

# AVIO

Sector: Industrials

**BUY**

Price: Eu13.84 - Target: Eu17.50

## Back in Business! Successful Return to Flight for Vega

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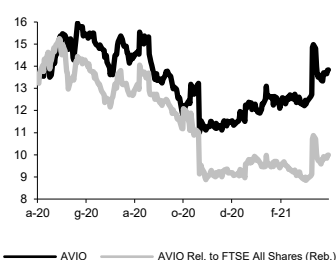
### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	Unchanged		
	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
<b>Chg in Adj EPS</b>	-12.8%	-21.9%	

### Next Event

Results Out May 11

### AVIO - 12M Performance



### Stock Data

 Reuters code: AVI.MI  
 Bloomberg code: AVIO IM

Performance	1M	3M	12M
Absolute	12.5%	15.0%	4.2%
Relative	11.8%	2.9%	-34.2%
12M (H/L)	15.94/11.02		
3M Average Volume (th):	119.83		

### Shareholder Data

No. of Ord shares (mn):	27
Total no. of shares (mn):	27
Mkt Cap Ord (Eu mn):	376
Total Mkt Cap (Eu mn):	376
Mkt Float - Ord (Eu mn):	211
Mkt Float (in %):	56.2%
Main Shareholder:	
Leonardo	29.6%

### Balance Sheet Data

Book Value (Eu mn):	311
BVPS (Eu):	11.44
P/BV:	1.2
Net Financial Position (Eu mn):	48
Enterprise Value (Eu mn):	299

■ **Successful VV18 flight.** Last night's mission marked a successful return to flight for Vega. The launcher has placed the new generation French satellite Pléiades 3 Neo perfectly in orbit on behalf of Airbus Defence and Space, along with 5 secondary payloads carried on a modified version of the SSMS payload adapter that was launched successfully on the VV16 mission in September 2020. The mission marks the return to flight of the Vega after the anomaly that led to the premature end of the VV17 mission in November 2020. Vega confirms its ability to transport groups of satellites into orbit together with a main payload. This capability, combined with the new SSMS payload adapter, increases the versatility of the Vega and enables it to better compete in the microsatellite market and offer more launch opportunities to customers. The next flight, VV19, is expected by the summer.

■ **Boosting shareholder remuneration.** The shareholder meeting to be held today will be required to decide on various proposals aimed at increasing the remuneration of shareholders. We highlight the BoD proposal to distribute a Eu0.285 per share dividend, although this is not the only initiative on this front: the Board will also propose changing the dividend policy to increase the payout ratio ceiling from 50% to 60% of net profit, while a new buyback program of up to Eu9.1mn will also be put forward. We welcome these proposals as they will enable investor remuneration and at the same time employ some of the company's net cash, thus making the financial structure more efficient. Furthermore, M&A transactions are currently on the table: deals to internalise know-how or phases of the production cycle are particularly welcome, both for their industrial rationale and for more efficient use of cash.

■ **P120 production to reach full output rate in 2025.** We have revised our estimates, and now assume that following the delays accumulated since the outbreak of the pandemic, the failure of the Vega launcher, and the postponement of the Vega C and Ariane 6 maiden flights, the company will reach the full annual production target for P120 engines only in 2025, while we previously expected full capacity as early as 2023. This, added to higher depreciation, prompts us to make a 17% cut to EPS over the next two years. We think that our updated estimates are quite visible and are supported by solid order backlog (Eu736mn as at end-2020), which is set to increase further thanks to recent announcements (Vega production batch 4 worth Eu360-400mn according to our estimates) and a solid pipeline (i.e. new tactical propulsion orders, second part of the Ariane 6 P120 contract).

■ **BUY confirmed; target kept at Eu17.5.** We reaffirm our positive view on the stock as Avio is well placed in the highly promising market for small satellite launchers, which should continue to enjoy sustainable growth in the coming years thanks to demand for increasingly accurate, flexible, and reliable launchers. Furthermore, a sound cash position enables the company to calmly navigate the current tough environment, continuing to invest to further develop its business and to seize potential external growth opportunities arising in the market. Our valuation model yields a target price of Eu17.5.

