

Company Note
Avio
A Resilient Business

We believe that Avio's medium-term business outlook is intact and the company is well placed to manage the current health emergency. We confirm our positive stance on the stock.

FY19 and Covid-19 emergency

FY19A sales declined slightly yoy mostly due to the slowdown of the Vega manufacturing activity related to last July's launch failure. However, the consolidated EBITDA result remained stable and was broadly in line with expectations and net income benefited from a better than expected trend in net financial income and lower taxes. The order backlog stood at EUR 669M but more than EUR 500M new orders are in the pipeline for 2020-beginning 2021, according to management. Net cash at 31 December increased to EUR 57.9M vs. EUR 49.1M at end-2018. As regards the Covid-19 emergency, Avio has not halted operations although since mid-March the activities in the Kourou launch base have been suspended. Considering this uncertain scenario, the release of a quantitative 2020 guidance has been postponed until the approval of 1H20 results next September.

Outlook and 1Q20 preview

We believe that at present the main issues are represented by the timing for the reopening of the Kourou (French Guyana) launch base (a possibility could be mid-May) and by the necessary rescheduling of the delayed launches. However, the company said that there have been no orders cancellations, that despite a slowdown, the production and development activities have not stopped and the company has managed to secure the Vega and Ariane production materials for all 2020. Moreover, the available cash of approx. EUR 110M should safeguard the company from eventual financial tensions. We believe that a slowdown of the production activity in the short term is possible but should remain a temporary event with no significant impact on the company's medium-term growth outlook. For this reason, in our 2020-23E estimates, we assume that a temporary slowdown in 2020E could be fully recovered from 2021E. We see 1Q20E results as little impacted by the health emergency.

Valuation

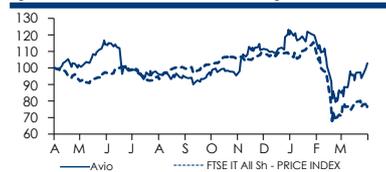
Based on our updated forecasts and our market multiples and DCF valuations, **we set our target price at EUR 16.2/share** (EUR 18.1/sh previously) and **we reiterate our BUY rating on the stock.**

MID CORPORATE
24 April 2020: 7:55 CET

Date and time of production

BUY
Target Price: EUR 16.2
 (from EUR 18.1)

 Italy/Aerospace & Defence
 Update

MTA-STAR
Price Performance
 (RIC: AVI.MI, BB: AVIO IM)

Avio - Key Data

Price date (market close)	22/04/2020
Target price (EUR)	16.2
Target upside (%)	24.62
Market price (EUR)	13.00
Market cap (EUR M)	342.67
52Wk range (EUR)	15.5/10.1

Price performance %	1M	3M	12M
Absolute	19.0	-14.5	2.4
Rel. to FTSE IT All Sh	11.1	20.2	33.5

Y/E Dec (EUR M)	FY19A	FY20E	FY21E
Revenues	368.7	355.3	464.4
EBITDA	42.59	38.06	50.80
EBIT	26.52	21.40	33.15
Net income	26.19	19.00	30.29
EPS (EUR)	0.99	0.72	1.15
Net debt/-cash	-57.91	-43.71	-41.21
Adj P/E (x)	12.6	18.0	11.3
EV/EBITDA (x)	6.6	8.1	6.1
EV/EBIT (x)	10.6	14.4	9.4
Div ord yield (%)	3.8	3.8	4.1

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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FY19A and Covid-19 Emergency

FY19 results

FY19A sales were slightly below forecasts mostly due to the slowdown of the Vega manufacturing activity related to last July's launch failure. However, the consolidated EBITDA result was broadly in line with expectations thanks to the positive impact of some price revisions on commercial contracts and the reduction of non-recurring costs. Net income was above our estimates thanks to a better than expected trend in net financial income and lower taxes.

The order backlog at EUR 669M was below the company's guidance of EUR 700-775M; however, the company said that the ESA development contracts expected to be signed in 2020-2021 amount to EUR 490M, which is higher than the EUR 400M previously communicated to the market. Net cash at 31 December increased to EUR 57.9M vs. EUR 49.3M at 30 September and EUR 49.1M at 31 December 2018 mostly thanks to the cash-in of a significant amount of VAT tax refunds.

