



## 2019 ANNUAL RESULTS AND 2020 OUTLOOK UPDATE

### INVESTOR CALL TRANSCRIPT

**Investor Call held in Milan, 20 March 2020, h8:00am CET**

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**Carlaiberto Guglielminotti:** Good morning and thank you for being with us today. I'm very pleased to welcome you to this morning's call on our 2019 results and 2020 outlook update. I'm joined by Stefano Terranova, our General Manager, Andrea Rossi, our CFO and Giuseppe Artizzu, our Executive Director of Strategy & Market Intelligence.

I will start with a few key observations on the current situation and our numbers, Stefano will then provide an analysis of our results; finally, I will explain the 2020 outlook update.

Following the presentation, that as usual you can download from the pop up appearing in the homepage of our website, Stefano and I, as well as Andrea and Giuseppe, will be happy to take your questions.

Before presenting our 2019 results and Outlook, I would like to spend few seconds sharing with you our priorities at ENGIE Eps in light of the Covid-19 outbreak.

In a dramatic moment, I personally took the decision to focus more than ever on our sense of responsibility.

Responsibility towards our **people**, our **businesses**, our **civil society**.

As entrepreneurs I feel the imperative to act to protect our employees, addressing industrial challenges to preserve the value we created so far, and support in whatever way we can the efforts to limit the outbreak. Being ready to restart, faster than ever, once we get out of this ugly situation.

This is what I call "*All-In Commitment*".

**Well, we do not know yet if this will be just a major shock to the economy or a pandemic recession, but certainly the Covid-19 outbreak is first and foremost a public health emergency...**

... which is turning into a human tragedy affecting hundreds of thousands of people.

**ENGIE Eps** is based in Italy as you know, the country at the epicenter of the European outbreak. The Italian government imposed the most drastic steps yet by any state except China to contain surging numbers of



coronavirus cases, placing almost immediately on 8 March 2020 the region of Lombardy (where ENGIE Eps has two industrial premises) and more than a dozen other provinces in neighboring regions under the quarantine over the last weekend. Restrictions were extended to the entire country on 11 March 2020, and then turned into a lockdown.

At ENGIE Eps, our business model and AGILE organization allowed us to implement a massive smart working plan. Industrial activities in our premises are limited to the essential, to guarantee the business continuity since February 24.

**Therefore, my commitment towards ENGIE Eps' business is, today more than ever, focused on securing our business continuity...**

... trying to minimize the impact on our operations and supply chain generated by the strong – yet necessary – restrictions imposed all over the world.

In parallel, we are trying, with a huge effort, to minimize the related consequences for our sites and projects worldwide (Italy, Mexico, California, Singapore, Comoros, and Greece) as well as for our big projects under development (Europe, South Africa, Middle East, US and Pacific Islands).

For this reason, we drafted a new Covid-19 Policy and an Emergency Management Plan to guarantee such business continuity based on a firm hierarchy of values as follows:

- (1) Protection of the **Health of our employees. Our first priority is to keep our people and their families safe;**
- (2) **the Civic Responsibility** that ENGIE Eps has to demonstrate firsthand and the necessity to ensure that this is also reflected in each of our employees and stakeholders;

and then, at the third place in this specific historical moment

- (3) **the Preservation of ENGIE Eps' economic and industrial value.**

I will give you more details, during our presentation but this was an important recital to make to me, and I am sure you will understand.

Having said that, I will now go through the presentation.

I am on page 3. You would remember that with the refocusing and selectiveness approach outlined in the Long Term Strategic Plan announced in June, we expected and outlined a slower growth during the transition. Well, this had the short term consequence of a backlog reduction and the postponement of our 2020 guidance to 2022, with a new 40m guidance set for 2020.

In line with that, 2019 has confirmed our growth pattern, with a 29% growth to 20 millions, in line with the new strategic path.



Indeed, those are early results under the Long Term Strategic Plan for our “Giga Storage” product line, with utility-scale storage and solar plus storage projects, and the “Industrial Solutions” product line, with microgrids and industrial storage systems.

From the one hand we successfully deployed, thanks to the partnership with ENGIE, the Sol De Insurgentes project in Mexico and we commissioned an iconic, even if limited in size, microgrid in New Caledonia. In addition, we progressed in the construction of the project in Comoros and in the storage solution for the Leini power plant of ENGIE, while successfully commissioning the third stage of our microgrid in Somaliland.

Our margins are slightly lower, mainly due to the increase in the size of projects, like the solar plus storage project in Mexico. And we expect this trend, in our Long Term Strategic Plan, to continue towards a margins compression, for a simple reason: the scale of the project we focus on.

EBITDA and Net Income DO NOT outline a poor performance, but a physiological aspect: we are ready in terms of structure, people, and industrial premises to address projects for hundreds of MWs, but such projects are not yet in our P&L, we need just one step more in terms of scale in order invert the curve and start generating cash.

And this inversion of the curve is in front of our eyes, because

- it is true that our backlog has been reduced, and this reflects the temporary reduction in order intake due the fact that several significant projects have been either delayed or not awarded, or did not materialize in the preceding months...
- ... but we all know that with the Guam tender officially awarded and not just declared “successful bidder”, our Backlog would have tripled, ok? That is the reason why I would not focus on the backlog reduction while analyzing our 2019 performance.

Actually, the most important evidence of this inversion of the curve, and let me say our future, is written in one single and clear KPI, which is the pipeline of projects, which clearly represents the solidity of our fundamentals.

In less than one year, the evidence of the solidity and more importantly the potential of our Long Term Strategic Plan and our partnership with ENGIE clearly materialized. We more than doubled our pipeline and, more importantly, with a solidity that we cannot even compare to 2018, as we are not talking anymore of a pipeline composed of several complex projects, maybe in emerging countries (with the related risks and uncertainties), but rather of large tenders in Tier 1 storage markets, like US and Middle East, with more than 1.6GWh and a value of more than 300m for which we are in the final phase and ENGIE has already been shortlisted. Totally different picture let me say, which is a testament of the fire power we now have thanks to the ENGIE group, where our unique know how and technology can play another championship, and get scale very very fast.

This is, if I may, the one number we need to focus on, to have a clear visibility of our growth trajectory towards our Long Term Strategic Plan and our indicative ambition to make 400m revenues in 2025, which sounds to me, more solid today, than ever.



With that, I am on page 4, I will now give the floor to Stefano Terranova, to briefly go through the details of our figures but more importantly to give us some colour about this pipeline and even more importantly the new organization we set, to deliver in a sustainable way the Long Term Strategic Plan.

Stefano, the floor is yours.

[...]

**[The full transcript will be published by Tuesday 24 March]**