

# Business Plan 2016 - 2019



**Fabrizio Rossini**  
Head of Investor Relation

➤ **Introduction & Agenda**

**16.00 - 16.15**

**15  
min**

**Pietro Salini**  
Chief Executive Officer

➤ **Who we are**

**16.15 - 16.30**

**15  
min**

Guest speaker  
**Parag Khanna**  
Global Strategist

➤ **Infrastructures global market trends**

**16.30 - 16.50**

**20  
min**

**Pietro Salini**  
Chief Executive Officer

➤ **A solid path to our future growth**

**16.50 - 17.15**

**25  
min**

**Massimo Ferrari**  
General Manager  
Finance & Corporate Group CFO

➤ **Prioritizing Cash Flow generation**

**17.15 - 17.25**

**10  
min**

**Robert E. Alger**  
President & CEO Lane Industries, Inc.

➤ **US market opportunities**

**17.25 - 17.30**

**5  
min**

**Pietro Salini**  
Chief Executive Officer

➤ **Taking our success story to the next level**

**17.30**

➤ **Q&A & follow-up Cocktail**

## A Leading Global Pure Construction Player





### Projects Completed in 2016

- ✓ Panama Canal
  - ✓ Athens Opera House
  - ✓ Gibe III HPP
  - ✓ Lake Mead tunnel
  - ✓ San Francisco Metro
- 
- ✓ Construction Backlog Dec-15: €27billion
  - ✓ More than 26 projects completed since 2011 for > € 19 billion

### Achievements

#### 2011-2015

- ✓ Revenues CAGR 2011-2015: 43%
- ✓ From €1.4bn to €6bn
- ✓ New orders: €26 bn

#### 2014-2015

- ✓ Revenues: +25%
- ✓ EBITDA: +35%
- ✓ EBIT: +29%
- ✓ Net debt lowered by 87%

### Financing Achievements

- ✓ S&P upgrade to BB+
  - ✓ New Rating by Dagong Europe: BB+
- 
- ✓ € 400m Bond issued
  - ✓ Bank Debt Restructuring
- 
- ✓ Dividends paid 2011-2015 approx. €650 million

### M&A and Divestments Completed

#### ACQUISITIONS

- ✓ Impregilo
- ✓ Lane
- ✓ Arm asphalt plant

#### DIVESTMENTS

- ✓ Ecorodovias
- ✓ Shanghai Pucheng
- ✓ Fisia Babcock
- ✓ Todini





*New Panama Canal*



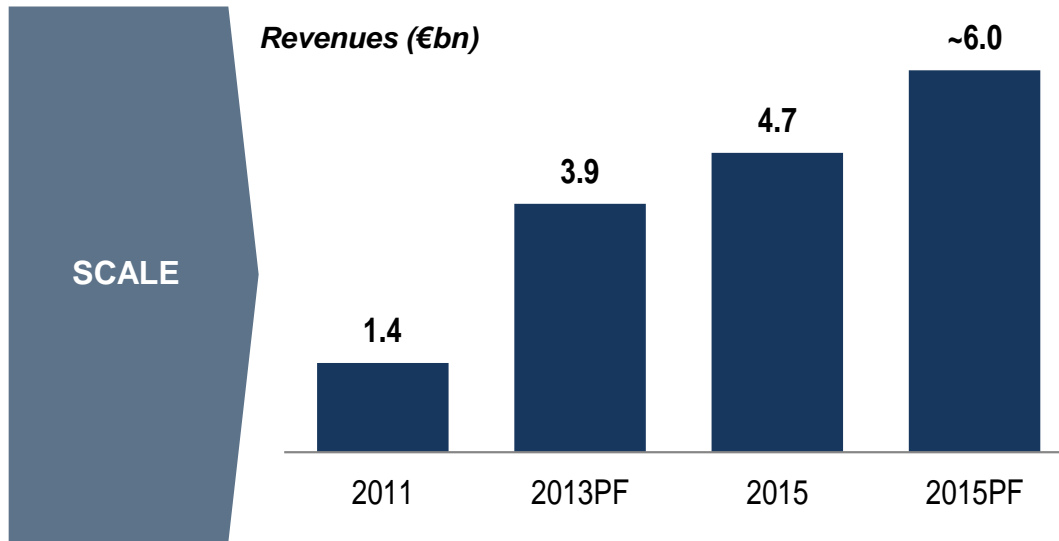


## A SOLID PATH TO OUR FUTURE GROWTH



*Riyadh Underground, Line 3*

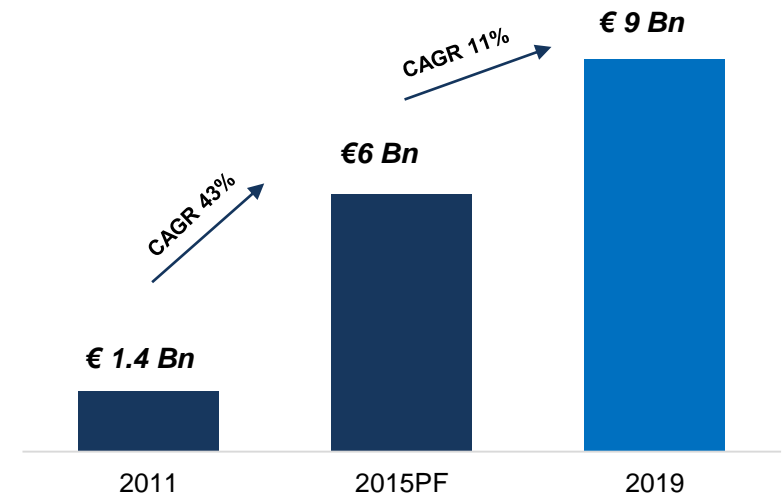
### Historical Strategic Focus: Scale & Growth



**€26 bn of new orders in 2011-2015 (excluding Lane)**

**Cash generated 2011-15 re-invested in order to support scale and revenue growth expansion**

### Strategy evolution: Smart Growth



**€4 bn of new orders already awarded in 2016 YTD  
Book-to-bill > 1.1x throughout the Business Plan**

**Cash generated to reduce debt and increase shareholder remuneration**

**To grow significantly through an efficient new orders selection. Targeting a book-to-bill >1.1x throughout the Business Plan**