Avio - FY19A results

EUR M	FY18A	FY19A	FY19E	FY A/E	FY yoy
Revenue (net of pass-through)	388.7	368.7	380.3	-3.1	-5.2
EBITDA	42.6	42.6	43.0	-1.0	0.1
EBITDA %	10.9	11.6	11.3		-
Adj. EBITDA	47.3	44.0	43.0	2.2	-6.9
Adj. EBITDA %	12.2	11.9	11.3		-
EBIT	28.5	26.5	27.7	-4.4	-7.0
EBIT %	7.3	7.2	7.3		-
Adj. EBIT	33.2	27.9	27.7	0.7	-15.9
Adj. EBIT %	8.5	7.6	7.3		-
Net Income	24.3	26.2	24.6	6.5	7.6

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Revenue

Consolidated FY19 revenues declined by 5.2% yoy mainly due to the slowdown in the production activity for both the Vega and Ariane programmes. The first was negatively impacted by last July's launch failure while Ariane suffered for the ramp-down of Ariane 5, which will be replaced by the new Ariane 6 launcher under development. Overall, despite the activity slowdown in 2H19, the Vega related business increased its weighting in consolidated revenues (55% vs. 53% in FY18) thanks to the Vega C development milestones reached in the period, such as the successful firing tests of P120C and Z40 engines in January and May 2019, respectively, and the testing of the combustion chamber of the innovative liquid M10 engine with LOX-methane technology that will be installed in the Vega E (completed in March 2020). Note that the Vega C maiden flight has now been postponed to end-2020-beginning 2021 due to the COVID crisis but was originally planned by 2Q20. Ariane-related revenues declined to EUR 131M vs. EUR 149M in FY18 and accounted for 35% of the consolidated sales vs. 38% in the previous year.

The decline posted in the production activity (EUR 220M vs. EUR 238M in 2018) was not offset by the development activity, which remained substantially unchanged vs. the previous year (EUR 147M vs. EUR 149M). Along with the aforementioned activities, the group also finalised the development of the SSMS (Small Spacecraft Mission Service), which is a solution for multiple launches of small satellites and continued the advancement of the Space Rider

projects (launch, orbiting and re-entry) and of the "Vega C Light" project (a small launcher dedicated for satellites with a mass below 300kg).

Profitability

The reported EBITDA result was EUR 42.6M, unchanged compared to the previous year as higher margins for the one-off Vega production batch price adjustment, lower non-recurring costs (EUR 1.3M vs. EUR 4.6M in 2018) and the IFRS16 impact (approx. EUR 1.5M) entirely offset the negative impact of the lower top line and zero R&D tax credit (EUR 7.4M in 2018) due to a change in the interpretation rule of the 2017 legislation. Management did not disclose the costs of the investigations and implementation of the corrective measures taken following the July 2019 Vega launch failure but specified that they were offset by specific grants from the ESA covering these expenses. The 2019 reported EBIT decreased by EUR 2M yoy, mainly reflecting the higher depreciation/amortisation expenses, related to the group's higher capex and the IFRS 16 impact (EUR 1.6M). Below the EBIT line, we would highlight that the group posted a positive net financial income of EUR 0.5M thanks to the interest income on VAT tax credits refunded in 2019 and paid no taxes thanks to its deferred tax assets.

EBITDA result stable yoy

Net financial position

Net cash at end-December increased to EUR 57.9M vs. EUR 49.1M at end-December and EUR 49.3M at 30 September and included a negative IFRS16 impact of EUR 7.5M. The net cash increase benefited from a reduction in the group's negative NWC of EUR 9.6M to EUR -40.6M, entirely attributable to the collection of VAT receivables for EUR 34.3M. It should nonetheless be noted that the "core business" absorbed cash during the period partly due to the use of the advance payments received in the previous years and to the increase in advances paid to suppliers. Moreover, in 2019 the dividend distributed amounted to EUR 11.6M and the capital expenditure increased to EUR 29.8M (EUR 23.5M in 2018) mainly concerning the buildings to execute the new P120 engine project, the increase the production capacity in Colleferro and capitalised development costs.