Key Figures & Ratios	2019A	2020A	2021E	2022E	2023E
Sales (Eu mn)	369	322	373	392	412
EBITDA Adj (Eu mn)	44	43	44	46	50
Net Profit Adj (Eu mn)	28	22	22	23	27
EPS New Adj (Eu)	1.018	0.818	0.804	0.863	0.981
EPS Old Adj (Eu)	1.018	0.871	0.922	1.105	
DPS (Eu)	0.000	0.285	0.372	0.463	0.533
EV/EBITDA Adj	5.7	6.4	6.8	6.4	5.8
EV/EBIT Adj	9.0	11.6	12.4	11.3	9.8
P/E Adj	13.6	16.9	17.2	16.0	14.1
Div. Yield	0.0%	2.1%	2.7%	3.3%	3.9%
Net Debt/EBITDA Adj	1.3	1.4	1.1	1.1	1.2

AVIO – Key Figures						
<b>Profit &amp; Loss (Eu mn)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Sales	389	369	322	373	392	412
EBITDA	43	43	35	39	44	47
EBIT	29	27	16	19	24	27
Financial Income (charges)	-1	0	-0	-0	-0	-0
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	28	27	15	19	23	27
Taxes	-2	0	-1	-1	-1	-1
Tax rate	-7.3%	0.0%	-3.5%	-5.4%	-4.7%	-4.1%
Minorities & Discontinued Operations	-1	-1	-1	-1	-1	-1
Net Profit	24	26	14	17	21	24
EBITDA Adj	47	44	43	44	46	50
EBIT Adj	33	28	24	24	26	29
Net Profit Adj	29	28	22	22	23	27
<b>Per Share Data (Eu)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Total Shares Outstanding (mn) - Average	27	27	27	27	27	27
Total Shares Outstanding (mn) - Year End	27	27	27	27	27	27
EPS f.d	0.896	0.965	0.520	0.620	0.771	0.889
EPS Adj f.d	1.069	1.018	0.818	0.804	0.863	0.981
BVPS f.d	10.478	10.903	11.174	11.442	11.776	12.160
Dividend per Share ORD	0.440	0.000	0.285	0.372	0.463	0.533
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	49.1%	0.0%	54.8%	60.0%	60.0%	60.0%
<b>Cash Flow (Eu mn)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Gross Cash Flow	39	42	31	36	41	45
Change in NWC	-2	10	13	-10	-3	-3
Capital Expenditure	-23	-28	-35	-35	-25	-25
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	14	23	10	-9	13	16
Acquisitions, Divestments & Other Items	3	-0	1	1	2	2
Dividends	-10	-12	0	-7	-10	-12
Equity Financing/Buy-back	0	-3	-6	0	0	0
Change in Net Financial Position	7	9	5	-14	5	7
<b>Balance Sheet (Eu mn)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Total Fixed Assets	278	299	317	329	341	348
Net Working Capital	-31	-41	-54	-44	-41	-38
Long term Liabilities	-1	-12	-14	-14	-24	-31
Net Capital Employed	247	246	249	271	275	279
Net Cash (Debt)	49	58	63	48	53	59
Group Equity	296	304	312	319	328	339
Minorities	11	8	9	9	9	9
Net Equity	285	296	303	311	320	330
<b>Enterprise Value (Eu mn)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Average Mkt Cap	362	340	370	376	376	376
Adjustments (Associate & Minorities)	29	29	29	29	29	29
Net Cash (Debt)	49	58	63	48	53	59
Enterprise Value	284	253	278	299	294	287
<b>Ratios (%)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
EBITDA Adj Margin	12.2%	11.9%	13.4%	11.7%	11.8%	12.1%
EBIT Adj Margin	8.5%	7.6%	7.4%	6.4%	6.7%	7.1%
Gearing - Debt/Equity	-16.6%	-19.1%	-20.1%	-15.1%	-16.1%	-17.6%
Interest Cover on EBIT	43.0	nm	33.6	50.8	62.9	71.7
Net Debt/EBITDA Adj	1.0	1.3	1.4	1.1	1.1	1.2
ROACE*	11.7%	10.8%	6.4%	7.3%	8.6%	9.7%
ROE*	10.4%	9.5%	7.4%	7.1%	7.4%	8.2%
EV/CE	1.2	1.0	1.1	1.1	1.1	1.0
EV/Sales	0.7	0.7	0.9	0.8	0.8	0.7
EV/EBITDA Adj	6.0	5.7	6.4	6.8	6.4	5.8
EV/EBIT Adj	8.6	9.0	11.6	12.4	11.3	9.8
Free Cash Flow Yield	4.1%	6.6%	2.9%	-2.5%	3.6%	4.8%
<b>Growth Rates (%)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Sales	13.0%	-5.2%	-12.6%	15.8%	5.1%	5.1%
EBITDA Adj	1.7%	-6.8%	-1.7%	1.1%	5.6%	8.0%
EBIT Adj	3.0%	-15.8%	-14.3%	0.2%	8.5%	12.7%
Net Profit Adj	33.8%	7.6%	-46.1%	19.2%	24.4%	15.2%
EPS Adj	14.2%	-4.8%	-19.6%	-1.7%	7.4%	13.6%
DPS	15.8%	nm	nm	30.5%	24.4%	15.2%