**To reduce consistently our portfolio's risk exposure**

**To focus on cash generation through a suitable growth allowing a better use of financial and operational levers**

## **Targeting:**

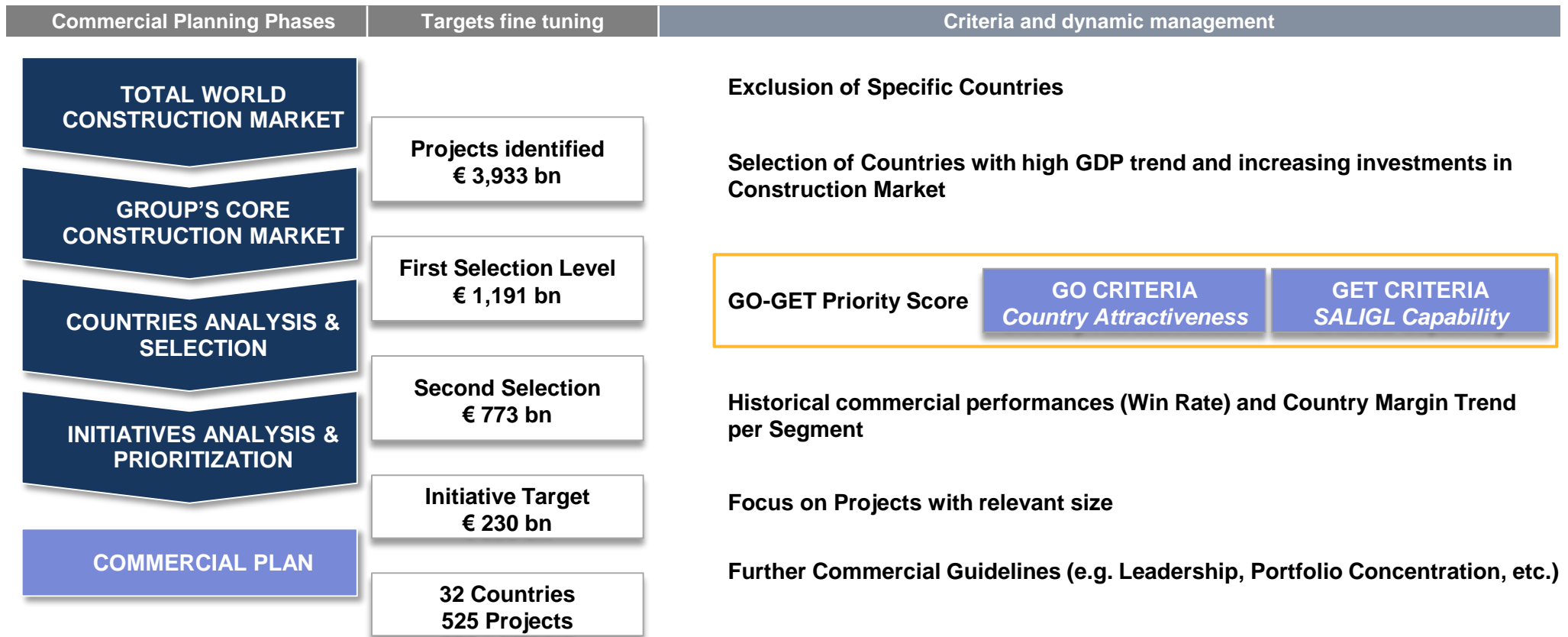
- **9 billion of revenues in 2019**
  - **Of which >30% In USA**
- **Cash generation**
- **Investment grade**
- **Leadership in innovation**

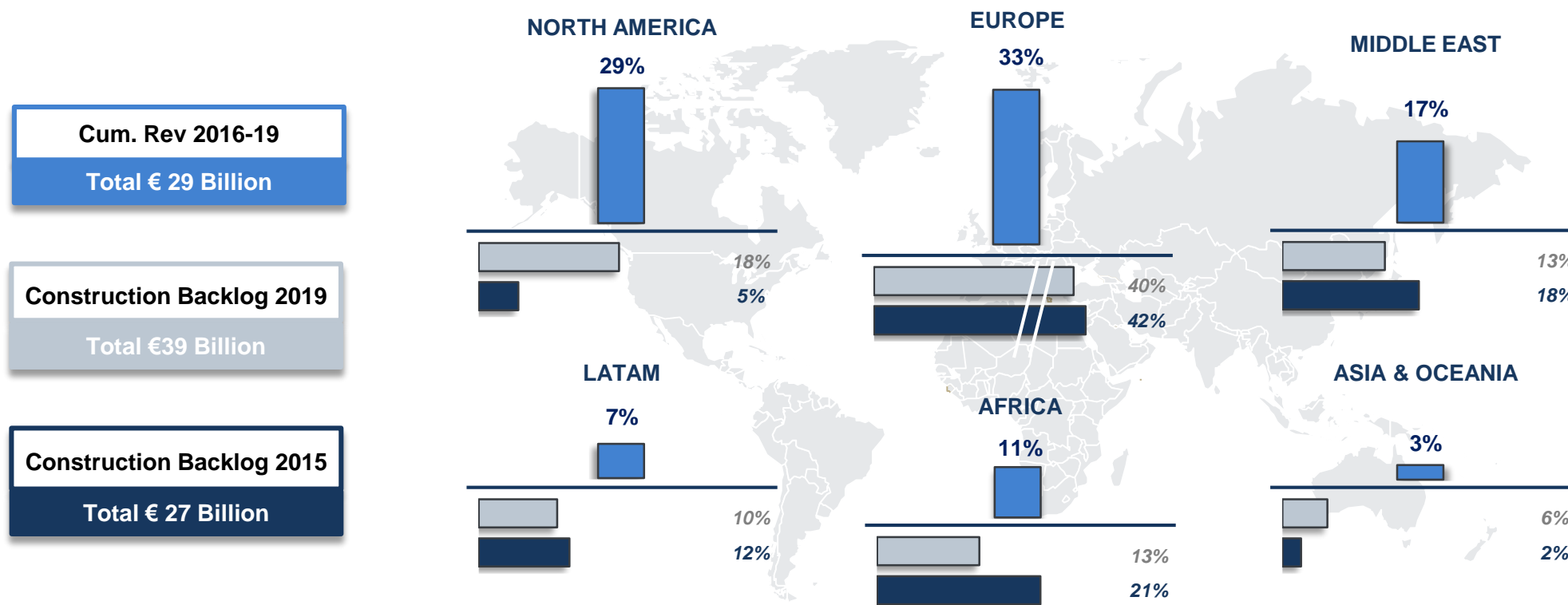




### Reshaping the portfolio

- Geographic diversification to Low Risk countries
- New commercial approach and dynamic portfolio management
- Bid selection based on the "Salini Impregilo risk/return approach"

