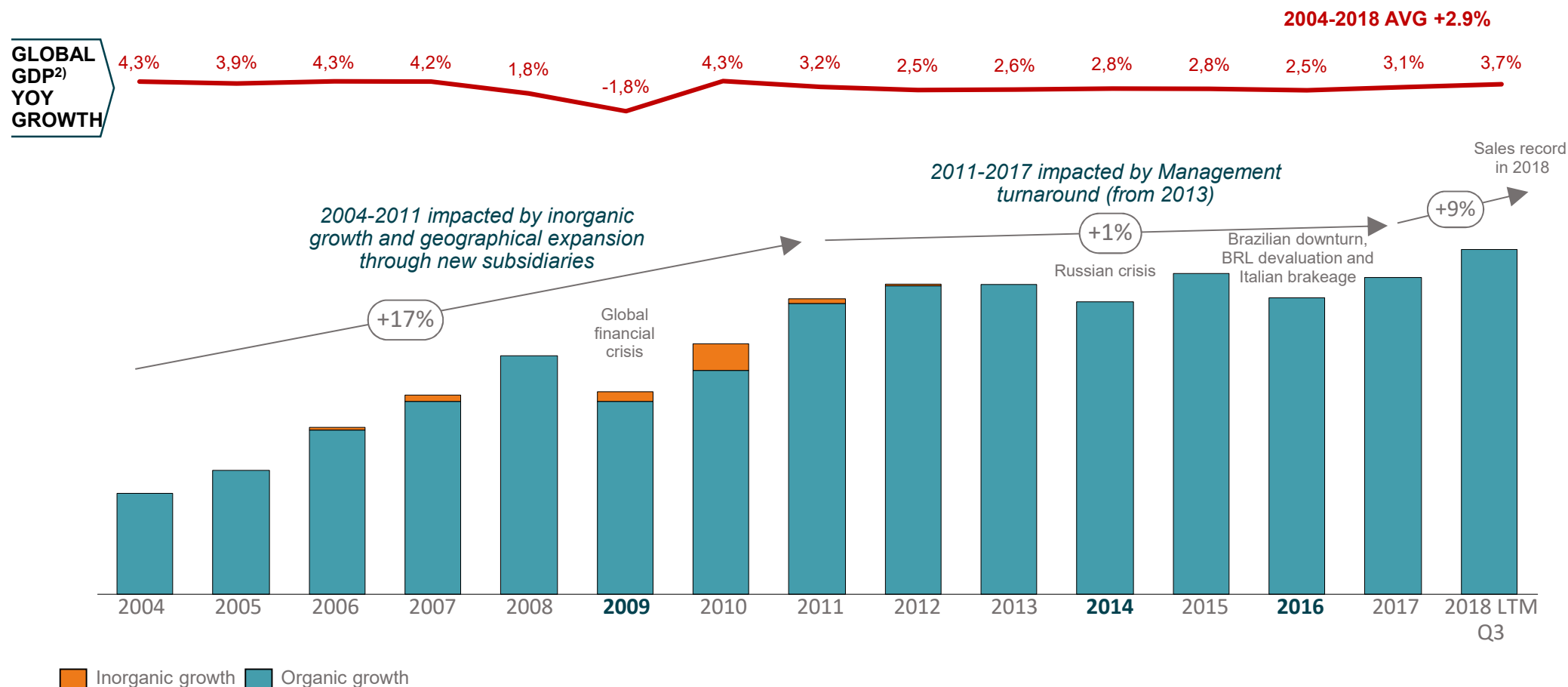
Global Player

## Our historical growth: we are back to normal

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Group Total Revenues<sup>1)</sup> [2004-2018 Q3 LTM; EUR m; %]



1) Equal to Sales, finished products variances and recharges of outbound logistic costs;

