

AVIO

Sector: Industrials

OUTPERFORM

Price: Eu24.10 - Target: Eu34.00

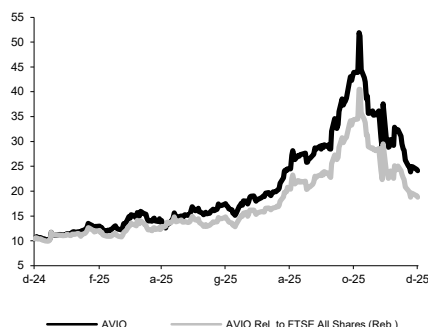
Stronger on the Launchpad: ESA Funding and Capital Raise Reignite Avio

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Stock Rating

Rating:	from NEUTRAL to OUTPERFORM		
Target Price (Eu):	from 43.00 to 34.00		
	2025E	2026E	2027E
Chg in Adj EPS	5.0%	-17.7%	-17.6%

AVIO - 12M Performance



Stock Data

Reuters code:	AVI.MI		
Bloomberg code:	AVIO IM		
Performance	1M	3M	12M
Absolute	-21.8%	-17.4%	131.0%
Relative	-22.2%	-21.3%	103.0%
12M (H/L)	51.93/10.16		
3M Average Volume (th):	824.68		

Shareholder Data

No. of Ord shares (mn):	47
Total no. of shares (mn):	47
Mkt Cap Ord (Eu mn):	1,128
Total Mkt Cap (Eu mn):	1,128
Mkt Float - Ord (Eu mn):	913
Mkt Float (in %):	81.0%
Main Shareholder:	
Leonardo	19.0%

Balance Sheet Data

Book Value (Eu mn):	693
BVPS (Eu):	25.50
P/BV:	0.9
Net Financial Position (Eu mn):	482
Enterprise Value (Eu mn):	88

- **ESA Ministerial Council Delivers Record Funding Boost:** The 2025 ESA Ministerial Council in Bremen closed with an unprecedented €22bn commitment for the next three years (vs. ~€17bn previously), with Member States covering almost the full ESA ask - a step up from the historical ~90% subscription rate. Italy raised its contribution to ~€3.5bn (from €3.1bn in 2022), reinforcing national support. This is positive news, as the ESA generally acts on a geo-return basis, meaning this money will come back into the coffers of Italian sector companies with various contracts that will be signed over the next three years. Crucially for Avio, Space Transportation saw a major uplift to €4.4bn (from ~€3bn), albeit with ~€900m earmarked for the new "European Launcher Challenge," which will foster future competitors to the Vega/Ariane duopoly. Avio typically discloses its expected allocation shortly after the event: it secured ~€700m in the last Ministerial Council (a record) and ~€500m in the one before. We expect a figure in the €500-700m range, with any number above €700m providing potential upside to our estimates.
- **Capital raise successfully completed:** Avio has successfully completed its ~€400mn rights issue, with all ~19.6mn new shares subscribed. Notably, the transaction closed without any recourse to the underwriting syndicate, highlighting strong investor demand. As for its main shareholder, Leonardo ultimately sold a 9.4% stake via an ABB, after weeks of uncertainty around its intentions, while subscribing the capital raise in full for its remaining ~19% stake.
- **Successful VV28 mission:** Vega C completed the VV28 mission with a nominal delivery of KOMPSAT-7, reaffirming the launcher's reliability. The key takeaway is that this was the last Vega C mission operated by Arianespace. Beginning with VV29, Avio will assume full responsibility as Launch Service Operator.
- **Estimates broadly confirmed, only adjusted to reflect new number of shares:** we are only tweaking our 2025 P&L forecasts, with our top line forecasts still well above the upper end of the (confirmed) guidance range for both revenues and the order backlog. Estimates for the final years remain unchanged for now, pending greater visibility on allocations from the ESA Ministerial Council and potential updates on Avio's US expansion (new customers, new programmes). However, we are revising our per-share figures downwards to reflect the higher-than-expected number of newly-issued shares.
- **Upgrade to OUPERFORM; TP €34.0.** We are upgrading the stock to OUTPERFORM as we believe that, following the significant price correction from the highs reached after the announcement of the capital raise, the risk-reward profile has become more compelling. This is particularly true considering the potential upside elements that are not yet included in either our estimates or the company's business plan (mainly the doubling of the US plant, the receipt of government grants, and higher funding from the ESA Ministerial Council). We do not foresee any material risks on our estimates stemming from a potential peace agreement in Ukraine, as demand in the coming years will primarily be driven by the replenishment of inventories depleted during the conflict, both in Europe and the US, and to address new clients. The company is well placed to capture this opportunity. We are lowering our target price from €43.0 to €34.0 to reflect the actual number of shares following the capital raise.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	339	442	522	600	678
EBITDA Adj (Eu mn)	28	31	35	35	36
Net Profit Adj (Eu mn)	12	10	12	10	10
EPS New Adj (Eu)	0.443	0.373	0.454	0.224	0.221
EPS Old Adj (Eu)	0.443	0.373	0.432	0.273	0.268
DPS (Eu)	0.240	0.148	0.223	0.106	0.104
EV/EBITDA Adj	1.3	2.3	2.5	17.9	21.7
EV/EBIT Adj	2.8	5.3	5.8	nm	nm
P/E Adj	54.4	64.6	53.1	nm	nm
Div. Yield	1.0%	0.6%	0.9%	0.4%	0.4%
Net Debt/EBITDA Adj	-2.7	-2.9	-13.7	-12.0	-7.2

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- 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)

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Frequency of research: quarterly.

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

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

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:	31.82%
OUTPERFORM:	38.64%
NEUTRAL:	28.78%
UNDERPERFORM:	00.76%
SELL:	00.00%

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BUY:	50.65%
OUTPERFORM:	31.17%
NEUTRAL:	16.88%
UNDERPERFORM:	01.30%
SELL:	00.00%

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