

AVIO

Sector: Industrials

OUTPERFORM

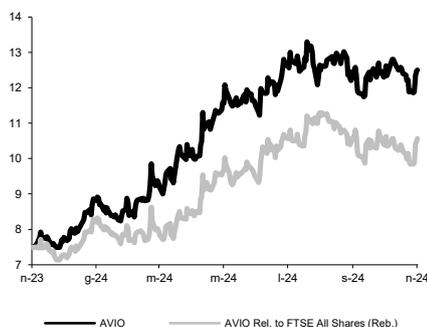
Price: Eu12.50 - Target: Eu14.00

Solid 3Q. The project in the USA takes another step forward

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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	0.8%	0.0%	66.7%
Relative	0.5%	-6.3%	48.1%
12M (H/L)	13.30/7.49		
3M Average Volume (th):	31.54		

Shareholder Data	
No. of Ord shares (mn):	27
Total no. of shares (mn):	27
Mkt Cap Ord (Eu mn):	339
Total Mkt Cap (Eu mn):	339
Mkt Float - Ord (Eu mn):	141
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):	286

- 3Q above estimates.** Avio reported results that were somewhat stronger than expected, especially for the top line, thus boosting visibility on the 2024 forecast. As expected, the quarter featured strong growth of turnover thanks to technology development projects (NextGen EU) and defence propulsion production, leading to turnover of Eu97.3mn, up 49.3%, much more than the 24.7% YoY expected. As the margin was broadly aligned to our estimate but on a much higher revenue base, adj. EBITDA came to Eu5.3mn, above our Eu4.4mn estimate, a remarkable improvement vs Eu3.6mn registered last year. As no significant deals were announced in the quarter, the order book was down slightly QoQ to Eu1.348bn (in line with our est.). Finally, the net cash position as at the end of September decreased almost to balance, but this was only a matter of timing, as on October 2nd the net cash position increased again to Eu30mn.
- Further progress in the US.** Avio USA has announced that it will partner with ACMI Properties to develop its first production plant for solid fuel motors in the United States. This investment aims to create an American industrial facility to handle growing demand from the defence and aerospace sectors. The plant will make solid fuel motors for the defence and aerospace industries. Avio USA and ACMI are currently looking at various sites, with a final decision expected by the first half of 2025. This announcement came sooner than we had expected, suggesting that the development of new solutions for the American market could take place more quickly than is usual in the business. We expect production of solid fuel motors for Raytheon and the Army to be fully up and running in ~3 years. The size of the investment for the new plant is not yet known and could vary significantly based on co-investments by partners and potential incentives.
- Estimates confirmed.** Management confirmed FY guidance, forecasting an order book of Eu1.5-1.6bn at the end of the year (the figure may benefit from important orders in 4Q, such as the defence order from Poland), net revenues of Eu370-390mn, reported EBITDA of Eu21-Eu26mn (implying adjusted EBITDA of between Eu28mn and Eu33mn, bearing in mind Eu7mn of non-recurring costs) and net profit of Eu6-Eu10mn. We confirm our estimates, which are aligned to company guidance (also consensus aligned), merely fine-tuning the top line to reflect the stronger 3Q. Our estimates do not yet incorporate any upside from the US deals, pending further details, but by order of magnitude we think the revenues from the US may add more than Eu100mn turnover once up and running (at least 3 years from now), with a nice margin attached.
- OUTPERFORM; target to Eu14.0.** We confirm our positive view on the stock based on the expectation of a steady improvement in numbers and a continuation of the solid order intake momentum, especially in Tactical Propulsion, also thanks to the new partnership in the US, which is potentially a game changer for Avio. 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 December 3rd, 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	390	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	0.700
DPS (Eu)	0.000	0.240	0.149	0.286	0.371
EV/EBITDA Adj	7.1	5.1	9.2	7.7	6.3
EV/EBIT Adj	22.9	11.1	20.3	16.2	13.2
P/E Adj	57.3	28.2	28.4	21.8	17.9
Div. Yield	0.0%	1.9%	1.2%	2.3%	3.0%
Net Debt/EBITDA Adj	-2.7	-2.7	-0.9	-1.0	-1.0

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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)

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.

Reports on all companies listed on the S&P500 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

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;

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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As at 30 September 2024 Intermonte's Research Department covered 125 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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