2) Source: Oxford Economics

Officine Maccaferri company overview

**2018 performance**

2022 strategy horizon highlights

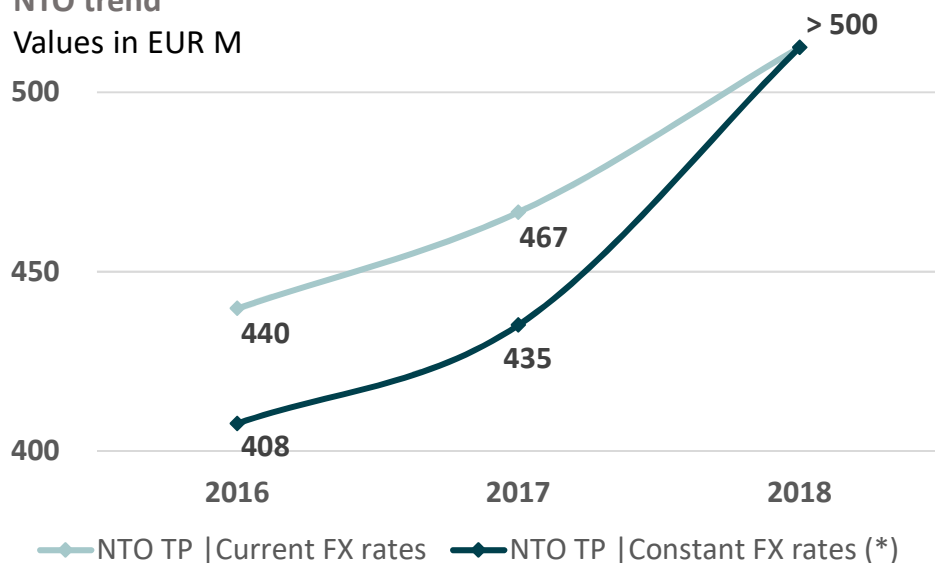


## Year 2018 at a glance

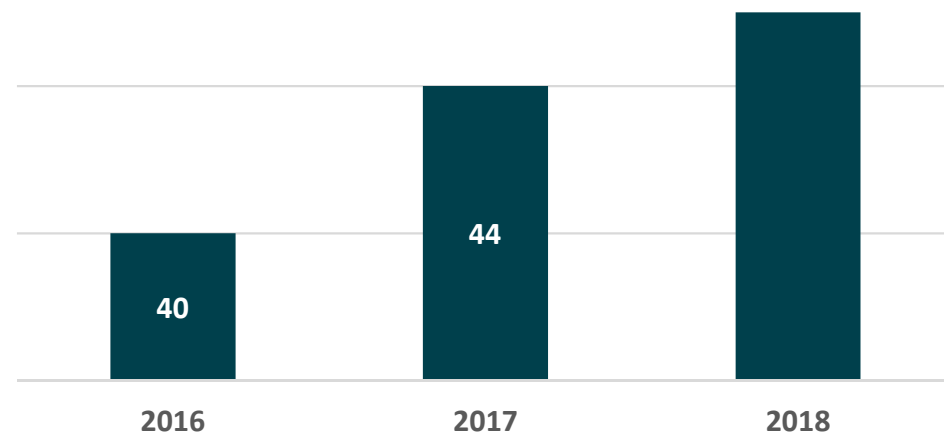
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### NTO trend

Values in EUR M



### EBITDA trend



- **Persisting trend of revenues increase**, with a double digit CAGR at constant FX over the last three years
- **Good 2018 overall performance**, mainly supported by Rockfall results and the ramp up of the new businesses (Defense, Tunneling). Increasing product group diversification in almost all regions.
- **Comeback of LATAM** and enduring sound performance of EMEA and India.
- **Steel and commodities prices still high**, impacting negatively industrial marginality in some countries.
- Tight control of Selling, General and Administrative expenses leading to an **improved 2018 EBITDA**

(\*) FX FCST II 2018

## Q3 highlights

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Millions €	Q3 2017	Q3 2018	9M 2017	9M 2018	YE 2017	LTM
<b>Total revenues</b>	<b>121,2</b>	<b>136,2</b>	<b>352,0</b>	<b>396,7</b>	<b>496,5</b>	<b>541,2</b>
<i>growth (%)</i>		12,3%		12,7%		9,0%
<b>Opex</b>	<b>(109,8)</b>	<b>(123,3)</b>	<b>(329,0)</b>	<b>(364,9)</b>	<b>(452,5)</b>	<b>(488,4)</b>
<b>EBITDA</b>	<b>11,4</b>	<b>12,8</b>	<b>23,0</b>	<b>31,8</b>	<b>44,0</b>	<b>52,8</b>
<i>margin (%)</i>	9,4%	9,4%	6,5%	8,0%	8,9%	9,8%
<i>growth (%)</i>		12,6%		38,3%		20,0%
<b>Total net capex</b>	<b>11,9</b>	<b>(3,3)</b>	<b>9,4</b>	<b>(6,4)</b>	<b>0,1</b>	<b>(15,8)</b>
<i>incidence on total revenues (%)</i>	9,8%	-2,4%	2,7%	-1,6%	0,0%	-2,9%
<b>Net cash flow from operating activities</b>	<b>3,8</b>	<b>(4,2)</b>	<b>(33,3)</b>	<b>(37,8)</b>	<b>32,0</b>	<b>27,5</b>
<i>growth (%)</i>		-210,5%		-13,5%		-14,1%

