

CIVITANAVI SYSTEMS

BUY

Sector: *Industrials*

Price: Eu4.72 - Target: Eu5.80

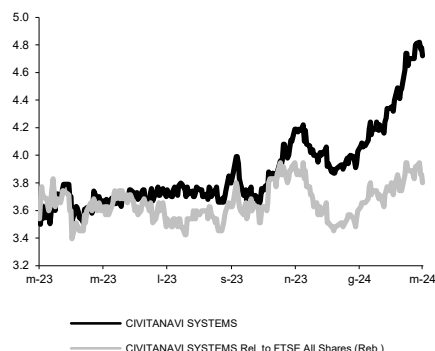
Excellent Delivery On FY Targets Supports Our Positive View

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 4.80 to 5.80		
	2024E	2025E	2026E
Chg in Adj EPS	0.1%	0.1%	

Next Event 1Q24 Revenues
Results Out 9 May 2024

CIVITANAVI SYSTEMS - 12M Performance



Stock Data			
Reuters code:	CNS.MI		
Bloomberg code:	CNS IM		
Performance	1M	3M	12M
Absolute	8.5%	20.4%	33.3%
Relative	1.1%	9.5%	9.3%
12M (H/L)	4.82/3.50		
3M Average Volume (th):	16.42		

Shareholder Data	
No. of Ord shares (mn):	31
Total no. of shares (mn):	31
Mkt Cap Ord (Eu mn):	145
Total Mkt Cap (Eu mn):	145
Mkt Float - Ord (Eu mn):	40
Mkt Float (in %):	27.4%
Main Shareholder:	
Civitanavi Systems Ltd	72.6%

Balance Sheet Data	
Book Value (Eu mn):	56
BVPS (Eu):	1.83
P/BV:	2.6
Net Financial Position (Eu mn):	22
Enterprise Value (Eu mn):	123

■ **FY23 results better than expected.** Civitanavi's FY23 operating revenues came in at Eu45.0mn, up 32.0% YoY and 4.8% above our Eu42.7mn estimate, which was aligned with the lower end of management's guidance (Eu42-46mn). Revenue performance was supported by a greater contribution from the Aerospace and Defence division (+35.9% YoY to Eu35.8mn) but also Industrial revenues were up 24.7% YoY to Eu7.4mn. Adj. EBITDA was Eu13.1mn, up 32% YoY, with the margin on sales flat at 28.5%. The sequential margin increase (EBITDA margin from 20.4% in 1H23 to 35.6% in 2H23) came from a rebalancing of the revenue mix: engineering services normalised at about 16% of the total in FY23 from just 8% in 1H23. In terms of reported numbers, as foreseen, non-recurring costs came to Eu5mn, mainly related to the stock option plan, a non-cash cost as it was borne financially by the holding company. Below EBITDA, D&A and financial charges were lower than expected, bringing net profit to Eu4.4mn vs. the Eu4.2mn forecast. Net cash as at YE23 was Eu22.5mn, well above our forecast: this figure reflects the acquisition of the stake in PV Labs (Eu2.3mn) and the dividend payment (Eu4.0mn) but also FCF of Eu4.3mn (including CapEx of Eu6mn). The board has proposed payment of a Eu4mn dividend (Eu0.13 per share) in May 2024. In FY23, the order intake reached Eu47.5mn, an increase of 16% on FY22 (book to bill 1.03x). As at YE23, the hard backlog was Eu30.1mn, +24% YoY.

■ **Solid order intake is a good indicator going into 2024.** Management did not provide FY guidance but provided a number of positive updates. The current market environment is particularly supportive for a European-based equipment manufacturer. In 2023 Civitanavi started working with 12 new customers, a qualitative measure that gives the idea of steadily-growing brand recognition. The group product "onebox" is in the engagement phase with a first key customer. Finally, management has recently opened a new facility in the aerospace and defence district close to Bristol in the United Kingdom, another step forward for CNS that continues to support BAE Systems's GCAP programme.

■ **Estimates confirmed.** Our FY24 and FY25 estimates already seem consistent with management comments. Management did not provide guidance for the time being, but said the company has got off to a good start in 1Q24. The FY23 EBITDA margin of 29% seems sustainable going forward.

■ **BUY; target from Eu4.8 to Eu5.8.** 4Q23 revenues were better than expected and confirmed the improving trend in engineering services, an important driver for margins. We remain positive on the stock, raising our target price to Eu5.8 thanks to lower risk-free rates (-0.5%) and the roll-over of the one-year forward valuation. 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.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	34	46	56	69	83
EBITDA Adj (Eu mn)	10	13	16	21	25
Net Profit Adj (Eu mn)	8	8	10	13	17
EPS New Adj (Eu)	0.247	0.262	0.311	0.429	0.551
EPS Old Adj (Eu)	0.247	0.242	0.310	0.429	
DPS (Eu)	0.130	0.130	0.130	0.130	0.130
EV/EBITDA Adj	10.4	7.0	7.5	5.9	4.8
EV/EBIT Adj	11.7	8.1	9.3	7.3	5.8
P/E Adj	19.1	18.0	15.2	11.0	8.6
Div. Yield	2.8%	2.8%	2.8%	2.8%	2.8%
Net Debt/EBITDA Adj	-2.5	-1.7	-1.4	-1.1	-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.

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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.

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OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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