

LEONARDO

Sector: *Industrials*

OUTPERFORM

Price: Eu49.00 - Target: Eu58.00

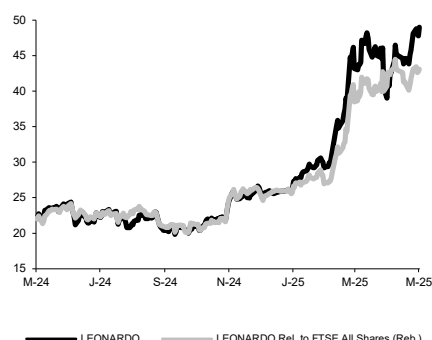
Acquisition of IDV. Working to set-up the JV in aerostructures

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	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

■ **1H25 results above estimates.** Leonardo reported 1H25 results above our estimates and consensus, with a material beat on EBITA (Eu581mn +15% YoY and +4% vs. consensus) and FCF (Eu-408mn +19% YoY and +9% vs. consensus) and slightly better figures on orders (Eu11.24bn +10% YoY and +1% vs. consensus) and revenues (Eu8.92bn +13% YoY and +2% above consensus). The beat was mainly driven by Helicopters and Defence Electronics (2Q25 EBITA up +12% YoY and +18% YoY respectively), while Space reported flat YoY quarterly revenues. Net profit was up 2% YoY to Eu542mn (includes a Eu329mn positive impact from extr. transactions vs. a Eu367mn impact in 1H24) vs. consensus at Eu567mn, with net debt as at end-June at Eu2.17bn vs. consensus at Eu2.26bn.

■ **FY25 guidance raised on orders, FCF, net debt.** FY25 guidance was confirmed for revenues and EBITA, but raised on orders (new mid-point Eu22.5bn vs. previous target of Eu21bn, implying a 7% upgrade) and FOCF (new mid-point Eu950mn vs. previous guidance of Eu870mn, implying a 9% upgrade) Net debt guidance was slightly improved (Eu100mn) from Eu1.6bn net debt including Eu500mn provisions for M&A, to Eu1.1bn net debt including Eu100mn for M&A.

■ **Feedback from the call: 1) acquisition of Iveco Defence:** yesterday Leonardo announced it had reached an agreement with Iveco to acquire IVECO's defence business (IDV) based on a valuation of the business at a Eu1.7bn enterprise value (12x LTM EBIT) before synergies, which Leonardo estimates at a Eu30mn per year run rate (if reached, the price of the acquisition for Leonardo would be below Eu1.5bn). The transaction, in our view neutral on Leonardo's valuation, will allow the group to strengthen its positioning in the land domain (wheeled and trucked platforms) and to accelerate the strategy of multi-domain-enabled platforms with Electronics at its heart. Moreover, it strengthens the JV (LRMV) with Rheinmetall for which IDV is a key supplier (15% of the production needed for the >Eu20bn contract with Italy signed in 2024). Rheinmetall is likely to acquire IDV's military truck platform from Leonardo in a second step; **2) fixing of aerostructures:** management said the MoU with the strategic partner will enter a second phase, with the aim of developing the partnership plan (commercial and industrial synergies) and defining governance of the JV, both by year-end. CEO Cingolani expressed optimism ("high probability") on finalizing the JV, with the aim of creating a global leader in aerostructures, while the standalone strategy (breakeven seen in 2029) is not seen as sustainable; **3) capacity expansion:** Leonardo is considering capacity expansion to exploit opportunities from growing market demand (Eu4/6bn additional revenues on top of the Eu24bn revenue target in the business plan). The company is working on production efficiencies with no additional (potential) CapEx before 2027; **4) space:** no progress on the space alliance although discussions with Thales and Airbus are ongoing.

■ **OUTPERFORM; target Eu58.** While consolidating incremental but inertial growth in the core business and trying to accelerate competitiveness through strategic JVs, the company is developing technologies that are at the base of a business model that is gradually increasing the technological component over the manufacturing side. This supports visibility on a medium/long-term earnings trend not captured by short-term multiples.

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 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 newswell.

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 July 2025 Intermonte's Research Department covered 134 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	32.84%
OUTPERFORM:	38.06%
NEUTRAL:	29.10%
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 (79 in total) is as follows:

BUY:	53.16%
OUTPERFORM:	29.11%
NEUTRAL:	17.73%
UNDERPERFORM:	00.00%
SELL:	00.00%

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