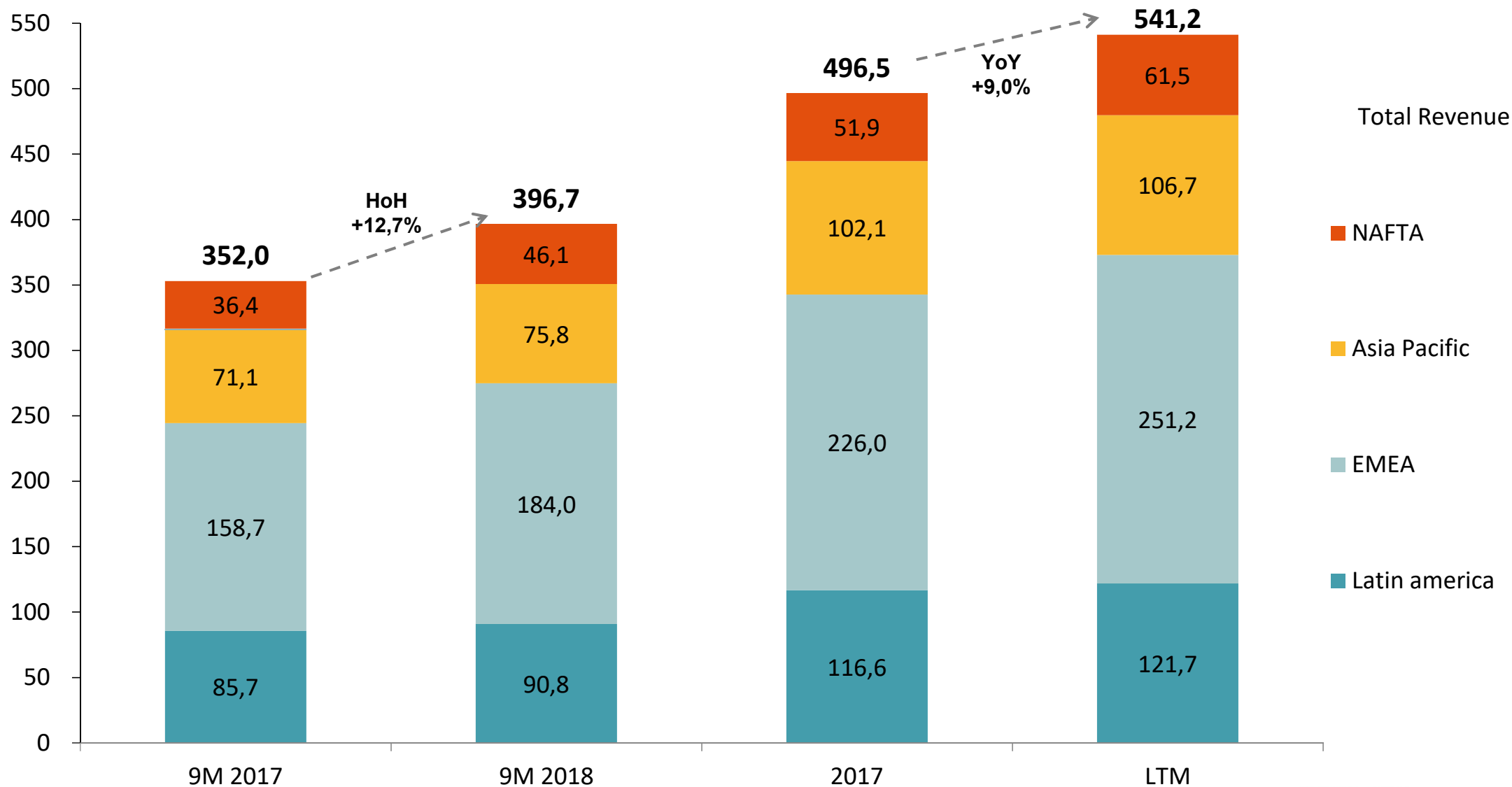
Millions €	September 30, 2017	September 30, 2018	Δ 2018 vs 2017
<b>Total net working capital</b>	<b>109,5</b>	<b>85,1</b>	<b>(24,4)</b>
Inventories	93,6	110,2	16,6
Trade receivables	126,4	134,0	7,7
Advance from customers	(8,5)	(7,0)	1,5
Trade payables	(78,9)	(96,7)	(17,8)
Other net working capital items	(23,1)	(55,5)	(32,4)