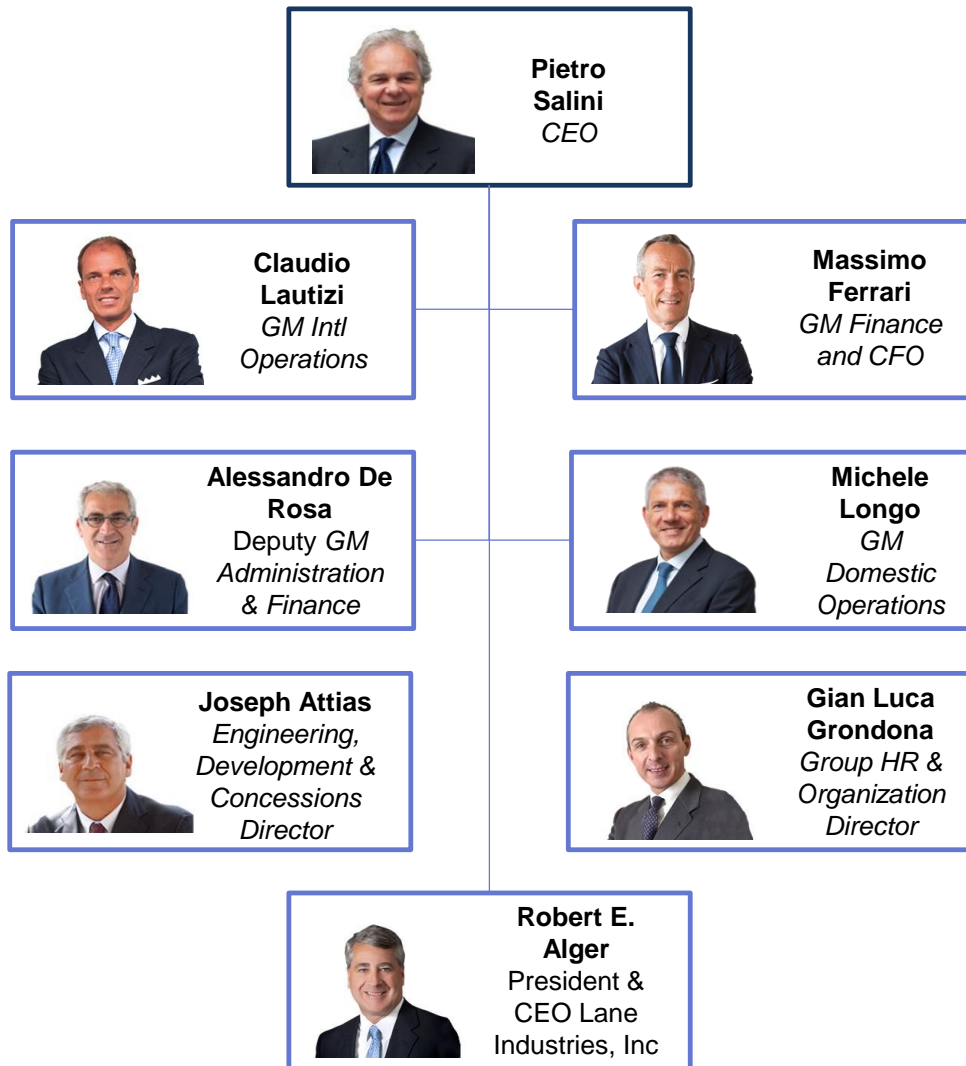




**Largest proportional increase in the North America portfolio (up to € 7 Billion Backlog)**

**North America and Europe lead cumulative revenues growth**

### Top Management



**New organization structured to extract value from global processes**

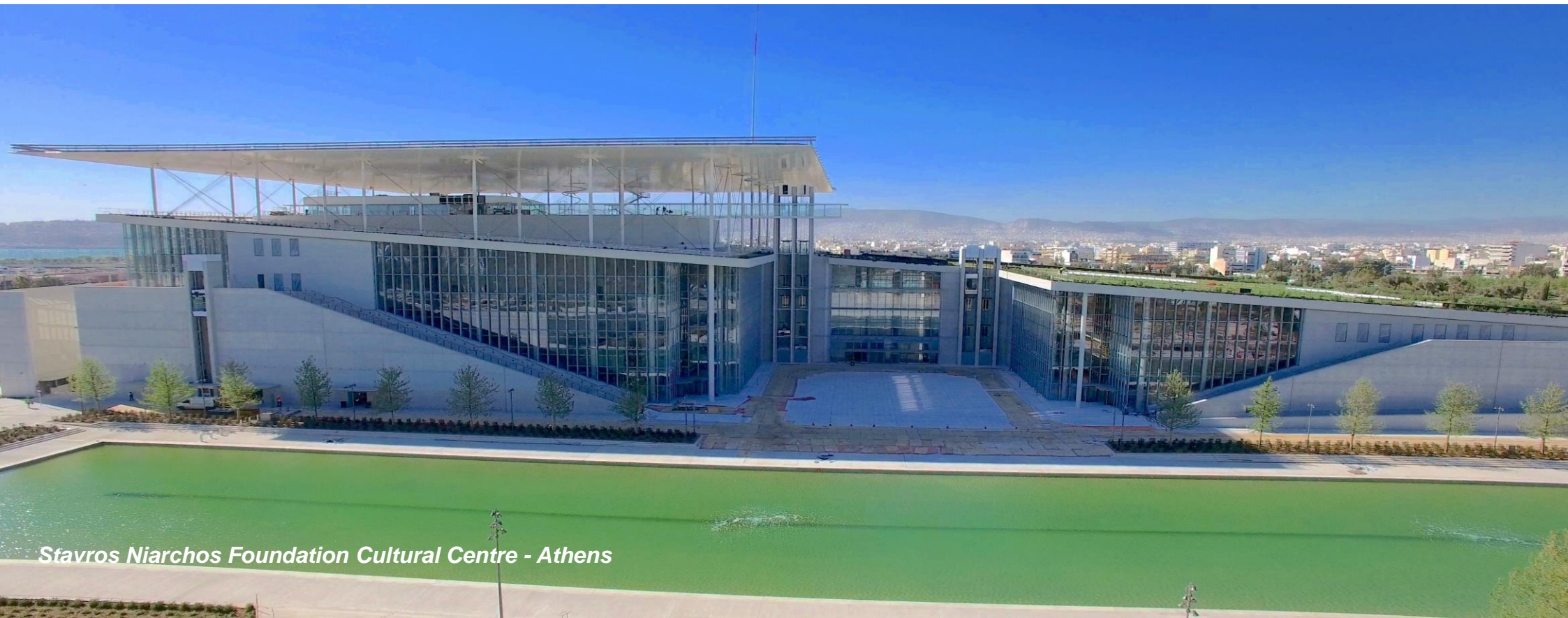
**Centralized processes for procurement, HR, Capex, targeting G&A reduction**