Net cash at end-December increased to EUR 57.9M

Order backlog

The order backlog at 31 December declined to EUR 669M vs. EUR 877.4M at 31 December 2018. The order inflow in FY19 amounted to EUR 160M and was primarily related to the initial portion of the first 14 launchers of the contractual batch for the production of the P120C motor for the new Ariane 6 launcher (the remainder will fall in 2020-2021), Vega C development activity and the production and development of tactical propulsion. The company expects that more than EUR 500M orders could be signed by 2020-beginning 2021 concerning development contracts with ESA for EUR 490M as a result of the Ministerial Conference held in November 2019, a new Vega batch order, the second part of the Ariane 6 P120 contract and tactical propulsion contracts.

COVID-19

As regards the Covid-19 outbreak emergency, Avio said that on 24 March 2020, it had obtained prefectural authorisation to continue its industrial operations. Thus, the production and development activity continued in all the group's facilities with the implementation of the health measures required by the government and agreed upon with labour unions' representatives. In the meantime, since mid-March, the activities in the launch base at the C.S.G. (Centre Spatial Guyanais) in Kourou, French Guyana, were suspended until further notice by the French government; the end of the lockdown in France is currently expected by mid-May.

The company also said that for now it is not possible to estimate the impact that the health emergency will have during the year and did not rule out a possible short-term negative effect, or at least a partial slowdown in economic activities also due to the restrictions and containment provisions adopted or in the process of being approved by governments in Europe and globally (in particular concerning the stop to activities in the launch base in Kourou). Avio also confirmed that it has already taken actions to reduce the financial and operative impact of such a scenario in both the short and medium term. Considering this uncertain scenario, the release of quantitative 2020 guidance has been postponed until the approval of 1H20 results next September.

Moreover, as a precautionary measure and in order to further strengthen the company's financial structure, the board decided to propose (at the next shareholders' meeting in May) that the entire 2019 net profit be allocated to retained earnings eventually reassessing the matter of a possible dividend distribution after 1H20 results. Lastly, top management also decided, in response to the Covid-19 emergency, to defer the payment of its long-term incentive bonus until 2021.

Earnings Outlook

Our 2020E-23E forecasts

As stated, due to the health emergency, the company has postponed to September the release of 2020 financial guidance. We believe that at present the main issues are represented by the timing for the reopening of the Kourou (French Guyana) launch base closed since mid-March (a possibility could be mid-May when the lockdown in France is expected to end) and by the necessity to reschedule the delayed launches. However, the company said that there were no orders cancellations in the last few weeks, that despite some slowdown, the production and development activities have not halted and the company has managed to secure the Vega and Ariane production materials for all 2020. Moreover, the available cash of approx. EUR 107M should safeguard the company from eventual financial tensions.

Therefore, considering the unchanged positive stance of the European governments as to the future investments in the space industry and assuming a reopening of the French Guyana launch base in the next few weeks, we believe that a slowdown of the production activity in the short term is possible but should remain a temporary event with no significant impact on the company's medium-term growth outlook.

Covid-19: a temporary impact

As a result, in updating our 2020-23E estimates we assumed a temporary slowdown in 2020E due to the delay in the scheduled launches, followed by a full recovery from 2021E. Note also that in our forecasts we assumed that the 2020 dividend distribution, currently suspended, could be maintained. Our estimate revisions are shown in the below.

Avio – Estimates revisions (2020E-23E)

EUR M	2020E			2021E			2022E			2023E		
	New	Old	Chg%	New	Old	Chg%	New	Old	Chg%	New	Old	Chg%
Sales	355.3	431.7	-17.7	464.4	457.2	1.6	475.6	462.6	2.8	486.6	473.5	2.8
EBITDA	38.1	46.7	-18.4	50.8	51.6	-1.5	53.4	53.7	-0.5	56.0	56.3	-0.6
% margin	10.7	10.8		10.9	11.3		11.2	11.6		11.5	11.9	
EBIT	21.4	29.3	-26.9	33.1	33.4	-0.6	34.8	34.8	0.2	36.7	36.8	-0.5
% margin	6.0	6.8		7.1	7.3		7.3	7.5		7.5	7.8	
PBT	20.6	28.6	-28.2	32.3	32.7	-1.3	34.0	34.1	-0.4	35.8	36.2	-1.1
Net Income	19.0	26.1	-27.1	30.3	30.0	1.0	31.9	31.3	1.8	33.7	33.4	0.9