## Q3 Total Revenues by Geographic Area

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Millions €



Source: Q3 bondholders report

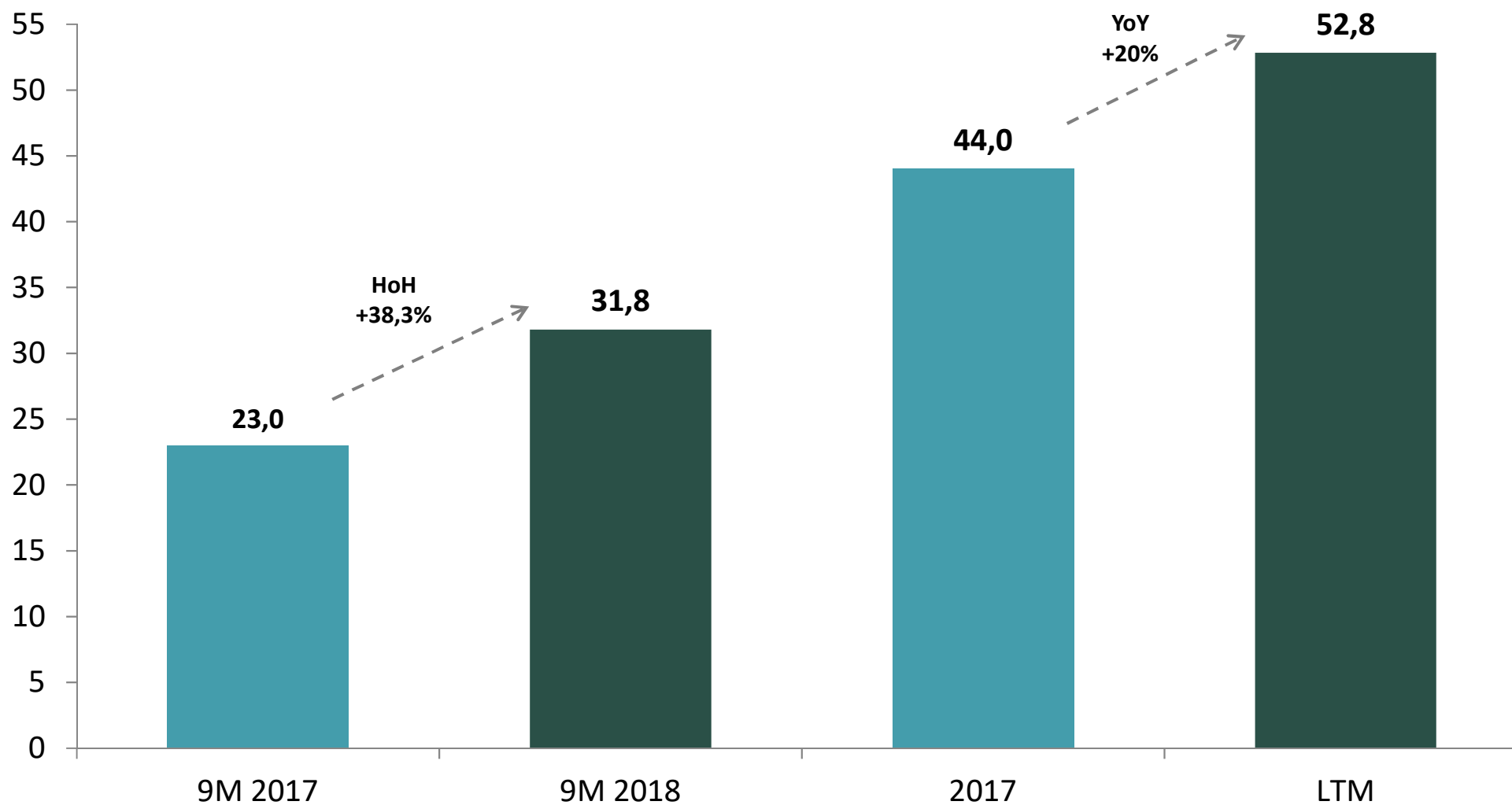


## Q3 EBITDA

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Millions €

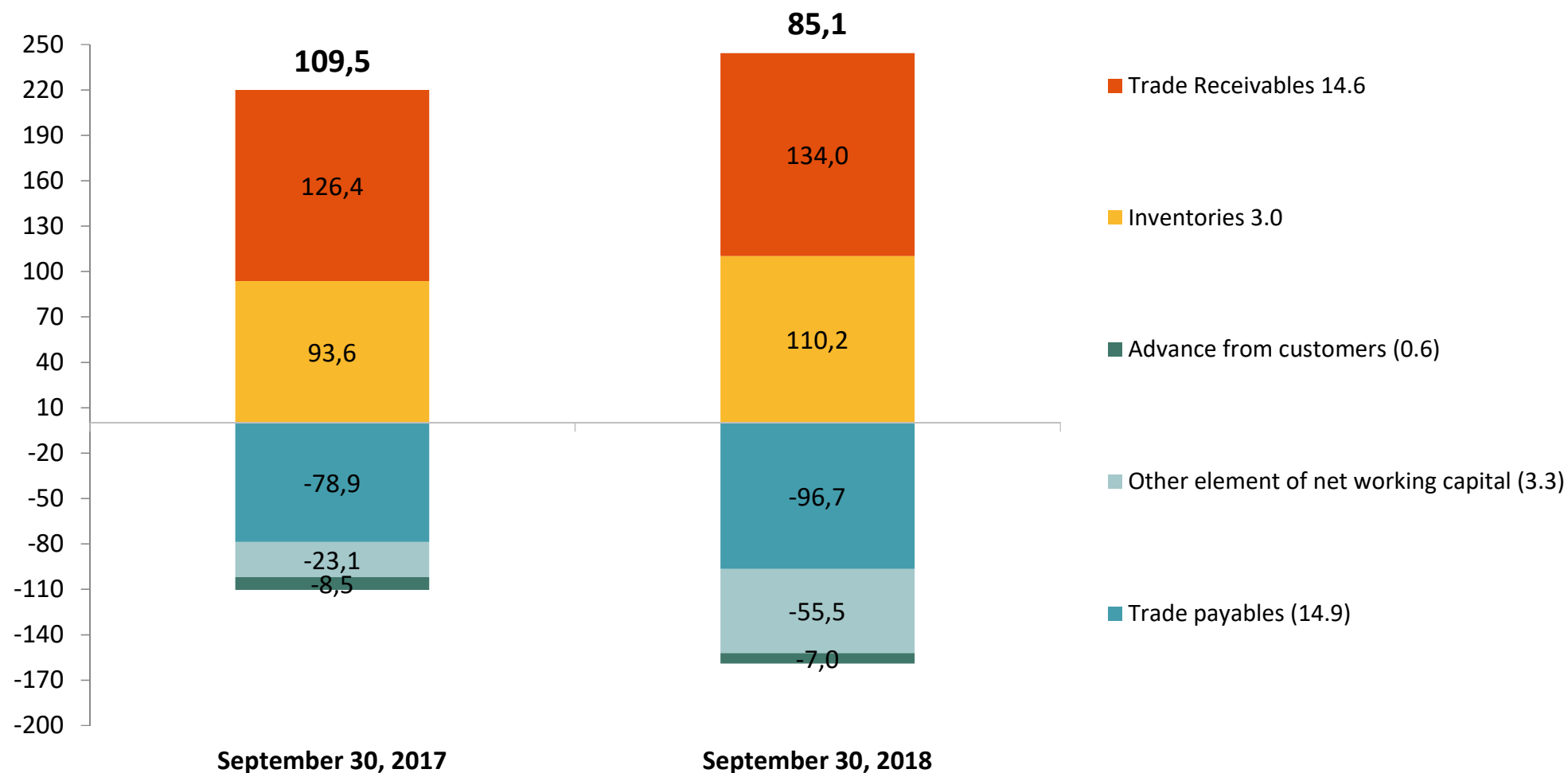


## Q3 Working Capital

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Millions €



Good performance of NWC, with a decrease of €24,4 M (average working days from 84 to 58). Increase in Trade Receivables and Inventory value is due to important increase in turnover (average DSO and DPO respectively decreased 6 days and increased 6 days compared to September 2017).



Officine Maccaferri company overview

2018 performance

**2022 strategy horizon highlights**



## Population Growth, Urbanization, Climate Change and new Technologies will drive group target market needs

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### Sustainability

- > Strong efforts in many countries to foster a "green economy"
- > Signing of the Paris Agreement (2015), the first legally binding and universal agreement on climate in more than 20 years
- > Companies need to decouple their economic activities from resource use and environmental impact. A promising way to do so is to follow the approach of a circular economy



### Demography and Urbanization

- > Global population will grow by almost 1.2 billion between 2015 and 2030 (+16%) – But the speed of growth is slowing down
- > Nearly 30% of total worldwide growth until 2030 will take place in just three countries: India, Nigeria & Pakistan
- > Global changing living conditions will increase the number of people living in urban areas (from 54% to 60%), especially in developing regions