**Focus on technical innovation**



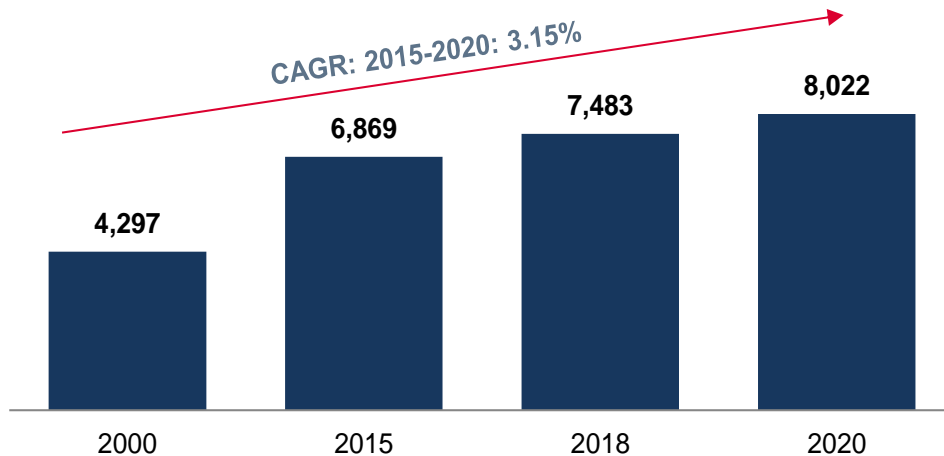


## PRIORITIZING CASH FLOW GENERATION

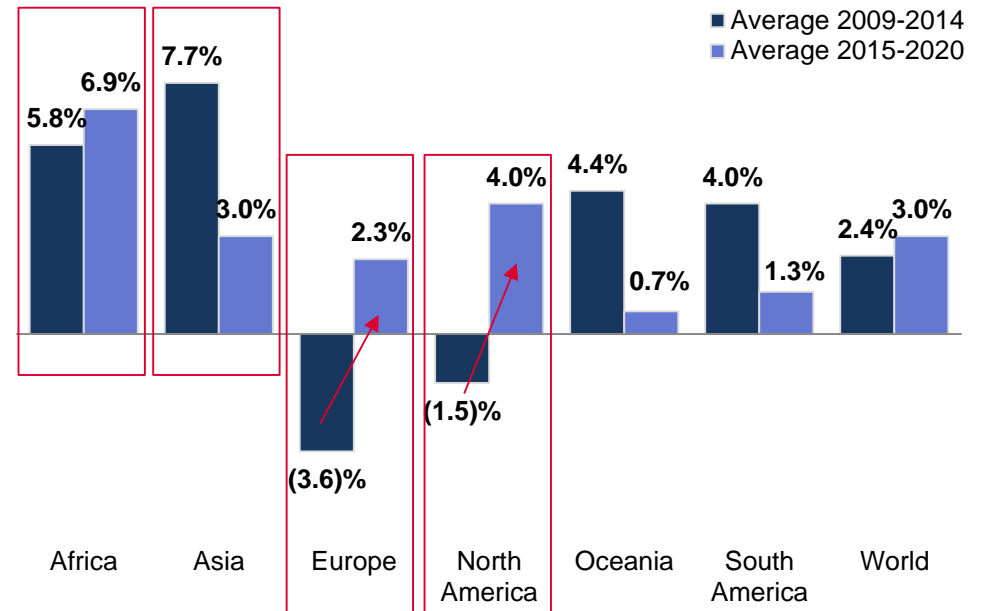


*Stavros Niarchos Foundation Cultural Centre - Athens*

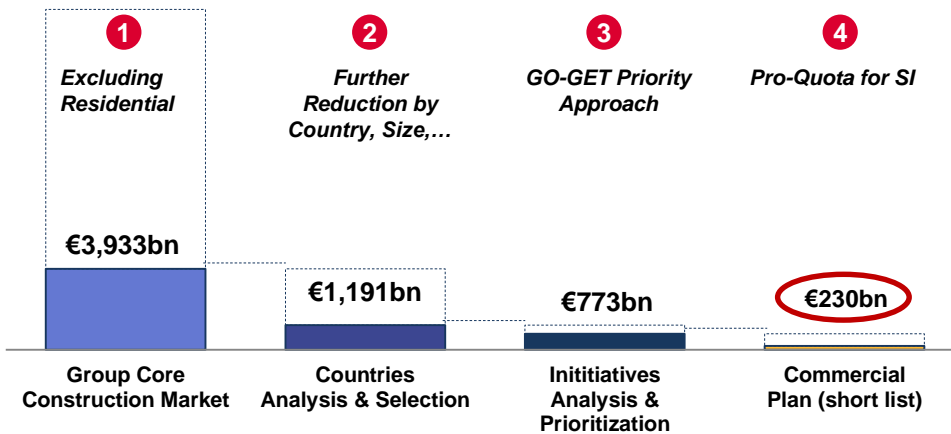
Global Infrastructures Market (€bn)



Average Annual Growth of Investments in Constructions



- Expected change in geographies growth profiles
- North America and Europe reverting to growth
- Emerging markets slowly losing momentum
- GO-GET Priority Approach



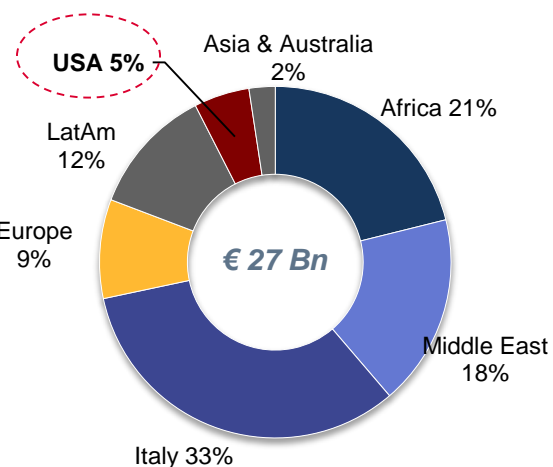
Cumulated infrastructure market €30 trillion

Our reference market: €230 billion

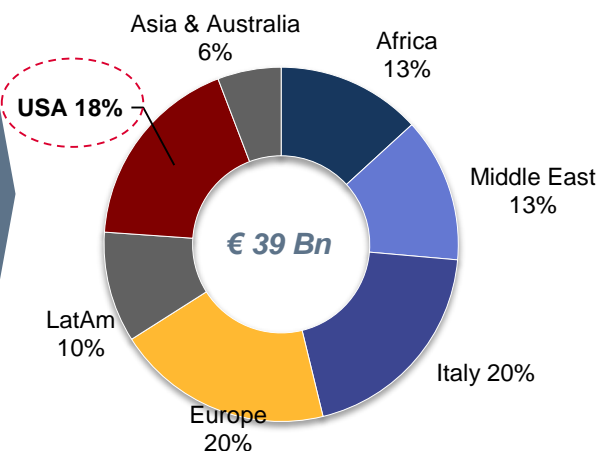
Source: CRESME

## Construction Backlog by Geography

2015 (including Lane)