E: estimates; Source: Intesa Sanpaolo Research estimates

1Q20 preview

The company will release some 1Q20 figures (up to the EBIT line) on 14 May. We would expect the group's 1Q20E top line and profitability figures to suffer only a very limited impact from the Covid-19 emergency as the production and development activities have not been suspended and the closure of the launch base was decided at mid-March. In 1Q20, two Ariane launches were successfully completed in addition to all the activities for the planned Vega return to flight at end March which was postponed due to the spaceport closure. We therefore expect that in 1Q20E the group will show the usual unfavourable seasonality for both the top line and the operating profitability but not any significant COVID-19 related effect.

We show our 1Q20E forecasts in the table below:

Avio - 1Q20 preview

EUR M	1Q19A	FY19A	1Q20E	1Q yoy %
Revenue (net of pass-through)	82.6	368.7	81.2	-1.7
EBITDA	7.0	42.6	6.9	-1.7
%	8.5	11.6	8.5	-
EBIT	3.1	26.5	2.9	-6.0
%	3.8	7.2	3.6	-

A:actual; E: estimates; Source: Company data and Intesa Sanpaolo Research estimates

Valuation

We believe that a peers' comparison, mainly based on EV/EBITDA, EV/EBIT and P/E multiples, is an appropriate valuation approach for Avio. However, we note that given the long-term projects pertaining to the space industry and the company's growing disclosure on its medium-term plans and targets, the DCF model should allow us to factor into our valuation the expected outcome of the strategic actions that management said it was looking to implement in 2019-23. We therefore set our target price based on both a market multiples analysis and a DCF model. We would also highlight that in calculating our target price, we used a fully diluted number of Avio's ordinary shares (27.2M) as the 800,000 Sponsor Warrants appear to be 'in the money' based on our company valuation. Avio's Sponsor Warrants are not listed, as they have been assigned to Space Holding and can be exercised at a price of EUR 13/share and at a ratio of 1:1.

Peers' comparison

The valuation of space companies is not an easy task, as most of them are not listed. In addition, space operations usually only represent a portion of the activities operated by the main aerospace and defence players, or alternatively are run in joint venture between different players. Due to the scarcity of listed, pure space industry players, we selected our peers' sample, including both space propulsion specialists, such as Aerojet Rocketdyne, and diversified players operating in the Aerospace & Defence industry, which nonetheless are exposed to the space sector. In the table below, we show Avio's peers' market multiples.

Avio vs. peers' - Multiples comparison

x	Price	Curr.	Mkt. Cap. (M)	EV/EBITDA		EV/EBIT		P/E	
				2020E	2021E	2020E	2021E	2020E	2021E
Northrop Grumman	342.0	USD	57,216	13.4	12.2	17.0	15.0	14.9	13.2
Aerojet Rocketdyne	41.3	USD	3,240	9.3	8.0	10.7	9.4	22.9	21.2
Boeing	135.0	USD	76,154	31.6	10.0	88.2	12.6		14.1
Lockheed	380.4	USD	107,223	11.8	10.9	13.6	12.5	15.7	14.5
Moog	49.4	USD	1,684	7.1	5.4	8.5	7.3	9.1	8.1
Airbus	53.5	EUR	41,375	4.9	4.1	8.3	6.3	15.6	12.1
Safran	75.0	EUR	29,289	8.5	7.2	11.6	9.5	16.5	13.6
Thales	70.0	EUR	14,585	7.0	6.1	9.3	7.8	10.8	9.5
Leonardo	6.0	EUR	3,476	3.4	3.0	5.1	4.4	5.4	4.7
Avio*	13.4	EUR	364	8.8	6.8	15.7	10.4	19.2	12.0
Median ex-Avio				8.5	7.2	10.7	9.4	15.2	13.2
Avio disc./pr.(+) %				4	-6	47	11	26	-8