### Climate change

- > There is a wide scientific consensus that the global climate is changing and that human activity contributes significantly to this trend
- > Increasing global temperatures lead to rising sea level
- > The nature, frequency and intensity of extreme weather events, such as tropical cyclones (including hurricanes and typhoons), floods, droughts and heavy precipitation, are expected to rise



### Technology and Innovation

- > The Internet of Things is an important enabler of Digital Transformation and its growth is accelerating
- > Number of connected devices is expected to rapidly increase worldwide (+83% higher in 2021 than 2015)



### — Impact on OM Business —

- > Need for **incremental utilization of sustainable and low-environmental impact** solutions (e.g. recycled materials)
- > Increase in global population will lead **growth** on **transportation and urban** infrastructures and on **waste management**
- > Increase demand for **soil consolidation, rockfall and general environmental security and emergency solutions**
- > By **levering on new technology** and added value services will be possible to **avoid commoditization of products/ services**

## To grow profitably leveraging on four strategic pillars supported by three enabling areas

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### Strategic pillars

#### A Organic Growth

- >By **focusing** towards the **most attractive and relevant markets** (geographies, sectors and applications)
- >By selectively investing in **Technical Marketing**
- >By **rationalizing** and simplifying current offering
- >By **optimizing product portfolio** leveraging on added value solutions

#### B Operational Excellence

- >By leveraging on increased **assets utilization**
