

LEONARDO

Sector: *Industrials*

OUTPERFORM

Price: Eu54.00 - Target: Eu63.00

3Q25 Results Preview. Target Price Raised to Eu63

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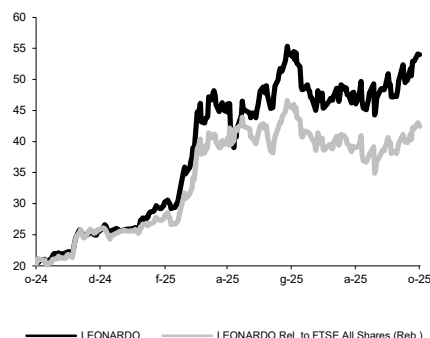
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 58.00 to 63.00		
	2025E	2026E	2027E
Chg in Adj EPS	-3.3%	10.3%	5.9%

Next Event

3Q25 Results out on 5 November

LEONARDO - 12M Performance



Stock Data

Reuters code:	LDOF.MI		
Bloomberg code:	LDO IM		
Performance	1M	3M	12M
Absolute	6.0%	19.0%	165.2%
Relative	4.6%	10.3%	138.1%
12M (H/L)	55.34/20.38		
3M Average Volume (th):	3,276.12		

Shareholder Data

No. of Ord shares (mn):	578
Total no. of shares (mn):	578
Mkt Cap Ord (Eu mn):	31,220
Total Mkt Cap (Eu mn):	31,220
Mkt Float - Ord (Eu mn):	21,792
Mkt Float (in %):	69.8%
Main Shareholder:	
Italian Treasury	30.2%

Balance Sheet Data

Book Value (Eu mn):	9,600
BVPS (Eu):	16.60
P/BV:	3.3
Net Financial Position (Eu mn):	-1,102
Enterprise Value (Eu mn):	32,323

■ **3Q25 results to be released on 5 November.** Leonardo will disclose 3Q25 results on 5 November, with a conference call scheduled for 5pm CET the same day. We expect figures to be consistent with FY25 targets, after orders (mid-point +7%), and FCF (mid-point +9%) were raised in July with the 1H25 release and net debt was improved slightly (by Eu100mn, from Eu1.6bn net debt including Eu500mn of M&A provisions to Eu1.1bn net debt including a Eu100mn M&A provision). Our estimates: 3Q25 orders Eu5.85bn (we assume a Eu1.5bn jumbo contract on Eurofighters, reflected in the company's FY guidance, to be booked in 3Q25) up 32% YoY, revenues Eu4.43bn, up 8% YoY, EBITA Eu323mn, up 23% YoY with a 7.3% margin vs. 6.4% in 3Q24, net profit of Eu180mn (9M25 Eu722mn), up 3% YoY, FOCF negative for Eu25mn due to seasonal working capital absorption in 3Q (Eu-48mn in 3Q24), and net debt of Eu2.30bn, down over Eu0.8bn vs. September 2024 (Eu3.12bn).

■ **Focus on updates to commercial outlook, strategic alliances, M&A.** Results should be consistent with FY targets. In our view, focus in the call will be on: 1) Space business, following recent press reports that talks are underway for the creation of a European JV bringing together the space activities of Airbus, Thales and Leonardo; 2) update on the aerospace business after management said an MoU with an undisclosed partner will go ahead, with the partnership plan (commercial and industrial synergies) and the definition of governance of the JV to be completed by year-end; 3) update on GCAP, and the JVs with Baykar on drones and with Rheinmetall on terrestrial defence, after Leonardo acquired IDV to accelerate the strategy of multi-domain-enabled platforms. Moreover, Rheinmetall is likely to acquire IDV's military truck platform from Leonardo in a second step. Finally, the development of laser technology for air defence and any updates on potential acquisitions (mainly in cyber) will also be of interest.

■ **Estimates vs. guidance.** We are making minor changes to estimates (EPS -3% for FY25E and +7% on average in FY26-29E due to a higher order intake) with DPS now assumed up 8% per year vs. flat previously. Our estimates are broadly in line with 2025 guidance as revised after 1H25 results, with orders seen at Eu22.65bn (guidance mid-point Eu22.5bn), EBITA seen at Eu1.67bn (Eu1.66bn), FCF at Eu853mn (Eu850mn), and net debt at Eu1.10bn (Eu1.1bn including a Eu100mn buffer for M&A).

■ **OUTPERFORM; target price Eu63 (from Eu58).** Leonardo has a strong positioning in Europe in electronics for defence and security and will benefit from increasing spending at European level, with an estimated Eu4-6bn of potential upside to the FY29 revenue target of Eu24bn (company revenue Eu30bn from Eu19bn today). While accelerating competitiveness through strategic alliances, the group is developing technologies based on high performance computing, cloud, artificial intelligence, and cyber (LHyC), which form the basis of a business model that is increasingly focused on the technological component over manufacturing. The structural fix of aerostructures through the set-up of a JV with an international partner, reorganisation in the European space sector, and alliances in land defence (40% of targeted EU spending) are positive valuation catalysts. In our view, this supports visibility on the medium/long-term earnings trend that is not captured by short-term multiples. Our TP of Eu63 (previously Eu58) is based on a FY26E P/E of 27x (the sector trades at 34x) vs. an estimated 2026-30 EPS CAGR of 27%.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	15,982	17,763	19,021	20,397	22,006
EBITDA Adj (Eu mn)	1,911	2,219	2,368	2,720	3,111
Net Profit Adj (Eu mn)	756	773	989	1,355	1,617
EPS New Adj (Eu)	1.314	1.344	1.719	2.356	2.810
EPS Old Adj (Eu)	1.314	1.344	1.777	2.136	2.653
DPS (Eu)	0.280	0.520	0.550	0.600	0.650
EV/EBITDA Adj	4.8	6.5	13.6	11.6	9.8
EV/EBIT Adj	6.8	9.4	19.4	15.7	12.8
P/E Adj	41.1	40.2	31.4	22.9	19.2
Div. Yield	0.5%	1.0%	1.0%	1.1%	1.2%
Net Debt/EBITDA Adj	1.2	0.8	0.5	0.1	-0.2

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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 FTSEIMIB40 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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BUY:	30.30%
OUTPERFORM:	39.39%
NEUTRAL:	30.31%
UNDERPERFORM:	00.00%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (77 in total) is as follows:

BUY:	49.35%
OUTPERFORM:	32.47%
NEUTRAL:	18.18%
UNDERPERFORM:	00.00%
SELL:	00.00%

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