Priced at market close on 22/04/20; Source: FactSet and *Intesa Sanpaolo Research estimates

In the table above, we report the current 2020 and 2021 peers sample market multiples. Considering the extraordinary 2020 events we believe that: 1) 2020 figures could be negatively impacted by the necessary flight rescheduling related to the temporary closure of the Kourou spaceport and by the need to reorganise the production facilities according to the stringent safety rules required by the government to keep them operative; 2) these factors are very likely to generate a manufacturing activity slowdown and additional operating costs which should nonetheless be extraordinary, not structural; 3) Avio's medium-term business outlook should not be impacted by the 2020 Covid-19 crisis as the governments/European Space Agency commitment to the European space industry development has not changed and approximately 70% of

Avio's order backlog is for government end-customers; 4) the company operates in a strategic industry and therefore was never required to stop its manufacturing and R&D operations due to the Covid-19 crisis; and 5) the company is characterised by a sound balance sheet, which should help to avoid eventual systemic financial tensions, in our view.

For all the above-mentioned reasons, we believe that Avio should show good resilience to the current crisis whose impact should be limited to the short term. Thus, for our valuation purposes we considered the 2021 market multiples which while factoring in the higher systemic risk should be less biased by the company-specific possible extraordinary impact of 2020 events. To set a fair value for Avio, we applied the median 2021E EV/EBITDA and P/E peers' multiples to our estimates for Avio and we obtained a fair value for Avio of EUR 14.9/share vs. EUR 17.3/share previously, as the arithmetic average of the obtained values which mainly reflects the market multiples' de-rating of the last few weeks.

DCF model

We based our DCF model valuation on our detailed estimates over 2020E-24E, while we assume a perpetuity growth factor at 0.5% from 2025 to reflect, on the one hand, the long-term characteristics of space industry projects and, on the other, the possible cyclicity of the production process. Compared with our previous valuation we left our risk-free rate unchanged at 1.5% while we increased the market risk premium to 7.5% (7% previously). Based on the above-specified assumptions and a fully diluted number of shares, our DCF model returns a fair value for Avio at EUR 17.6/share (EUR 19.4/share previously) mainly reflecting our 2020E estimates downwards revision and the increased market risk premium.

Avio - DCF valuation

EUR M	
PV of FOpCF 20E-24E	75.0
Perpetual growth rate (%)	0.5
Terminal Value	468.7
PV of terminal value	345.0
EV	420.0
Net debt(+)/cash (-) (2019A)	-57.9
Equity value	466.8
Number of shares fully diluted (M)	27.2
Capital Increase from Warrant Exercise(M)	10.6
Equity value post warrant exercise	477.4
Fair value/Share (EUR)	17.6
Vs. market price (%)	31.0

Source: FactSet and Intesa Sanpaolo Research estimates

Conclusions

Based on our updated 2020-23E forecasts and on the current market multiples, the arithmetic average between our peers' comparison and DCF valuations returns a **target price at EUR 16.2/share** (EUR 18.1/share previously).