- >By optimizing process **efficiency and quality**
- >By selective **reviewing the manufacturing footprint** considering also make/buy scope
- >By optimizing **costs of procurement** through improved processes and organization

#### C M&A as Accelerator

- >To **speed up** Group's penetration in profitable sectors
- >To **complete proprietary technologies** (by product and by geography)
- >To **grow sales** by EUR ≈ 100 m

#### D Innovation & Technology Leap

- >By leveraging on technology, **generating innovation** and avoiding commoditization through top quality products and added value services

### Enablers

#### E Marketing

- > By creating value strengthening the **brand equity**
- > By supporting the business growth with the right governance and specific market initiatives

#### F ICT

- >By achieving full potential Group's synergies leveraging on **Global ICT platforms**, central management and business processes digitalization, standardization, scalability

#### G Talent & People

- >By enabling full growth sustainability leveraging on "**One Company**" approach
- >By enhancing talents and leadership development

## OM will increase focus leveraging on different approaches in managing product portfolio and global sales

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### Organic growth value generation

1  
Improving geographical coverage

Set sales **focus** towards **most promising geographies and market segments**

**India, China and North America** expected to account for over one quarter of Total Revenues in 2022

2  
Investing in Technical Marketing

**Selective Technical Marketing investment** to ensure business sustainability increasing sales marginality and success rate

