

# CIVITANAVI SYSTEMS

**BUY**

Sector: Industrials

Price: Eu3.68 - Target: Eu4.70

## Convincing 1Q23 Figures, FY23 Guidance Confirmed

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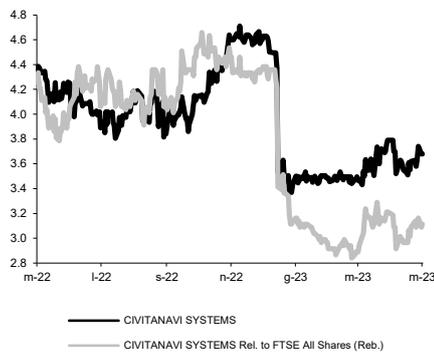
### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	Unchanged		
	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>Chg in Adj EPS</b>	0.0%	0.0%	0.0%

### Next Event 1H23 results

Results Out 21 September 2023

### CIVITANAVI SYSTEMS - 12M Performance



### Stock Data

 Reuters code: CNS.MI  
 Bloomberg code: CNS IM

Performance	1M	3M	12M
Absolute	-2.9%	5.6%	-13.6%
Relative	-3.4%	6.4%	-32.1%
12M (H/L)	4.71/3.37		
3M Average Volume (th):	9.66		

### Shareholder Data

No. of Ord shares (mn):	31
Total no. of shares (mn):	31
Mkt Cap Ord (Eu mn):	113
Total Mkt Cap (Eu mn):	113
Mkt Float - Ord (Eu mn):	31
Mkt Float (in %):	27.4%
Main Shareholder:	
Civitanavi Systems Ltd	72.6%

### Balance Sheet Data

Book Value (Eu mn):	46
BVPS (Eu):	1.49
P/BV:	2.5
Net Financial Position (Eu mn):	21
Enterprise Value (Eu mn):	92

■ **1Q23 revenues up 29% YoY, better than expected.** In 1Q23, Civitanavi recorded operating revenues of Eu8.0mn, +29% YoY and 6.7% better than our estimates. With reference to operating revenues, net of the change in finished and semi-finished product inventories, the growth was 20% YoY. With the exception of revenues from royalties, all other types of revenues recorded significant growth compared to the previous period. At the business segment level, Aerospace&Defence recorded revenues of Eu4.7mn, +11.4% YoY and 2% below expectations, while Industrial recorded revenues of Eu1.6mn, up 32% YoY and 3.8% better than expected. Geographically, all revenue growth came from the EMEA area which accounted for 87% of the total (from 71% in 1Q22); the USA recorded a negative contribution of Eu185,000 mainly linked to the sharing of development costs for the product made for Honeywell (revenues have been adjusted on the basis of the reconciliation of the expenses incurred at the date of signing of the contract). In the press release, the company reaffirms the strategic importance of the contract with Honeywell. Finally, the BoD approved an 18-month buyback plan up to a maximum value of Eu24mn (or 20% of the capital).

■ **2023 guidance confirmed in light a of strong order collection.** From the start of 2023 to 9 May 2023, CNS picked up orders worth Eu20.4mn, up 72% YoY. As reported in the quarterly financial statement, the company confirms the FY23 guidance communicated to the market during the approval of the 2023 Budget (which took place on December 22, 2022). We remind that targets point to revenues of Eu42-Eu46mn of revenues, with an adj. EBITDA margin of 29%, in line with FY22. Looking ahead to 2024, despite the current tough scenario (semiconductor shortages) the company remains confident of achieving strong, sustainable growth. On 5 May 2023, CNS finalised the acquisition of a 30% stake in PV-Labs Ltd, based in Canada, for \$2.5mn. The accord foresees a call option on the remaining 70% exercisable within 5 years. According to the press release, this deal broadens the core market for CNS from \$4.5bn in inertial systems in 2027 to a market that surpasses \$25.8bn.

■ **Estimates confirmed.** Our 2023 revenue forecast is consistent with the low end of management guidance. For the time being, we leave our estimate unchanged (seasonality is stronger in 2H) but we consider the indication on newly-acquired orders to be encouraging. On the other hand, to the best of our knowledge, so far the supply chain has not shown meaningful improvements in terms of pricing and the lead-in time to source key components.

■ **BUY confirmed; target Eu4.7.** 1Q23 revenues were better than expected. We particularly welcome the update on new orders and confirmation of guidance. We remain positive on the stock as we consider Civitanavi to be well placed to capture growth, especially in the global defence market, driven by rising military spending and growing demand for ITAR-free procurement. Additional opportunities might arise during the year, including potentially through M&A.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	24	34	43	55	69
EBITDA Adj (Eu mn)	8	10	12	16	21
Net Profit Adj (Eu mn)	4	8	7	10	13
EPS New Adj (Eu)	0.127	0.247	0.242	0.310	0.429
EPS Old Adj (Eu)	0.127	0.247	0.242	0.310	0.429
DPS (Eu)	0.000	0.130	0.100	0.110	0.120
EV/EBITDA Adj		10.4	7.5	5.7	4.5
EV/EBIT Adj		11.7	8.9	7.1	5.6
P/E Adj	29.1	14.9	15.2	11.9	8.6
Div. Yield	0.0%	3.5%	2.7%	3.0%	3.3%
Net Debt/EBITDA Adj	0.4	-2.5	-1.7	-1.2	-1.0