EUR 16.2/share TP; BUY

Avio – Key Data

Rating	Target price (EUR/sh)	Mkt price (EUR/sh)			Sector
BUY	Ord 16.2	Ord 13.00			Aerospace & Defence
Values per share (EUR)	2018A	2019A	2020E	2021E	2022E
No. ordinary shares (M)	26.36	26.36	26.36	26.36	26.36
Total no. of shares (M)	26.36	26.36	26.36	26.36	26.36
Market cap (EUR M)	351.62	330.02	342.67	342.67	342.67
Adj. EPS	0.92	0.99	0.72	1.15	1.21
CFPS	1.3	1.6	1.4	1.8	1.9
BVPS	10.8	11.2	11.5	12.1	12.8
Dividend ord	0.44	0.47	0.50	0.53	0.55
Income statement (EUR M)	2018A	2019A	2020E	2021E	2022E
Revenues	388.7	368.7	355.3	464.4	475.6
EBITDA	42.55	42.59	38.06	50.80	53.40
EBIT	28.51	26.52	21.40	33.15	34.85
Pre-tax income	27.85	26.97	20.56	32.29	34.00
Net income	24.33	26.19	19.00	30.29	31.93
Adj. net income	24.33	26.19	19.00	30.29	31.93
Cash flow (EUR M)	2018A	2019A	2020E	2021E	2022E
Net income before minorities	25.8	27.0	19.8	31.1	32.7
Depreciation and provisions	14.0	16.1	16.7	17.7	18.6
Others/Uses of funds	4.2	-2.5	0	0	0
Change in working capital	2.8	9.6	-8.3	-8.1	-0.7
Operating cash flow	40.9	50.1	28.2	40.7	50.5
Capital expenditure	-23.4	-29.8	-30.0	-30.0	-25.0
Financial investments	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0
Free cash flow	17.4	20.4	-1.8	10.7	25.5
Dividends	-10.0	-11.6	-12.4	-13.2	-14.0
Equity changes & Other non-operating items	0	0	0	0	0
Net cash flow	7.4	8.8	-14.2	-2.5	11.6
Balance sheet (EUR M)	2018A	2019A	2020E	2021E	2022E
Net capital employed	246.9	245.9	265.2	283.3	288.2
of which associates	0	0	0	0	0
Net debt/-cash	-49.1	-57.9	-43.7	-41.2	-52.8
Minorities	11.4	7.8	8.5	9.3	10.1
Net equity	284.6	296.1	302.7	319.8	337.8
Minorities value	11.4	7.8	8.5	9.3	10.1
Enterprise value	313.9	279.9	307.5	310.8	300.0
Stock market ratios (x)	2018A	2019A	2020E	2021E	2022E
Adj. P/E	14.5	12.6	18.0	11.3	10.7
P/CFPS	10.4	7.7	9.4	7.0	6.7
P/BVPS	1.2	1.1	1.1	1.1	1.0
Payout (%)	48	47	69	46	45
Dividend yield (% ord)	3.3	3.8	3.8	4.1	4.2
FCF yield (%)	5.0	6.2	-0.5	3.1	7.5
EV/sales	0.81	0.76	0.87	0.67	0.63
EV/EBITDA	7.4	6.6	8.1	6.1	5.6
EV/EBIT	11.0	10.6	14.4	9.4	8.6
EV/CE	1.3	1.1	1.2	1.1	1.0
D/EBITDA	Neg.	Neg.	Neg.	Neg.	Neg.
D/EBIT	Neg.	Neg.	Neg.	Neg.	Neg.
Profitability & financial ratios (%)	2018A	2019A	2020E	2021E	2022E
EBITDA margin	10.9	11.6	10.7	10.9	11.2
EBIT margin	7.3	7.2	6.0	7.1	7.3
Tax rate	7.3	NM	3.7	3.7	3.8
Net income margin	6.3	7.1	5.3	6.5	6.7
ROCE	11.6	10.8	8.1	11.7	12.1
ROE	8.7	9.0	6.3	9.7	9.7
Interest cover	43.0	-58.7	25.3	38.6	40.9
Debt/equity ratio	Neg.	Neg.	Neg.	Neg.	Neg.
Growth (%)		2019A	2020E	2021E	2022E
Sales		-5.2	-3.6	30.7	2.4
EBITDA		0.1	-10.6	33.5	5.1
EBIT		-7.0	-19.3	54.9	5.1
Pre-tax income		-3.1	-23.8	57.1	5.3
Net income		7.6	-27.5	59.4	5.4
Adj. net income		7.6	-27.5	59.4	5.4

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Company Snapshot

Company Description

Avio is a leading international group engaged in the construction and development of space launchers and solid and liquid propulsion systems for space travel. The experience and know-how built up over more than 50 years puts Avio at the cutting-edge of the space launcher sector, solid, liquid and cryogenic propulsion and tactical propulsion. Avio operates in Italy, France and France Guyana with 5 facilities, employing approx. 850 highly-qualified personnel, of which approx. 30% involved in research and development. Avio is a prime contractor for the Vega programme and a sub-contractor for the Ariane programme, both financed by the European Space Agency ("ESA"), placing Italy among the limited number of countries capable of producing a complete spacecraft.

