

CIVITANAVI SYSTEMS

BUY

Sector: Industrials

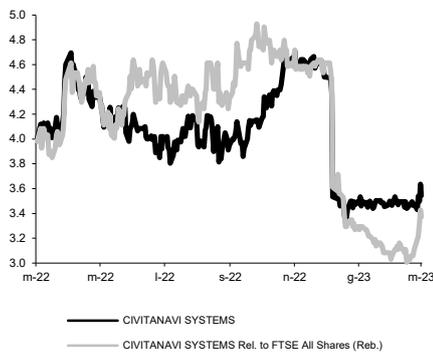
Price: Eu3.54 - Target: Eu4.70

Good 2022 Results, FY23 Guidance Confirmed

Andrea Randone +39-02-77115.364
 andrea.randone@intermonte.it

| Stock Rating | | | |
|--------------------|-----------|-------|-------|
| Rating: | Unchanged | | |
| Target Price (Eu): | Unchanged | | |
| | 2023E | 2024E | 2025E |
| Chg in Adj EPS | 1.5% | 1.0% | |

CIVITANAVI SYSTEMS - 12M Performance



| Stock Data | | | |
|-------------------------|-----------|--------|--------|
| Reuters code: | CNS.MI | | |
| Bloomberg code: | CNS IM | | |
| Performance | 1M | 3M | 12M |
| Absolute | 2.3% | -21.2% | -10.9% |
| Relative | 10.3% | -28.6% | -15.6% |
| 12M (H/L) | 4.71/3.37 | | |
| 3M Average Volume (th): | 14.48 | | |

| Shareholder Data | |
|---------------------------|-------|
| No. of Ord shares (mn): | 31 |
| Total no. of shares (mn): | 31 |
| Mkt Cap Ord (Eu mn): | 109 |
| Total Mkt Cap (Eu mn): | 109 |
| Mkt Float - Ord (Eu mn): | 30 |
| 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: | 2.4 |
| Net Financial Position (Eu mn): | 21 |
| Enterprise Value (Eu mn): | 88 |

■ **FY22 results better than expected.** Civitanavi's FY22 operating revenues came in at Eu34.1mn, up 36.5% YoY and 8.4% above our Eu32mn FY22 estimate, which was aligned with management guidance (we note that on 28 October 2022 management revised guidance for 2022 revenues from Eu35mn to Eu32mn due to a lower expected contribution from the industrial business resulting from import/export problems with an Australian client). Despite the slowdown in the Industrial division (-30.6% YoY to Eu6.0mn), revenue performance was supported by a greater contribution from the Aerospace and Defence division (+71.1% YoY to Eu26.3mn) thanks to certain projects, initially planned for 2023, being brought forward to 2022 by client request. Adj. EBITDA was Eu9.9mn, up 24.5% YoY, with c.300bp of margin dilution attributable to the rise in energy costs, inflation, and prolonged shortages of electronic components. Below EBITDA, D&A, financial charges, and tax rate were lower than expected, bringing net profit to Eu7.0mn vs. the Eu4.9mn forecast. Net cash as at YE22 was Eu24.5mn compared to net debt of Eu2.9mn as at YE21, mainly thanks to the IPO proceeds (Eu22mn) and FCF of Eu6.1mn (including a Eu2.5mn NWC reduction and CapEx of Eu7mn). The board has proposed payment of a Eu4mn dividend (Eu0.13 per share) in May 2023. In FY22, order intake reached Eu41.0mn, an increase of 38% on FY21 (book to bill at 1.2x). As at YE22, the hard backlog was Eu24.3mn, +31% YoY.

■ **2023 guidance confirmed.** From the start of 2023 to 16 March, CNS picked up orders worth Eu16.7mn. For FY23 management confirmed guidance released in December 2022 for Eu42-Eu46mn of revenues, with an adj. EBITDA margin of 29%, in line with FY22. Unfortunately, the supply chain is showing no sign of improvements in terms of pricing and the lead-in time to source key components. The dividend distribution was proposed in light of healthy FCF generation; in the coming year CNS aims to continue to distribute part of its FCF to shareholders. Looking ahead to 2024, despite the current tough scenario (semiconductor shortages) the company remains confident of achieving strong, sustainable growth. CNS has received the green light from Canadian authorities to finalise the acquisition of a minority stake in PV Labs; closing should be announced soon.

■ **Updated estimates.** Our 2023 revenue and EBITDA forecasts were consistent with management guidance, confirmed in the FY22 results presentation. We are leaving our estimates unchanged for the time being, even though we consider the indication on newly-acquired orders to be encouraging. In terms of reported results, our 2023 estimates now factor in the Eu4.4mn figurative costs associated with the stock compensation scheme promoted by the parent company Civitanavi Systems Ltd (this non-cash item has been restated at EPS level). The company did not set a dividend policy, in our forecast we have modelled a lower payout in the coming years.

■ **BUY confirmed; target Eu4.7.** FY22 results were better than expected. We particularly welcome the update on new orders in the first 10 weeks of 2023 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) | 0.159 | 0.176 | 0.239 | 0.307 | |
| DPS (Eu) | 0.000 | 0.130 | 0.100 | 0.110 | 0.120 |
| EV/EBITDA Adj | | 10.4 | 7.1 | 5.5 | 4.3 |
| EV/EBIT Adj | | 11.7 | 8.5 | 6.8 | 5.3 |
| P/E Adj | 28.0 | 14.4 | 14.6 | 11.4 | 8.3 |
| Div. Yield | 0.0% | 3.7% | 2.8% | 3.1% | 3.4% |
| Net Debt/EBITDA Adj | 0.4 | -2.5 | -1.7 | -1.2 | -1.0 |