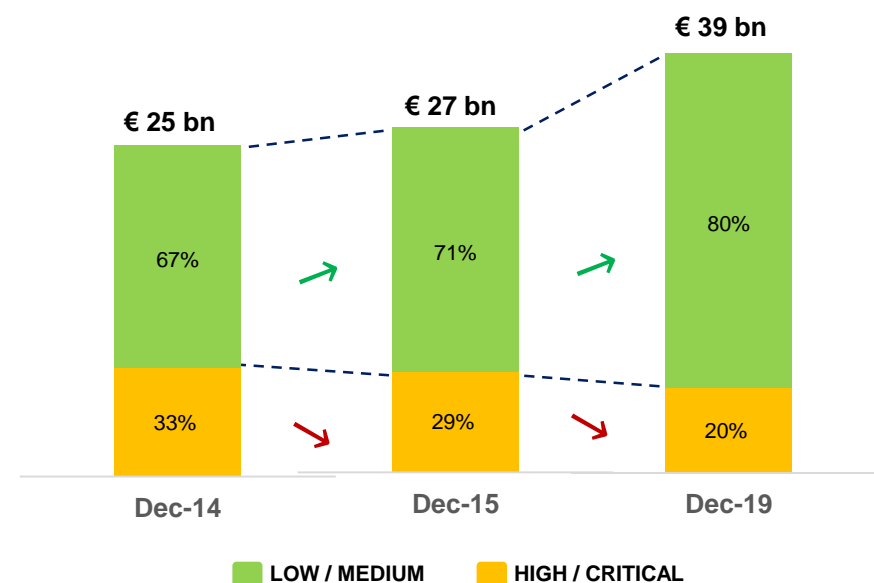
2019



## Construction Backlog | Country Risk Breakdown

SAL

SAL + LANE

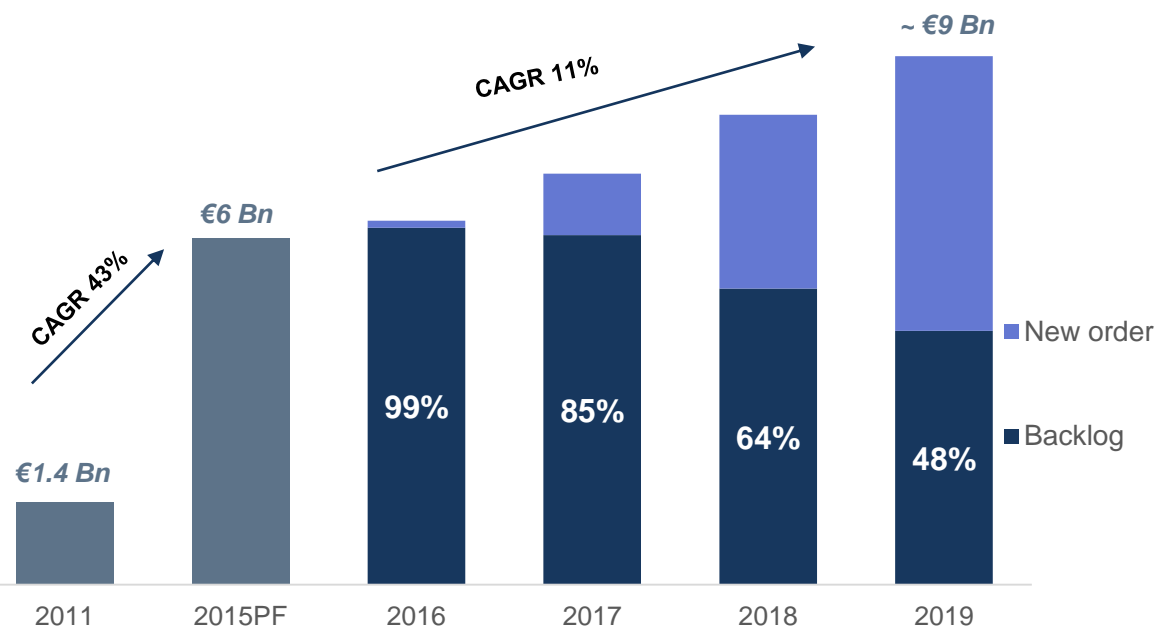


**Largest proportional increase from the US**

**Continuing to improve the quality of our Backlog**



## Business Plan Construction Revenues Backlog Coverage

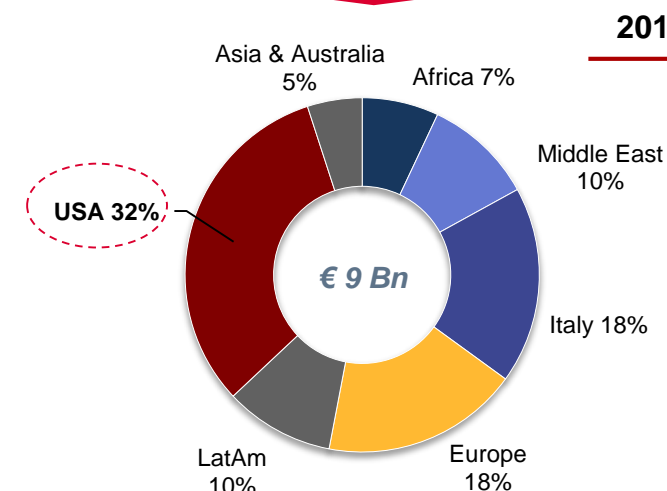
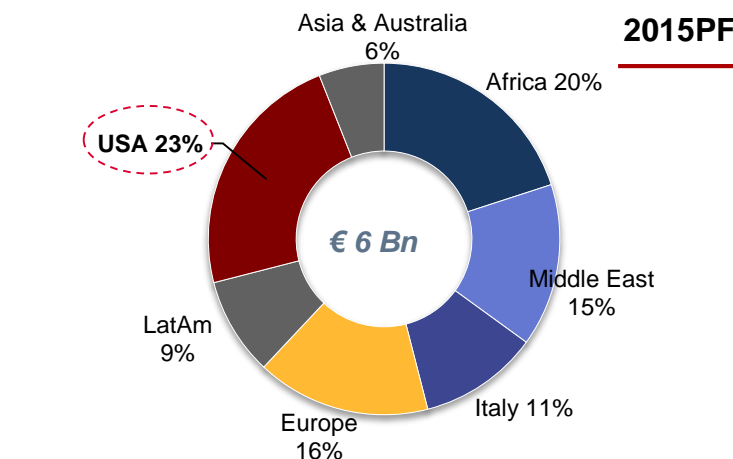


► **>70% of 16-19 revenues guaranteed by actual backlog**

► **>80% of 16-19 EBITDA guaranteed by actual backlog**

► **>30% EBITDA from USA**

## Revenues by Geography



## Selective Commercial Plan

EBITDA

Backlog

New orders

NWC

## Savings

Centralized procurement/CAPEX  
process

HR Costs

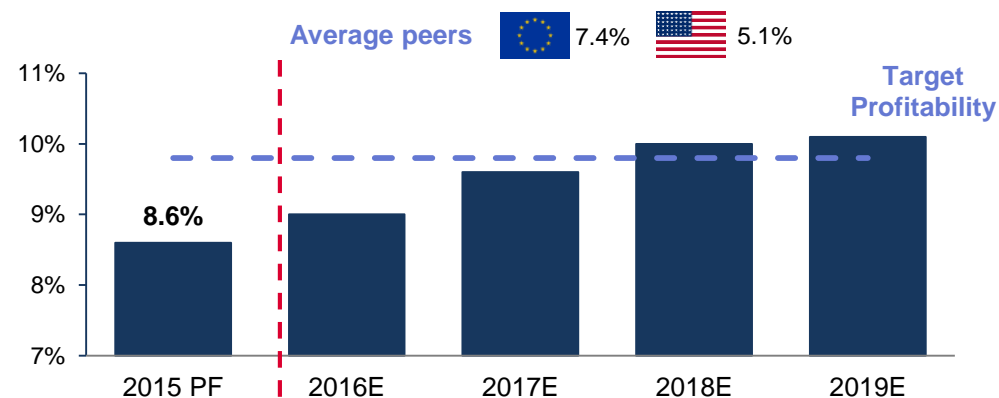
Plants & machinery effective rotation

Financial  
Items

G&A

FCF

## Expected EBITDA margin



G&A to reduce from 4.5% to about 3.5% at the end of the Plan

EBITDA

NWC

Capex

Financial  
Items

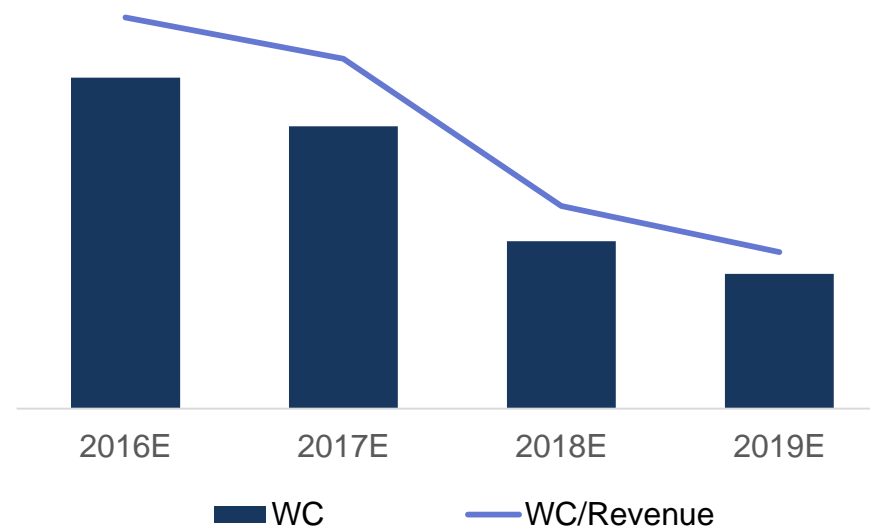
FCF

Focus on new contracts with  
advance payments

Optimization of stock levels

Improved management of  
payables and receivables cycle

**Expected Working Capital Trend (€m)**



**Expected total cash release of around €150 million**



EBITDA

NWC

Capex

Financial  
Items

FCF

## Considerations

- Pure construction companies require greater capex investments
- Large projects are more Capital intensive
- Projects complexity and extended duration drive capex requirements