Key Risks

Company specific risks:

- Rising pricing pressure competition from main competitors, both in the Ariane and Vega programmes in the long run;
- Potential changes in European Space policy;
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Sector generic risks:

- A limited number of major long-term programmes; and a potential progressive reduction of advance payment systems in the industry
- Potential disruption to revenue prospects related to launch failures<

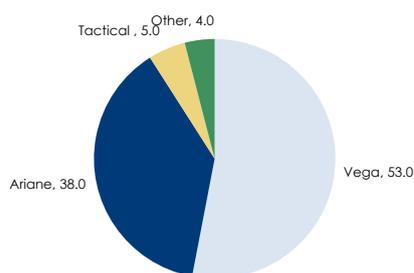
Key data

Mkt price (EUR)	13.00	Free float (%)	58.5
No. of shares	26.36	Major shr	Leonardo
52Wk range (EUR)	15.5/10.1	(%)	25.9
Reuters	AVI.MI	Bloomberg	AVIO IM
Performance (%)	Absolute	Rel. FTSE IT All Sh	
-1M	19.0	-1M	11.1
-3M	-14.5	-3M	20.2
-12M	2.4	-12M	33.5

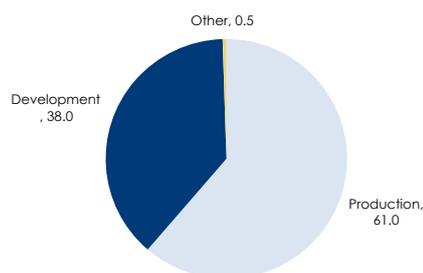
Estimates vs. consensus

EUR M (Y/E Dec)	2019A	2020E	2020C	2021E	2021C	2022E	2022C
Sales	368.7	355.3	390.5	464.4	447.1	475.6	NA
EBITDA	42.59	38.06	44.83	50.80	51.99	53.40	NA
EBIT	26.52	21.40	26.32	33.15	35.50	34.85	NA
Pre-tax income	26.97	20.56	NA	32.29	NA	34.00	NA
Net income	26.19	19.00	NA	30.29	NA	31.93	NA
EPS (€)	0.99	0.72	0.98	1.15	1.17	1.21	NA

Sales breakdown by product (%)



Sales breakdown by activity (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 22/04/2020)

Our Mid Corporate Definition

Italy is characterised by a large number of non-listed and listed micro, small and medium-sized companies. Looking at the revenues of these Italian companies, around 5,000 companies have revenues ranging from EUR 50M-EUR 1,500M based on Intesa Sanpaolo elaborations. We define these companies as 'Mid Corporate'. Looking more specifically at Italian listed companies, we include in our Mid Corporate segment all STAR companies and those with a market capitalisation below EUR 1Bn.

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Equity Research Publications in Last 12M

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<https://group.intesasnpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest0>

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Long-term rating	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% lower than the market price
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock.
NO RATING	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances.
TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated

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The 12M rating and target price history chart(s) for the companies currently under our coverage can also be found at Intesa Sanpaolo's website/Research/Regulatory disclosures: <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/tp-and-rating-history-12-months->

Target price and market price trend (-1Y)**Historical recommendations and target price trend (-1Y)**

Date	Rating	TP (EUR)	Mkt Price (EUR)
06-Dec-19	BUY	18.1	14.3
11-Oct-19	BUY	15.6	11.8
11-Jul-19	Under Review	16.8	12.2

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at February 2020)**

Number of companies considered: 106	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)	50	20	29	1	0
of which Intesa Sanpaolo's Clients (%) (*)	79	57	58	0	0

(*) Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and investment banking services in the last 12 months; percentage of clients in each rating category

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Equity rating key (short-term horizon: 3M)

Short-term rating	Definition
LONG	Stock price expected to rise or outperform within three months from the time the rating was assigned due to a specific catalyst or event
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- Banca IMI acts as Specialist relative to securities issued by Avio

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