

# CIVITANAVI SYSTEMS

**BUY**

Sector: Industrials

Price: Eu3.79 - Target: Eu4.80

## Supportive 1H23 Figures, FY23 Guidance Confirmed

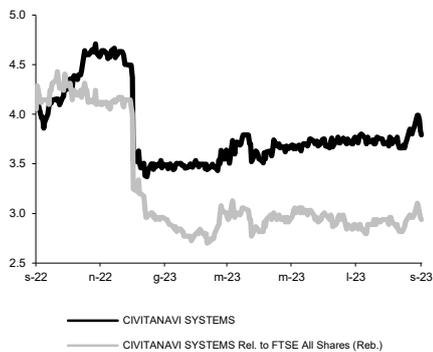
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### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 4.70 to 4.80		
	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>Chg in Adj EPS</b>	-0.1%	0.0%	0.0%

**Next Event 9M23 revenues**  
 Results Out 7 November 2023

### CIVITANAVI SYSTEMS - 12M Performance



### Stock Data

Reuters code:	CNS.MI		
Bloomberg code:	CNS IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	3.0%	1.1%	-6.4%
Relative	1.9%	-2.3%	-35.3%
12M (H/L)	4.71/3.37		
3M Average Volume (th):	5.64		

### Shareholder Data

No. of Ord shares (mn):	31
Total no. of shares (mn):	31
Mkt Cap Ord (Eu mn):	117
Total Mkt Cap (Eu mn):	117
Mkt Float - Ord (Eu mn):	32
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):	19
Enterprise Value (Eu mn):	97

- Total 1H23 revenues came to Eu21.7mn, up 60% YoY and 20% better than expected.** A major contribution to this positive surprise came from the resale of a significant number of kits for navigation systems to a major aerospace and defence sector client. These revenues are relatively low-margin, but should facilitate future commercial relations with an international player with very high growth potential and, above all, should lead to significant deferred profitability in subsequent years, deriving from the royalties that the group will receive from that client following the sale of products containing the kit. In 1H23, adjusted EBITDA came to Eu4.4mn, +12% YoY, in line with our estimates, albeit with a lower EBITDA margin. Margin dilution was attributable to the aforementioned unfavourable revenue mix as well as start-up costs for the new production site in the UK (c.Eu0.4mn). In terms of reported numbers, as foreseen, non-recurring costs came to Eu4.4mn, mainly related to the stock option plan, a non-cash cost as it was borne financially by the holding company. As at the end of June, net debt came to Eu13.5mn, down Eu11.0mn vs. December 2022 due to the acquisition of the stake in PV Labs (Eu2.3mn), the dividend payment (Eu4.0mn), and working capital absorption.
- 2023 guidance confirmed in light of strong order intake.** In light of results and fast-growing order intake (Eu24.7mn, +72% YoY as of 30 June 2023, Eu30.9mn as of 21 September 2023), management confirmed FY revenue guidance in the Eu42-46mn range and an approximately 29% adjusted EBITDA margin. The sharp increase in margins that is expected (the EBITDA margin should go from 20.4% in 1H23 to >35% in 2H23) should come from a rebalancing of the revenue mix: engineering services, a high-margin business, generated just 8% of revenues in 1H23 (vs. 29% in 1H22), but is expected to normalise in a 20-25% range in FY23. Positively, in September, the company announced the launch of a new inertial measurement unit for the industrial and defence sectors in conjunction with Honeywell. Also in September, CNS announced the opening of a new facility in the aerospace and defence district close to Bristol in the United Kingdom to design and produce inertial systems that are 100% made in the UK. CNS continues to support BAE Systems' Tempest programme.
- Estimates confirmed.** Our 2023 revenue forecast is aligned to the low end of management guidance, while we are in line with guidance for the adjusted EBITDA margin (29%). We are leaving our estimates unchanged as 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 pricing and lead time for sourcing key components.
- BUY confirmed; target Eu4.8 from Eu4.7.** 1H23 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.

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	7.9	6.0	4.8
EV/EBIT Adj		11.7	9.4	7.5	5.9
P/E Adj	29.9	15.3	15.6	12.2	8.8
Div. Yield	0.0%	3.4%	2.6%	2.9%	3.2%
Net Debt/EBITDA Adj	0.4	-2.5	-1.6	-1.1	-0.9

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