\*Excluding extraordinary items Source: Intermonte SIM estimates

**Successful return to flight for Vega!** Last night mission marked a successful return to flight for Vega. The launcher has perfectly placed in orbit the new generation French satellite Pléiades 3 Neo on behalf of Airbus Defence and Space along with 5 secondary payloads embarked on a modified version of the SSMS payload adapter successfully launched with the VV16 mission in September 2020. The mission marks the return to flight of the Vega after the anomaly that led to the premature end of the VV17 mission in November 2020. Vega confirms its ability to transport groups of satellites into orbit together with a main payload. This capability, combined with the new SSMS payload adapter increases the versatility of the Vega, to better compete in the microsatellite market and offer more launch opportunities to customers. The next flight, VV19, is expected by the summer.

**Boosting shareholder remuneration.** The shareholders' meeting to be held today will be required to decide on various proposals aimed at increasing the remuneration of shareholders. We highlight the BoD proposal to distribute a Eu0.285 per share dividend, although this is not the only initiative on this front: the Board will also propose changing the dividend policy to increase the payout ratio ceiling from 50% to 60% of net profit, while a new buyback program of up to Eu9.1mn will also be put forward. We welcome these proposals as they will enable investor remuneration and at the same time employ some of the company's net cash, thus making the financial structure more efficient. Furthermore, M&A transactions are currently on the table: deals to internalise know-how or phases of the production cycle are particularly welcome, both for their industrial rationale and for more efficient use of cash.

#### Avio – Boosting shareholder remuneration

<u>New dividend policy</u>	<u>New share buyback program</u>
<u>FY 2020 proposed dividend</u>	<u>Objectives</u>
€ 0.285 dividend per share	<ul style="list-style-type: none"> <li>• Efficient use of liquidity generated by the ordinary business activities through a medium-long term investment</li> </ul>
Total dividend distribution = €7.3M	<ul style="list-style-type: none"> <li>• Offer an additional return to shareholders along with dividend payments</li> </ul>
<u>Proposed modification</u>	<ul style="list-style-type: none"> <li>• Possible use own shares in M&amp;A transactions</li> </ul>
<ul style="list-style-type: none"> <li>• Maximum dividend payout ratio from 50% to 60% of net earnings</li> </ul>	<ul style="list-style-type: none"> <li>• Possible use to serve incentive plans</li> </ul>
<u>Objectives</u>	<u>Program scheme</u>
<ul style="list-style-type: none"> <li>• Increase the flexibility for the return to shareholders part of the liquidity generated by Avio operational performance</li> </ul>	<ul style="list-style-type: none"> <li>• €9.1M maximum investment amount (as in the first program already completed)</li> </ul>
	<p>Following the purchases made in the first buyback program, Avio S.p.A. holds no. 671,233 own shares, corresponding to 2.55% of the total Avio's shares (August 2019 – October 2020)</p>

Source: Company presentation

**Mixed 2020 results.** Avio closed 2020 with net revenues of Eu322mn (vs Eu334mn est.), down 12.6% YoY and due mainly to the delays accumulated since the start of the pandemic (namely the Guiana Space Centre shutdown) and the failure of the Vega 17 flight in November. Adjusted EBITDA came to Eu43.3mn (guidance Eu41-43mn), broadly stable YoY thanks to the savings on fixed industrial costs implemented to tackle the emergency. Down the line, net income declined to Eu14.1mn (Eu26.2mn in 2019) and was below our estimate of Eu16.6mn due to higher-than-expected D&A generated by the start of exploitation of the new P120 engine and the Zefiro 40 engine assets. Finally, the net cash position was Eu62.6mn, stronger than our Eu46mn estimate as it benefitted from a timing improvement in NWC due to the Covid-19-induced slowdown that hit certain activities by suppliers and sub-contractors.

