

AVIO

Sector: Industrials

OUTPERFORM

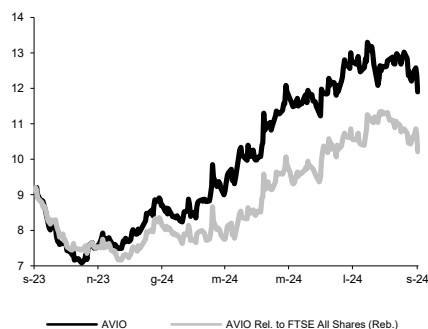
Price: Eu11.90 - Target: Eu14.00

2Q Results Meet Expectations, Orders Continue to Soar

 Carlo Maritano +39-02-77115.358
 carlo.maritano@intermonte.it

Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	0.0%	0.0%	0.0%

AVIO - 12M Performance



Stock Data			
Reuters code:	AVI.MI		
Bloomberg code:	AVIO IM		
Performance	1M	3M	12M
Absolute	-5.6%	-0.7%	30.5%
Relative	-10.0%	2.2%	14.1%
12M (H/L)	13.30/7.08		
3M Average Volume (th):	49.78		

Shareholder Data	
No. of Ord shares (mn):	27
Total no. of shares (mn):	27
Mkt Cap Ord (Eu mn):	323
Total Mkt Cap (Eu mn):	323
Mkt Float - Ord (Eu mn):	134
Mkt Float (in %):	41.5%
Main Shareholder:	
Leonardo	29.6%

Balance Sheet Data	
Book Value (Eu mn):	304
BVPS (Eu):	11.18
P/BV:	1.1
Net Financial Position (Eu mn):	27
Enterprise Value (Eu mn):	269

- 2Q in line with estimates:** as expected, the company reported 2Q results that were broadly in line with the previous year, with turnover up slightly YoY (+4% to Eu101.8mn) thanks to growth in development activity and production activity for the Tactical Propulsion business and Adj. EBITDA at Eu7.2mn (Eu7.8mn in 2Q23). We highlight the improvement in reported numbers thanks to lower non-recurring costs linked to the resumption of Vega C flights. The order book stayed healthy in 2Q, with Eu110mn of new orders and a book-to-bill that remained above 1x, leading to a further expansion in the order portfolio to Eu1,386mn. Finally, cash generation was in line with expectations, with net cash at the end of the period reaching Eu21.5mn, a Eu12mn improvement QoQ.
- Focus on US partnerships:** the main focus of the conference call was on recent partnerships signed in the United States. Although the details provided were understandably limited given the confidentiality agreements that generally surround agreements in the military sector, we believe that management's comments are consistent with our initial expectations in terms of timing. Indeed, it was made clear that although the company will strive to compress the development timing as much as possible, leveraging on the experience gained over the years, it is difficult to imagine that production could go into full swing before 3 to 4 years' time (CMM-ER took more or less 5 years). In the meantime, the necessary engineering, testing and qualification activities will be remunerated contractually, contributing to the company's results. Italian production capacity should probably be supported in parallel by a local production presence, including through partnerships with other players in the local production chain.
- Estimates confirmed:** management confirmed FY guidance, still forecasting an order book of Eu1.5-1.6bn at the end of the year, net income of Eu370-390mn, reported EBITDA of Eu21-Eu26mn (implying adjusted EBITDA of between Eu28mn and Eu33mn keeping in mind Eu7mn of non-recurring costs) and net profit of Eu6-Eu10mn. Our estimates and consensus are broadly aligned to guidance, so we don't expect any significant changes in the wake of this release. We recall that the two partnerships signed in the United States and the large contract in Tactical Propulsion in Poland expected to be signed between 4Q24 and 1Q25 (we expect the total value of this contract to exceed Eu100mn) represent potential upside compared to our current estimates.
- OUTPERFORM; target to Eu14.0.** We confirm our positive view on the stock based on the expectation of a gradual and steady improvement in numbers and a continuation of the solid order intake momentum, especially in Tactical Propulsion, whose increasing importance should decrease the dependency on launch activity, which can prove bumpy as seen in the recent past. The first major milestone of the year was achieved with the successful maiden flight of Ariane 6. The next key step will now be the resumption of Vega C flights, scheduled for 4Q24, which is crucial to unlocking the company's full potential and allowing execution of the hefty order book. Target price confirmed at Eu14.0.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	357	339	379	418	487
EBITDA Adj (Eu mn)	28	28	31	36	43
Net Profit Adj (Eu mn)	6	12	12	16	19
EPS New Adj (Eu)	0.218	0.443	0.439	0.572	0.700
EPS Old Adj (Eu)	0.218	0.443	0.439	0.572	0.699
DPS (Eu)	0.000	0.240	0.149	0.286	0.371
EV/EBITDA Adj	7.1	5.1	8.7	7.2	5.9
EV/EBIT Adj	22.9	11.1	19.1	15.2	12.4
P/E Adj	54.6	26.8	27.1	20.8	17.0
Div. Yield	0.0%	2.0%	1.3%	2.4%	3.1%
Net Debt/EBITDA Adj	-2.7	-2.7	-0.9	-1.0	-1.0

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- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

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A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

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NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

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BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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