

LEONARDO

Sector: Industrials

OUTPERFORM

Price: Eu49.00 - Target: Eu58.00

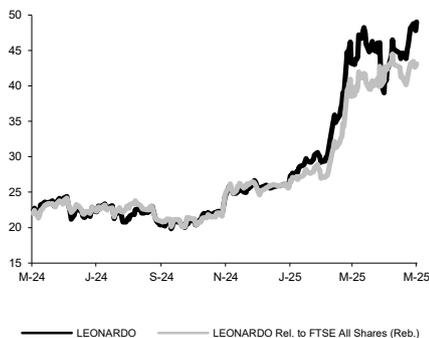
1Q25 above trends. Partnership in Aerostructures in months

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 49.00 to 58.00		
	2025E	2026E	2027E
Chg in Adj EPS	1.9%	5.9%	6.4%

LEONARDO - 12M Performance



Stock Data

Reuters code:	LDOF.MI		
Bloomberg code:	LDO IM		
Performance	1M	3M	12M
Absolute	16.8%	67.0%	122.2%
Relative	1.2%	61.8%	108.6%
12M (H/L)	49.00/19.85		
3M Average Volume (th):	5,388.87		

Shareholder Data

No. of Ord shares (mn):	578
Total no. of shares (mn):	578
Mkt Cap Ord (Eu mn):	28,329
Total Mkt Cap (Eu mn):	28,329
Mkt Float - Ord (Eu mn):	19,774
Mkt Float (in %):	69.8%
Main Shareholder:	
Italian Treasury	30.2%

Balance Sheet Data

Book Value (Eu mn):	9,329
BVPS (Eu):	16.14
P/BV:	3.0
Net Financial Position (Eu mn):	-1,001
Enterprise Value (Eu mn):	29,331

- 1Q25 results above estimates.** Leonardo reported above our estimates and consensus, mainly on orders (Eu6.9bn, +21% vs. 1Q24 excluding UAS, 15% above consensus compiled by the company) and FOCF (-Eu580mn, 8% improvement vs. 1Q24 restated, 13% above consensus). Both revenues and EBITA were up double digit vs. 1Q24, with revenues at Eu4.16bn, up 14.9% vs. 1Q24 ex UAS or 6% above consensus, and EBITA at Eu211mn, up 17.9% vs. 1Q24 ex UAS or 3% better than consensus. Net profit before extr. transactions was up 24% YoY to Eu115mn vs. Eu85mn expected. Net debt as at end-March Eu2.12bn, down 28% vs. March 2024, and over Eu250mn better than consensus on Eu2.38bn. We note 1Q is a seasonally-light quarter for the company (<15% of FY EBITA), although numbers are above trend.
- Feedback from the call:** 1) despite the recent reorganization announcement with Aircraft and Aerostructures put under the new Aeronautics division, the plan to fix Aerostructure structurally through a partnership/JV was confirmed. The principles of the partnership agreement and the development of a joint industrial plan are expected by the summer, with the signature on the JV targeted by year-end. The scope of the partnership will not be limited to the civil business. In the meantime, management signalled a gradual increase of production rates by Boeing and the use of aerostructure plants (Grottaglio) for production of components for the JV with Baykar; 2) management is evaluating a capacity boost plan to exploit opportunities from growing market demand. The plan will be unveiled in July, key initiatives are already ongoing for helicopters and electronics; 3) no significant updates on M&A (Eu500mn included in FY25 net debt guidance) and ongoing discussions with Airbus and Thales on the reorganization of the space sector in Europe. As for Hensoldt, a deeper collaboration as well as a scaling-back of Leonardo (22.8% of Hensoldt) will depend on choices by the new government in Germany; 4) no expected impact from tariffs (\$10/20mn on EBITA on US civil helicopters).
- Estimates vs. guidance.** Our FY25 estimates of Eu21.0bn orders, Eu 18.6bn revenues, Eu1.66bn, Eu877mn FOCF are broadly aligned to Leonardo's guidance. While we merely fine-tuned FY25-26E (EPS +4%), we raise mid-term estimates significantly above company guidance (EPS FY27-29E +17%), which does not include revenue opportunities of Eu3/4bn a year when fully up and running (2030 and beyond) associated with the JV with Rheinmetall and Baykar, the growing contribution from GCAP and growth at LHyc. Our FY29 EBITA estimate of Eu3.38bn is 19% above LDO's business plan
- OUTPERFORM; target Eu58 (from Eu49).** Leonardo has a strong positioning in European defence electronics and should benefit from increasing spending on global security. While consolidating incremental but inertial growth in the core business and trying to accelerate competitiveness through strategic JVs, the company is developing technologies based on high performance computing, cloud, artificial intelligence, cyber (included in the newly business named LHyc), which form the basis of a business model that is gradually increasing the technological component over the manufacturing side. In our view, this supports visibility on a medium/long-term earnings trend not captured by short-term multiples. Our TP of Eu58 is based on a FY26 P/E target of 27x (sector trades at 32x) on an estimated EPS CAGR26-30E resulting in a PEG of 1x.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	15,982	17,763	18,871	20,346	21,896
EBITDA Adj (Eu mn)	1,911	2,219	2,382	2,695	3,092
Net Profit Adj (Eu mn)	756	773	1,022	1,229	1,527
EPS New Adj (Eu)	1.314	1.344	1.777	2.136	2.653
EPS Old Adj (Eu)	1.281	1.344	1.744	2.016	2.493
DPS (Eu)	0.280	0.520	0.520	0.520	0.520
EV/EBITDA Adj	4.8	6.5	12.3	10.7	9.0
EV/EBIT Adj	6.8	9.4	17.4	14.4	11.7
P/E Adj	37.3	36.5	27.6	22.9	18.5
Div. Yield	0.6%	1.1%	1.1%	1.1%	1.1%
Net Debt/EBITDA Adj	1.2	0.8	0.4	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 of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 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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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 March 2025 Intermonte's Research Department covered 131 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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