

LEONARDO

Sector: Industrials

OUTPERFORM

Price: Eu45.05 - Target: Eu49.00

1Q25 Preview. Focus on Strategic Alliances and Outlook

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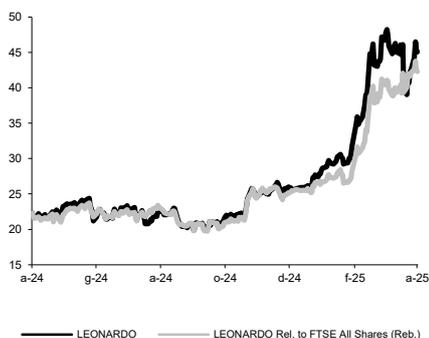
Stock Rating

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

Next Event

 1Q25 Results Out May 8th

LEONARDO - 12M Performance



Stock Data

Reuters code:	LDOF.MI
Bloomberg code:	LDO IM

Performance	1M	3M	12M
Absolute	-5.6%	57.3%	105.1%
Relative	3.2%	58.2%	99.1%
12M (H/L)	48.21/19.85		
3M Average Volume (th):	5,346.83		

Shareholder Data

No. of Ord shares (mn):	578
Total no. of shares (mn):	578
Mkt Cap Ord (Eu mn):	26,046
Total Mkt Cap (Eu mn):	26,046
Mkt Float - Ord (Eu mn):	18,180
Mkt Float (in %):	69.8%
Main Shareholder:	
Italian Treasury	30.2%

Balance Sheet Data

Book Value (Eu mn):	9,310
BVPS (Eu):	16.10
P/BV:	2.8
Net Financial Position (Eu mn):	-1,009
Enterprise Value (Eu mn):	27,055

■ **1Q25 results to be released on 8 May.** Leonardo will disclose 1Q25 results on 8 May. Quarterly figures are not a meaningful catalyst for the stock and we note 1Q is a seasonally light quarter for Leonardo both in terms of profitability and cash absorption. Our estimates: 1Q25 orders Eu5.80bn (company-compiled consensus Eu5.97bn), revenues Eu3.80bn (consensus Eu3.91bn), EBITA Eu193mn or 12% of FY25 estimate with margin at 5.1% vs. 8.9% in FY25E (consensus Eu204mn, 5.2% margin), net result of Eu85mn (consensus Eu98mn), FOCF negative for Eu685mn vs. Eu-621mn in 1Q24 (consensus Eu-663mn), net debt Eu2.40bn (consensus Eu2.38bn).

■ **Focus on potential updates to commercial outlook, alliances, M&A.** In our view, areas of interest are: 1) Space business, following recent press reports of ongoing talks, including at EU antitrust level, for the creation of a European JV bringing together the space activities of Airbus, Thales, Leonardo, along the lines of the successful precedent set by asset consolidation in the missiles business with the creation of MBDA. We note that in March, Leonardo revealed it is working on a constellation of 12+6 low-orbit military satellites and 20 multi-sensor satellites to be used in the civil sector (Eu450mn investment by Leonardo for the latter); 2) commercial outlook for the business and potential impact of US/China trade war on the aerospace and defence supply chains; 3) update on the aerostructure division, both in terms of business trends and investments from potential partners; 4) update on GCAP, and the JVs with Rheinmetall on terrestrial defence and Baykar on drones.

■ **Estimates vs. guidance.** Our FY25 estimates of Eu21.0bn orders, Eu 18.6bn revenues, Eu1.66bn EBITA (consensus Eu1.67bn), Eu877mn FOCF (consensus Eu838mn) are broadly aligned to Leonardo's guidance. We note net debt guidance of Eu1.6bn for 2025 vs. our Eu1.0bn includes Eu500mn available for M&A in the cyber business. We are also aligned to business plan targets set for 2029 (EBITA Eu2.83bn, FOCF 1.53bn) as we believe the plan has several buffers related to increasing defence spending in Europe, the growing contribution of the space business, export markets for the JVs with Rheinmetall and Baykar (none of which are reflected in plan targets).

■ **OUTPERFORM; target Eu49.** Leonardo has a strong positioning in European defence electronics and should benefit from increasing spending in aerospace and defence in Europe (a lift in the NATO target from 2% to 3% of GDP would imply over Eu150bn of aggregate additional spending per year). While consolidating incremental but inertial growth in core business (massive digitalisation and rationalisation of products, cost efficiencies) and trying to accelerate competitiveness through strategic alliances, Leonardo is working and developing technologies based on high performance computing, cloud, artificial intelligence, cyber (included in the newly business named LHyC, Leonardo Hypercomputing Continuum), 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 medium/long-term earnings trend not captured by short-term multiples. Our TP of Eu49 is based on a SOP and implies a P/E of 25.8x in FY25E decreasing to 22.3x in FY26.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	15,982	17,763	18,614	19,618	21,021
EBITDA Adj (Eu mn)	1,911	2,219	2,356	2,603	2,982
Net Profit Adj (Eu mn)	737	773	1,003	1,160	1,434
EPS New Adj (Eu)	1.281	1.344	1.744	2.016	2.493
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	11.5	10.2	8.7
EV/EBIT Adj	6.9	9.4	16.3	14.0	11.4
P/E Adj	35.2	33.5	25.8	22.3	18.1
Div. Yield	0.6%	1.2%	1.2%	1.2%	1.2%
Net Debt/EBITDA Adj	1.2	0.8	0.4	0.2	-0.1

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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.

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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 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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