**Focus on specialties products** (e.g. rockfall, GSY paraproducs, etc.)

3  
Optimizing our portfolio

**Portfolio rationalization** through selective dismissal of low margin / non core products

**30% of product lines contributing for ca. 80% of total Gross Margin**

4  
Levering on our profitable core products

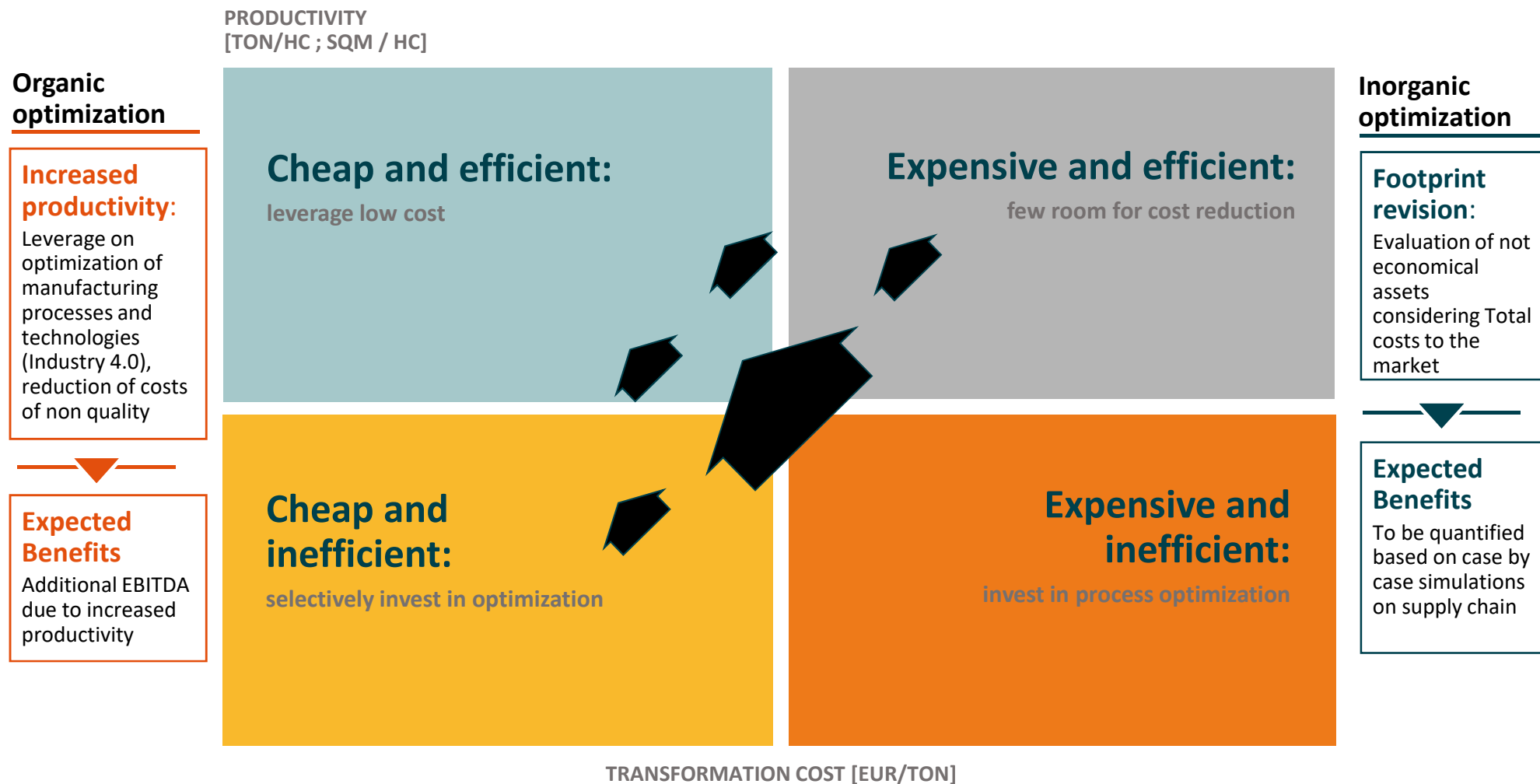
Product portfolio will lever on high value products **increasing focus on available and potential specialties**