## Selected Example

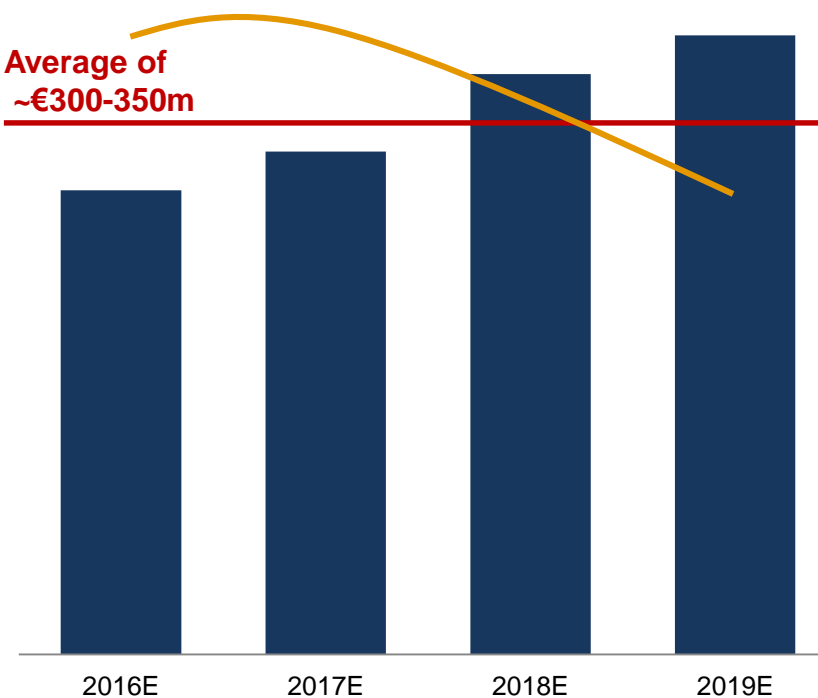


**HPP project** - €1.7bn revenues, €150m capex

## Expected Trend

■ Capex — Capex as a % of Sales

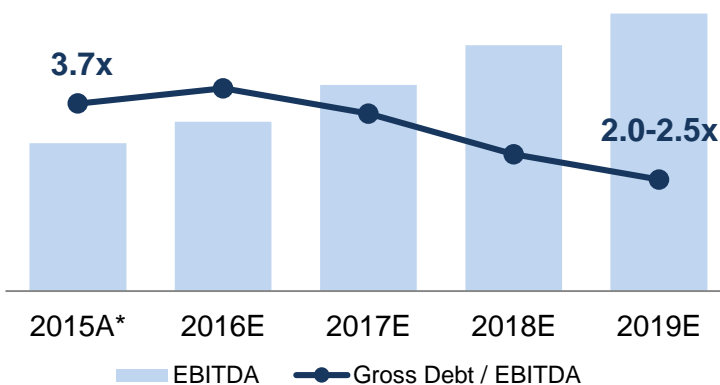
Average of  
~€300-350m



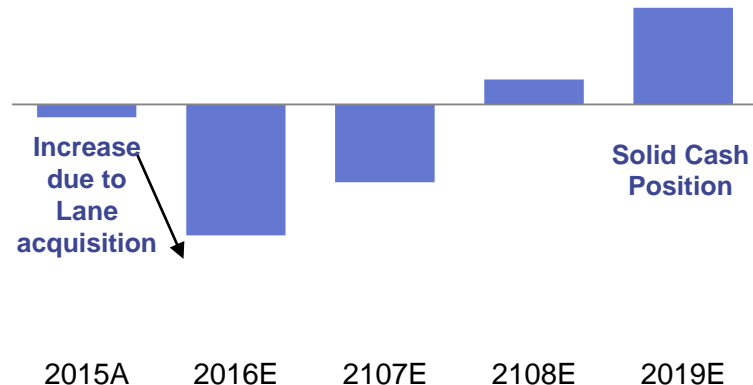
**Average capex is dependent on the project mix**

