

ANTARES VISION

Sector: Industrials

OUTPERFORM

Price: Eu2.95 - Target: Eu4.40

Reasons for a fresh view following a number of disappointments

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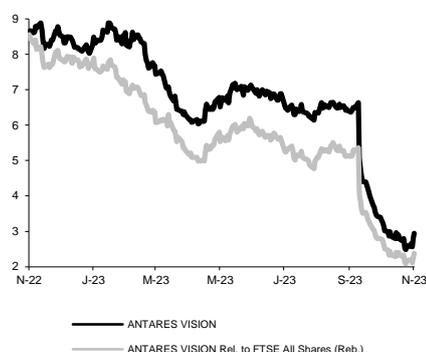
Stock Rating

Rating: OUTPERFORM (New Coverage)
Target Price (Eu): 4.40 (New Coverage)

Next Event

3Q Revenue Results Out on 13 Nov

ANTARES VISION - 12M Performance



Stock Data

Reuters code: AV.MI
 Bloomberg code: AV IM

Performance	1M	3M	12M
Absolute	-10.9%	-53.5%	-65.5%
Relative	-15.1%	-53.0%	-89.7%
12M (H/L)		8.89/2.48	
3M Average Volume (th):		88.76	

Shareholder Data

No. of Ord shares (mn):	69
Total no. of shares (mn):	69
Mkt Cap Ord (Eu mn):	204
Total Mkt Cap (Eu mn):	204
Mkt Float - Ord (Eu mn):	81
Mkt Float (in %):	39.8%
Main Shareholder:	
Regolo Srl	50.7%

Balance Sheet Data

Book Value (Eu mn):	308
BVPS (Eu):	4.45
P/BV:	0.7
Net Financial Position (Eu mn):	-86
Enterprise Value (Eu mn):	299

- Disappointing results in FY22 and 1H23.** Despite double-digit organic revenue growth, profitability experienced a significant dilution, with adj. EBITDA margins dropping to 18.2% in FY22 (24.3% in FY21) amid rising electronic component prices, operating losses in Russia, and the growing burden of structural costs. 1H23 also highlighted issues linked to internal inefficiencies in Life Science installations and difficulties in passing on cost inflation, leading to a revision of FY23 guidance, which now projects margins in the 15%-16% range, down from the previous 18%. Besides, between Dec 2021 and June 2023 AV recorded a cash absorption of c.€75mn. The significant margin contraction in the last years might raise questions about the bargaining power AV enjoys toward its key large customers. However, in our view, AV remains a key technological supplier, and the recent margin loss is partly down to unprecedented market conditions (inflation and supply chain disruptions) but is partly self-inflicted (untimely negotiation of price lists, internal inefficiencies after 15 acquisitions in the last 5 years, poor internal cost monitoring). On this latter point, the recent implementation of SAP was a big burden on 1H23 but should become a tailwind from 2H23.
- New trends to navigate: digitalisation and supply chain sustainability.** The growth strategy revolves around maximizing technological infrastructure and leveraging cross-selling opportunities from the integration of acquired companies. AV aims to explore adjacent untapped sectors in the consumer field, expand into new geographical markets, and harness the growing need for traceability and inspection solutions driven by the ongoing digitalization of supply chains. Further avenues of opportunity for AV come from growing concerns on sustainability, product quality and safety. Addressable market in T&T is expected to reach \$25.3bn, a ~11% CAGR to 2027.
- Margins seen recovering in FY24-25.** We forecast revenue growing at a 2022-25 CAGR of +9%, with EBITDA margins expected to exceed 17% in FY25 (15.2% expected in FY23). Net debt is projected to approach €69mn in FY25 (€85mn in FY23E), resulting in net debt / EBITDA of 1.4x (2.3x in FY23E). Following recent disappointments, we are adopting a cautious approach to profitability and a moderate return to cash generation in 2024/2025, also factoring in the weak macro scenario.
- Initiating coverage with OUTPERFORM, TP Eu4.4.** The stock performance has been adversely impacted by the downward revision of FY23 margin guidance. Operating inefficiencies, reorganization efforts, and the introduction of SAP contributed to these challenges, denting investor confidence. In our view, management can reverse course: on our cautious estimates, AV is trading at a discount to peers, with an EV/adj. EBITDA ratio of 8.0x/6.6x for 2023E/24E, a >20% discount to the Italian cluster average. We initiate coverage with an OUTPERFORM rating and a TP of Eu4.4, resulting from the simple average of a DCF and a peer valuation. We believe a multiple rerating should be on the cards, but it is essential that the company start inverting the negative margin trend and regain stable cash flow. Our fair value reflects our cautious estimates and could have further upside.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	179	224	245	267	289
EBITDA Adj (Eu mn)	43	41	37	44	49
Net Profit Adj (Eu mn)	28	21	7	12	15
EPS New Adj (Eu) DPS (Eu)	0.433	0.308	0.101	0.170	0.219
EV/EBITDA Adj	18.8	17.2	8.0	6.6	5.7
EV/EBIT Adj	22.9	24.7	14.4	11.0	9.3
P/E Adj	6.8	9.6	29.3	17.4	13.5
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	0.6	1.8	2.3	1.8	1.4