

ANTARES VISION

Sector: Industrials

OUTPERFORM

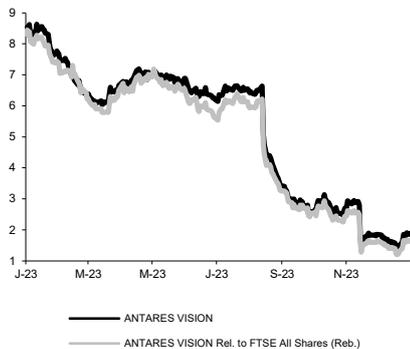
Price: Eu1.90 - Target: Eu2.40

New CEO to Drive Company Turnaround

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 4.40 to 2.40		
	2023E	2024E	2025E
Chg in Adj EPS	n.m.	-48.1%	-26.8%

ANTARES VISION - 12M Performance



Stock Data			
Reuters code:	ANV.MI		
Bloomberg code:	AV IM		
Performance	1M	3M	12M
Absolute	2.6%	-26.5%	-77.1%
Relative	1.6%	-39.2%	-92.1%
12M (H/L)	8.63/1.36		
3M Average Volume (th):	539.83		

Shareholder Data	
No. of Ord shares (mn):	69
Total no. of shares (mn):	69
Mkt Cap Ord (Eu mn):	131
Total Mkt Cap (Eu mn):	131
Mkt Float - Ord (Eu mn):	52
Mkt Float (in %):	39.8%
Main Shareholder:	
Regolo Srl	50.7%

Balance Sheet Data	
Book Value (Eu mn):	283
BVPS (Eu):	4.09
P/BV:	0.5
Net Financial Position (Eu mn):	-102
Enterprise Value (Eu mn):	242

■ **Missed 2023 guidance triggered a change in management.** Following our initiation of coverage the negative newsflow on the stock persisted: firstly there was a warning on the YE23 net debt position (delays in the collection of some receivables) then, more importantly, a reassessment of the activities of American subsidiary Rfxcel as the company embarked on an in-depth audit of contracts, revenue and trade receivables relating to the supply of Government Hubs (L5). The maximum impact on FY23 revenues was indicated at Eu25mn, resulting in a new profit warning on FY23. Finally, the company has just announced a preliminary YE23 net debt figure of Eu101mn, worse than previously-released guidance, implying a breach of debt covenants; for this reason, AV has started to renegotiate debt conditions. In the midst of this perfect storm, Mr. Mazzantini, formerly CEO of the automotive segment of the Prysmian group who boasts over 30 years' experience at the head of industrial companies and a strong managerial background, has been appointed as the new GM, and in short order (by the end of February) also CEO, to initiate the restructuring process and restore profitability and cash generation.

■ **What can we expect from the new CEO?** After a series of disappointments, not least the drastic reassessment of Rfxcel's L5 business, the new CEO must take a firm grip on costs and working capital, gain more flexibility from banks, and regain the confidence of the investment community. We anticipate that AV might obtain waivers on its debt, a necessary step to avoid the risk of what could be a highly-dilutive capital increase. Overall, we expect a further strengthening of the management structure, with the first signs of recovery already expected in 2024. AV should release a new 2024-26 strategic plan (probably in March), that might factor in a more cautious approach, with a clear focus on streamlining the workforce, rationalising the supply chain, and achieving greater product standardisation to simplify the supply process and better define the profitability of each order.

■ **Change in estimates.** Considering recent developments, and the poor visibility on the possible outcome from the audit on Rfxcel, we are trimming revenues by 12% on average, assuming a worst-case scenario on L5 (broadly cancelling any contribution in the period), and weaker growth for the remaining business; we assume a loss of Eu-15mn for L5 in FY23 vs. our previous estimate of a ~40% EBITDA margin on the ~Eu25mn revenue; we also forecast Eu10mn of extraordinary costs in FY24 for the debt renegotiation and the due diligence on Rfxcel.

■ **Valuation.** Recent business trends have raised serious concerns over the company's ability to achieve sustained growth and revealed a highly ineffective internal audit system. This has resulted in a decline in margins and significant cash absorption. On the flip side, we still believe the company is well placed and fully equipped to continue to serve important clients within the life sciences and FMCG sectors. We welcome the appointment of Mazzantini as the new CEO and General Manager, with the hope that his lengthy experience could help bring about a turning point in AV's equity story. We confirm our OUTPERFORM rating, cutting our TP to Eu2.40 in light of the new estimates.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	179	224	219	232	246
EBITDA Adj (Eu mn)	43	41	13	29	36
Net Profit Adj (Eu mn)	28	21	-6	6	11
EPS New Adj (Eu)	0.433	0.308	-0.092	0.088	0.160
EPS Old Adj (Eu)	0.433	0.308	0.101	0.170	0.219
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	18.8	17.2	nm	8.2	6.5
EV/EBIT Adj	22.9	24.7	nm	16.8	11.2
P/E Adj	4.4	6.2	nm	21.6	11.9
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	0.6	1.8	8.1	3.5	2.7