LEONARDO

OUTPERFORM

Sector: Industrials

Price: Eu50.50 - **Target: Eu63.00**

3Q25 Results Beat Forecasts. FY25 Guidance Confirmed

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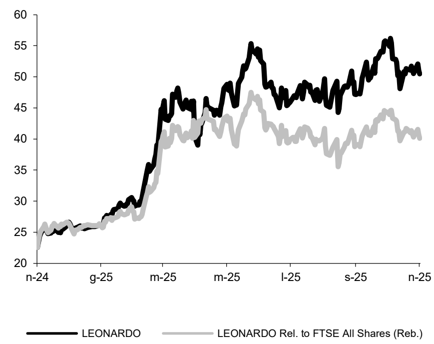
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2025E	**2026E**	**2027E**
Chg in Adj EPS	0.0%	0.0%	0.0%

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	-9.5%	4.8%	123.7%
Relative	-9.7%	-1.4%	97.9%
12M (H/L)			56.20/23.35
3M Average Volume (th):			3,283.73

Shareholder Data	
No. of Ord shares (mn):	578
Total no. of shares (mn):	578
Mkt Cap Ord (Eu mn):	29,197
Total Mkt Cap (Eu mn):	29,197
Mkt Float - Ord (Eu mn):	20,379
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:	3.0
Net Financial Position (Eu mn):	-1,102
Enterprise Value (Eu mn):	30,299

- **3Q25 results came in above estimates.** Leonardo reported 3Q25 results above estimates, with EBITA well above (Eu364mn, +13% vs. our Eu323mn estimate and 16% above consensus of Eu313mn), as were orders (Eu6.97bn, 19% above our Eu5.85bn estimate and 25% above consensus of Eu5.56bn), while revenues (Eu4.52bn vs. Eu4.42bn expected and consensus at Eu4.33bn) and FOCF (Eu-18mn vs. Eu-25mn expected and consensus at Eu-31mn) were broadly in line. Better results were driven by Helicopters and Defence Electronics Europe (both businesses reported 9M25 revenues up 13% YoY and EBITA up 18% YoY), while Aeronautics reported declining EBITA YoY (aerostructures). We also note orders were up 38% YoY in Space with revenues up +14% YoY, and EBITA doubled in Cyber (Eu41mn vs. Eu22mn in 9M24) after revenues rose 19% YoY; Cyber now contributes 12% to the group's top line.
- **FY25 guidance confirmed.** Despite above-trend 3Q25 results, FY25 guidance was confirmed. Management's targets point to FY25 orders at Eu22.25bn/22.75bn, revenues at Eu18.6bn, EBITA at Eu1.66bn, FOCF at Eu920mn/980mn, net debt at Eu1.1bn including a Eu100mn provision for M&A. During the call, management said it expects orders to hit the guidance range (quarterly order intake "not linear") but expressed confidence in achieving revenues in excess of Eu19bn (our estimate Eu19bn, consensus Eu18.9bn) vs. guidance of Eu18.6bn, and FOCF of Eu1bn (our estimate Eu953mn, consensus Eu941mn) vs. the guidance mid-point of Eu950mn.
- **Conference call feedback: 1) Space**: the new company "Bromo" should be operational in 2027. Management confirmed the governance structure, with Leonardo and Thales owning 32.5% each and Airbus 35% of the JV, which in turn will own 100% of 5 national legal entities (ITA, FRA, GER, SPA, UK). Space is a key enabling pillar of Leonardo's multi-domain strategy; **2) GCAP**: Leonardo secured an initial Eu1bn national budget to cover advanced research. The first potential international contract is being discussed by governments involved; **3) Aerostructures**: the target is to announce the agreement with an international partner by year-end. There is strong interest from the two governments involved, enhancing visibility on a positive outcome. Confirmed recovery of the B787 programme with the production rate increasing from 5 fuselages in 2Q to 7 in 3Q; **4) Avio**: Leonardo's decision to dilute its stake to c.20% (to be maintained post capital raise) follows Avio's strategic shift from launchers to propulsion and missiles (where Leonardo is active through MBDA); **5) LBA** (JV with Baykar): working on regulatory approval and certifications for the export market while progressing on the integration of payloads, electronics and platforms; **6) IVECO Defence**: working to fix some supply chain issues while assessing positioning on land drones. Leonardo might keep IDV's military truck platform (initially thought to be sold to Rheinmetall).
- **OUTPERFORM; target Eu63.** While accelerating competitiveness through strategic alliances, the group is developing technologies based on high performance computing, cloud, AI and cyber, 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 are positive valuation catalysts, in our view.

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	1.719	2.356	2.810
DPS (Eu)	0.280	0.520	0.550	0.600	0.650
EV/EBITDA Adj	4.8	6.5	12.8	10.9	9.2
EV/EBIT Adj	6.8	9.4	18.1	14.7	11.9
P/E Adj	38.4	37.6	29.4	21.4	18.0
Div. Yield	0.6%	1.0%	1.1%	1.2%	1.3%
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 FTSEMIB40 Index, most of those on the MIDEX 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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As at 6 November 2025 Intermonte's Research Department covered 131 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	32.06%
OUTPERFORM:	39.69%
NEUTRAL:	27.49%
UNDERPERFORM:	00.76%
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:	50.65%
OUTPERFORM:	29.87%
NEUTRAL:	18.18%
UNDERPERFORM:	01.30%
SELL:	00.00%

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