

# AVIO

Sector: Industrials

**NEUTRAL**

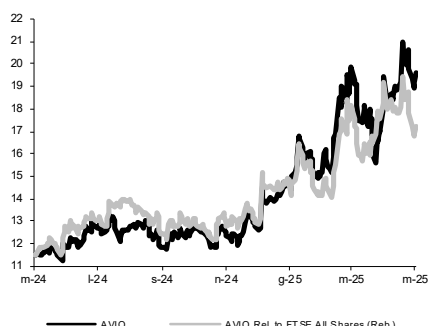
Price: Eu19.60 - Target: Eu21.00

## Execution on Track, Guidance Confirmed; Eyes on US and ESA Catalysts

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2025E	2026E	2027E
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%	28.9%	69.8%
Relative	-11.9%	22.6%	55.9%
12M (H/L)	21.00/11.22		
3M Average Volume (th):	213.82		

Shareholder Data	
No. of Ord shares (mn):	27
Total no. of shares (mn):	27
Mkt Cap Ord (Eu mn):	532
Total Mkt Cap (Eu mn):	532
Mkt Float - Ord (Eu mn):	221
Mkt Float (in %):	41.5%
Main Shareholder:	
Leonardo	29.6%

Balance Sheet Data	
Book Value (Eu mn):	307
BVPS (Eu):	11.31
P/BV:	1.7
Net Financial Position (Eu mn):	74
Enterprise Value (Eu mn):	451

■ **Strong start to the year:** Avio has reported 1Q25 results that came in ahead of our expectations. Numbers are relatively small, however, as the first quarter is typically the least significant of the year, usually contributing around 10% of full-year EBITDA. Revenues rose to €108mn, up 37% YoY and well above our €85.9mn forecast. This was driven by increased production, supported by the return to flight of Vega and the maiden launch of Ariane 6. Adjusted EBITDA was €4.8mn vs. our €3.9mn estimate, with margins broadly stable at 4.4%. Adjusted EBIT improved to €-0.1mn, beating our €-0.9mn forecast and showing a €1mn improvement over the prior year despite higher D&A. Net cash stood at €59mn, largely in line with expectations, but down €31mn QoQ due to the typical pass through of cash to subcontractors and suppliers after advance payments received in 2024. The order backlog reached €1,708mn, slightly above forecast, thanks to €90mn in new orders—primarily related to Vega (c.€76mn) and Ariane (c.€14mn) activities—well ahead of our €50mn expectation.

■ **Constructive feedback from the conference call.** During the conference call, Avio's management provided key strategic updates. The US plant project remains on track and it will take around three years to become operational. Discussions with clients are ongoing, with order timing affected by the change in the US administration. Nonetheless, management expects increased order activity in 2Q and 3Q, both from the US and from MBDA in Europe, targeting around €100mn in defence revenues for 2025 (in line with our estimates). Avio clarified that systems produced for the US Army will be deployed in Europe, avoiding export or tariff issues. Regarding the upcoming ESA ministerial conference, management noted ongoing discussions around further Vega C development to strengthen industrial capacity and improve launch frequency. While funding may be slightly below prior levels, management expressed confidence in continued institutional support and alignment on key objectives.

■ **2025 guidance confirmed.** Management has confirmed its 2025 guidance, which points to an order book ranging from €1,700mn to €1,800mn (broadly stable YoY thanks to new orders from the defence propulsion business), net revenues between €450mn and €480mn, adj. EBITDA between €30mn and €36mn, and net profit in the €7mn to €10mn range, penalised by a rising tax rate. At this stage we are confirming our estimates, which are aligned to the high end of guidance for revenues and net income, while broadly at the mid-point for the order backlog and adjusted EBITDA.

■ **NEUTRAL confirmed; target unchanged at €21.0:** Avio presents multiple future opportunities that are not yet fully reflected in our estimates and could generate additional value for shareholders. The company is well-placed in a strategic sector with strong long-term growth drivers, and potential upside could emerge from new projects, technological advancements, and increased institutional and commercial demand for its propulsion systems. However, following the recent stock rally, we believe the current valuation fairly captures the company's short-medium term prospects. We will keep monitoring further developments, and would be ready to adopt a more positive stance again if new material opportunities materialise and Avio provides greater details on their financial impact.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	339	442	479	554	614
EBITDA Adj (Eu mn)	28	31	34	43	52
Net Profit Adj (Eu mn)	12	10	12	16	22
EPS New Adj (Eu)	0.443	0.373	0.446	0.585	0.821
EPS Old Adj (Eu)	0.443	0.373	0.446	0.585	0.821
DPS (Eu)	0.240	0.148	0.218	0.302	0.444
EV/EBITDA Adj	5.7	6.7	13.1	10.7	8.7
EV/EBIT Adj	12.6	15.2	29.4	22.2	15.6
P/E Adj	44.2	52.6	44.0	33.5	23.9
Div. Yield	1.2%	0.8%	1.1%	1.5%	2.3%
Net Debt/EBITDA Adj	-2.7	-2.9	-2.1	-1.6	-1.4

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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 between 5.5%-6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P/IB40 Index, most of those on the MIBEX 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 31 March 2025 Intermonte's Research Department covered 131 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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