Focus on **high value products** through innovation, IP and technical marketing  
Marginality improvement through **insourcing** or **continuous improvement**  
**Potential disposals** (e.g. wire)



## Current operational productivity and efficiency show room for improvement – Operational transformation on going



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## M&A activities to strengthen competitive position and expand in existing and adjacent markets

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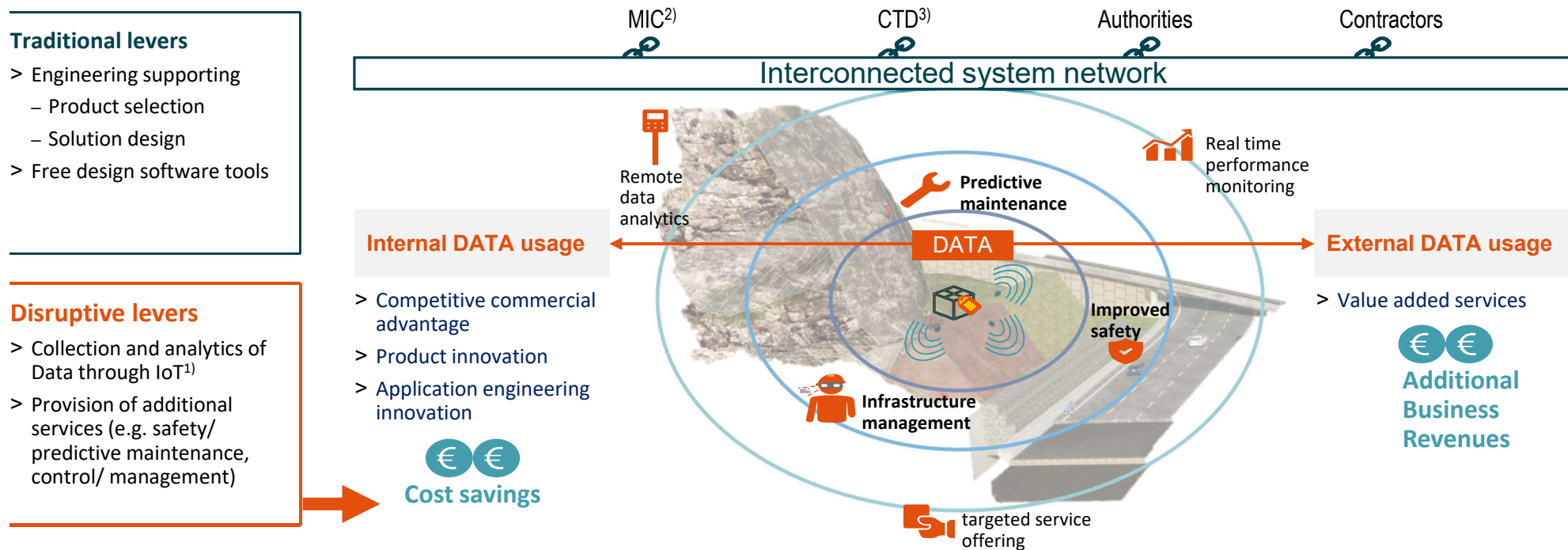
	Strategic highlights	Description
  <b>Acquisition</b>	<b>Know-how acquisition</b>	Acquisition of <b>intellectual property</b> specialties and/ or <b>technical know-how</b> focused on selected technologies (e.g. IoT) / sectors (e.g. mining)
	<b>Acceleration of selected markets/sectors penetration</b>	Acquisition of business <b>sectors and geographies currently not fully addressed</b> by OM sales network
	<b>Manufacturing synergies</b>	Acquisition of additional volumes to <b>saturate production</b> assets Acquisition of <b>additional production capacity</b> and process know how
  <b>Divestitures</b>	<b>Exiting from selected businesses</b>	Selective dismissal of <b>low marginality / non-core business</b> sector

## The introduction of digital solutions will enable disruptive business models based on additional value added services

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### Business Model Innovation – Value added services



**Enablers:**

- > Additional hires related to digital technologies and system integration
- > Identify and acquire consolidated market players in sensors, system integration and monitoring

1) IoT (Internet of Things) is the sensors enabled monitoring of specific physical objects; 2) Maccaferri Innovation Center; 3) Corporate Technical Department