Leverage  
reduction

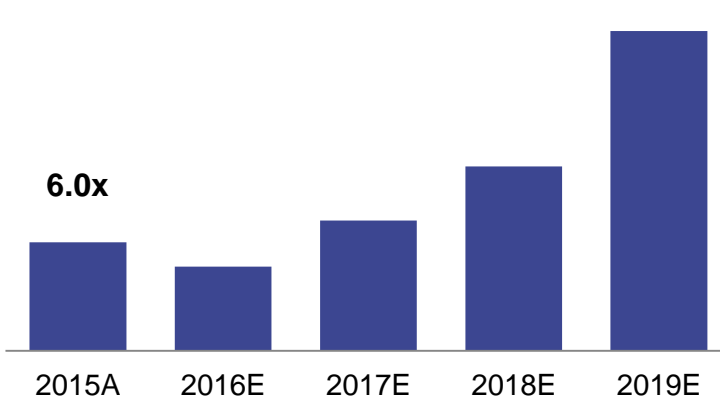
Gross Debt / EBITDA



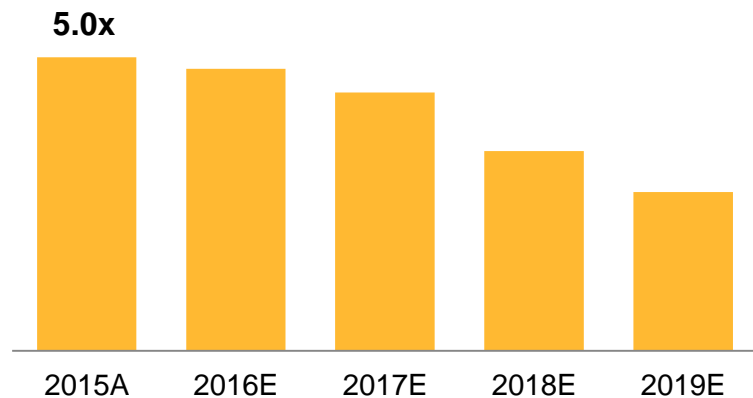
Net Debt / EBITDA



EBITDA / Gross Interest Expenses



Adjusted Gross Leverage / FFO



Ensure full  
sustainability  
of financing  
costs

Ready to Target Investment Grade Rating

\* 2015 data does not include Lane

## Optimize Financing Costs

### Significantly Reduced Average Total Debt Cost

**5.3%**  **3.8%**  
At 31-Dec-2014 At 31-Dec-2015

### Average Bank Debt Cost

**4.3%**  **2.6%**  
At 31-Dec-2014 At 31-Dec-2015

Further  
reduce Avg.  
cost of debt  
thanks to  
favourable  
markets

### Net Financial Expenses

>€100m

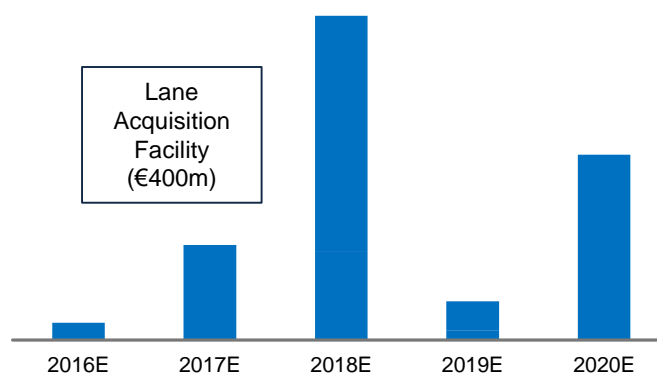
<€70m

2016

2019

## Extend Maturities

### Debt maturities

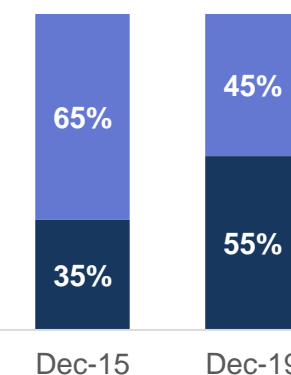


Increase average debt maturities to >4 years

Balanced mix of bank debt and capital markets instruments

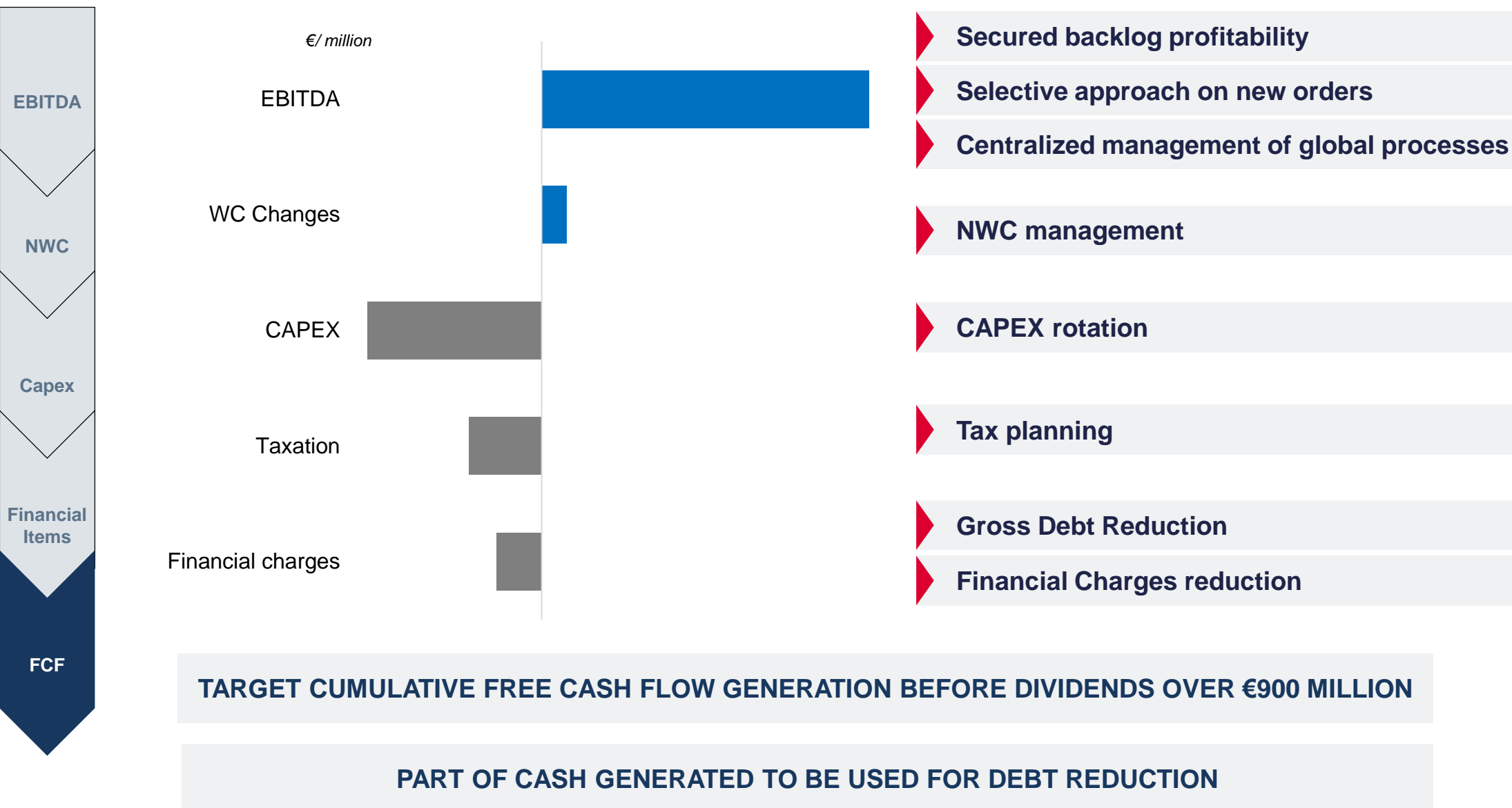
Increase fixed rated portion to benefit from current market conditions

### Corporate debt rate



■ fixed ■ variable







## THE US MARKET OPPORTUNITY



*New Gerald Desmond Bridge - CALIFORNIA*

## ■ Importance of US construction market

- US non-residential market: 3rd largest market at a global level, expected to achieve \$228 billion by 2020
- Stable market with a good level of profitability thanks to favourable payment terms

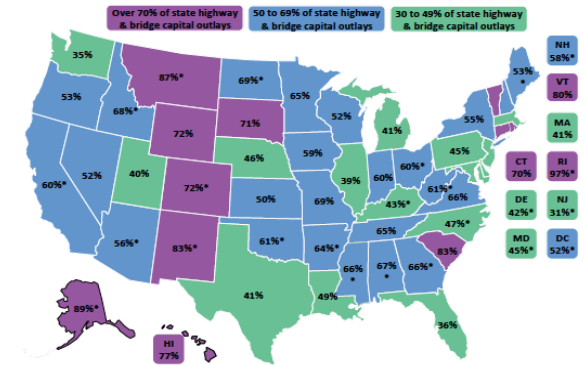
## ■ The US construction market has favourable growth dynamics

- US Congress passed FAST ACT, a bill of \$352 billion investments in Transport Infrastructures over next 5 years
- Favourable growth drivers as a result of strong demographic trends, new infrastructure investments need and upgrade to existing infrastructures. Estimated investment needed by 2020: \$3.6 trillion

## ■ US Transport market is concentrated in few main states and is highly “state-specific”

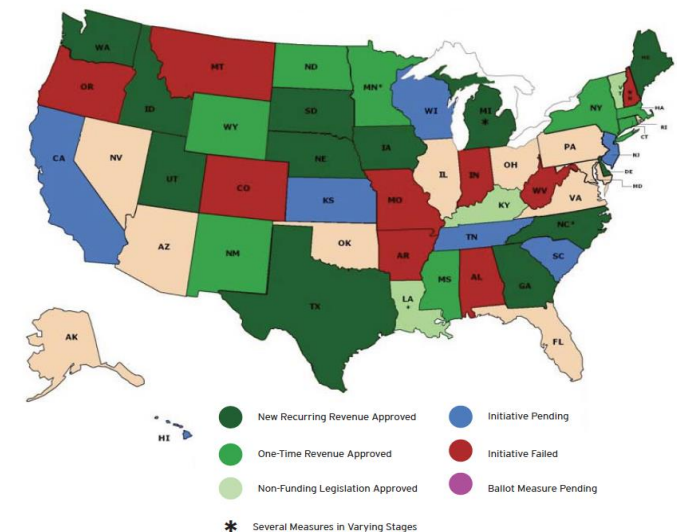
- 10 top states cover more that 50% of total market value (CA, TX & NY account for ~30% of the total market)
- Lane has a presence in 8 of the top 10 States mainly in the Highways/Roads segment

Federal funds, on average, provide 52% of annual State DOT capital outlays for highway & bridge projects



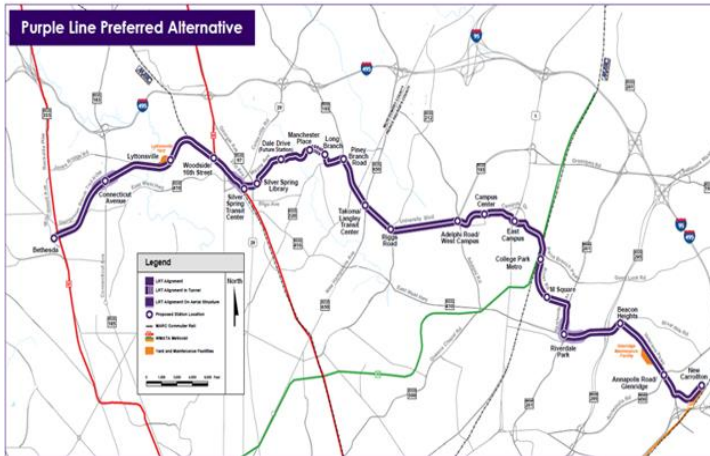
Source: ARTBA analysis of FHWA Highway Statistics data, total 10 year average 2004-2013 from tables SF-1 and SF-2. The percent is the ratio of federal aid reimbursements to the state and total state capital outlays and is indicative of the importance of the federal aid program to state capital spending for highways and bridges. Does not include local capital spending. Federal highway reimbursements are primarily used for capital outlays, including construction, right of way and engineering, but are also used for debt service for GARVEE bonds.

2015 State Transportation Funding Initiatives



Source: ARTBA U.S. Transportation Construction Market Forecast 2016





- **Purple Line**, Montgomery and Prince George's Counties, MD
- **Contract Value:** \$2bn (Lane share 30%)
- 16-mile route design-build project with 21 stations



- **I-4 Ultimate Project**, Orange & Seminole Counties, FL
- **Contract Value:** \$2.3bn (Lane share 30%)
- Reconstruction of 21 miles of I-4, including the addition of four tolled express lanes

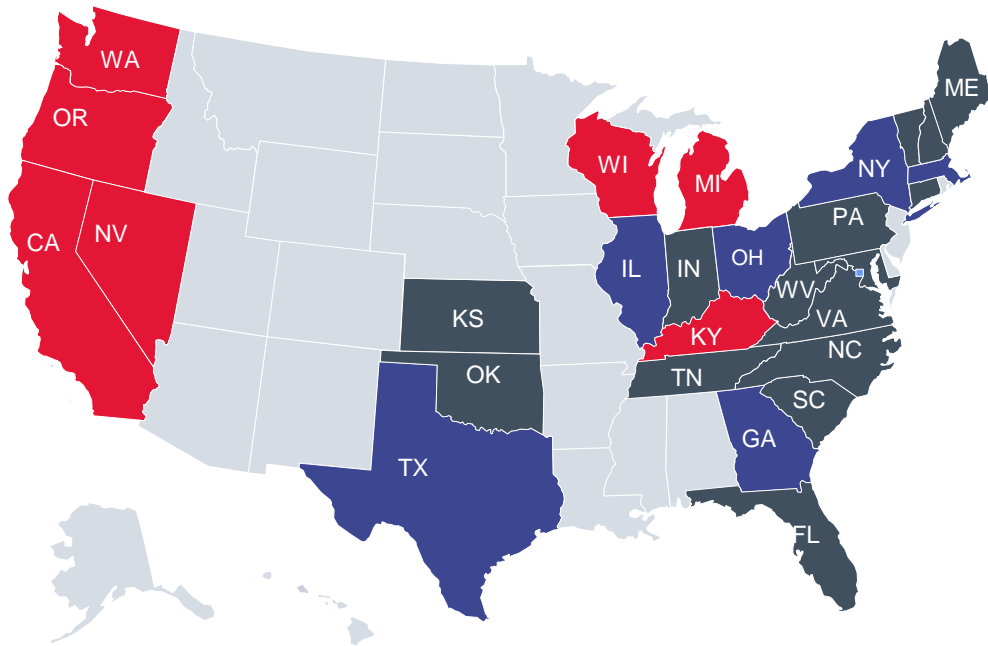


- **IH-35E Managed Lanes**, Dallas & Denton Counties, TX
- **Contract Value:** \$849mn (Lane share 20%)
- 28 miles long consisting of the installation of reversible managed lanes

**Thanks to its track record, technical experience and the strategic location of its materials plants Lane is participating to some of the largest and most complex transportation projects in the US**



## Salini Impregilo and Lane Presence in the US



- Lane's Presence
- Salini Impregilo's Presence
- Joint Presence

## Main Assumptions

- **Solid financial strength**
  - Bonding capacity in excess of \$3bn
  - \$1.35b in annual revenue
  - \$2.62bn backlog
  - \$1.2bn new orders
- **Significant commercial synergies with Lane and Salini Impregilo**
  - Provides access to larger pool of projects to drive expansion into new market sectors and geographies
  - Increases availability of private capital and innovative alternative funding opportunities
- **Main segments of focus:**
  - Roads and highways
  - Bridges
  - Tunnels and mass transit
  - Rail
  - Water infrastructures
  - Paving



## CLOSING REMARKS



**To become the largest pure construction player focused on complex large infrastructure projects**

**To improve people's life quality and to contribute to economic development of the countries we work with**

**To be the “Go to” player in the world of complex infrastructure projects**

**To focus on cash generation for the purpose of shareholder remuneration and debt reduction**

**Solid revenues growth supported by secured selected backlog**

**EBITDA growth supported by backlog and cost reduction**

**Free Cash Flow generation**

**Ready for investment grade rating**

**Increasing payout ratio towards 40%**

**€ 9 billion  
Revenues**

**above 10%  
EBITDA margin**

**> € 900 million of  
FCF generation in  
the Business Plan**



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These objectives and statements are based on assumptions that are dependent upon significant risk and uncertainty factors that may prove to be inexact. The information is valid only at the time of writing and Salini Impregilo does not assume any obligation to update or revise the objectives on the basis of new information or future or other events, subject to applicable regulations.

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