#### Avio – Quarterly figures

	4Q19A	4Q20A	% YoY	4Q20A	A vs E	2019A	2020A	% YoY	2020E	A vs E
Net Revenues	98.4	105.9	7.7%	118.3	-10.5%	368.7	322.0	-12.6%	334.4	-3.7%
EBITDA Adjusted	18.6	20.2	8.3%	19.3	4.6%	44.0	43.3	-1.7%	42.4	2.1%
% margin	18.9%	0.0%		0.0%		11.9%	13.4%		12.7%	
EBITDA reported	19.1	17.7	-7.4%	17.9	-1.2%	42.6	35.2	-17.4%	35.4	-0.6%
% margin	19.4%	0.0%		0.0%		11.6%	10.9%		10.6%	
EBIT reported	14.8	11.2	-24.6%	14.2	-21.2%	26.5	15.9	-40.1%	18.9	-15.9%
% margin	15.1%	10.6%		12.0%		7.2%	4.9%		5.6%	

Source: Intermonte SIM estimates (E) and Company data (A)

**P120 production to regime in 2025.** We revise our estimates now assuming that following the delays accumulated following the outbreak of the pandemic, the failures of the Vega launcher and the postponement of the Vega C and Ariane 6 maiden flights, the company will reach the targeted number of P120 engines produced only in 2025, while previously we expected to reach full capacity as early as 2023. This, added to higher depreciation, leads us to a 17% cut in EPS over the next two years. We think that our updated estimates are quite visible and supported by a solid order backlog (Eu736mn as at end-2020), which is set to increase further thanks to recent announcements (Vega production batch 4 worth Eu360-400mn according to our estimates) and a solid pipeline (i.e. new tactical propulsion orders, second part of Ariane 6 P120 contract).

#### Avio – Change in estimates

	2021E N	2022E N	2023E N	2021E O	2022E O	2023E O	Δ 2021	Δ 2022	Δ 2023
Net Revenues	372.9	391.9	411.7	394.0	435.0	n.a.	-5.4%	-9.9%	new
EBITDA Adj.	43.7	46.2	49.9	44.3	49.8	n.a.	-1.2%	-7.3%	new
% margin	11.7%	11.8%	12.1%	11.2%	11.5%				
EBITDA	38.7	43.7	47.4	40.3	47.3	n.a.	-3.8%	-7.7%	new
% margin	10.4%	11.1%	11.5%	10.2%	10.9%				
EBIT	19.0	23.6	26.9	23.4	30.3	n.a.	-18.6%	-22.2%	new
Net profit	16.8	20.9	24.1	21.1	27.5	n.a.	-20.0%	-23.9%	new
Net profit Adj	21.8	23.4	26.6	25.1	30.0	n.a.	-12.8%	-21.9%	new
Net Cash	48.1	52.9	59.5	46.3	49.6	n.a.	4.0%	6.6%	new

Source: Intermonte SIM estimates

**Avio – P&L**

	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E
Net Revenues	343.8	388.7	368.7	322.0	372.9	391.9	411.7	432.4	448.8
% growth	17.7%	13.0%	-5.2%	-12.6%	15.8%	5.1%	5.1%	5.0%	3.8%
EBITDA Adjusted	46.5	47.3	44.0	43.3	43.7	46.2	49.9	52.6	55.4
% margin	13.5%	12.2%	11.9%	13.4%	11.7%	11.8%	12.1%	12.2%	12.3%
% YoY growth	27.3%	1.6%	-6.8%	-1.7%	1.1%	5.6%	8.0%	5.4%	5.4%
EBITDA	39.2	42.6	42.6	35.2	38.7	43.7	47.4	50.1	52.9
% margin	11.4%	10.9%	11.6%	10.9%	10.4%	11.1%	11.5%	11.6%	11.8%
D&A	-14.2	-14.0	-16.1	-19.3	-19.7	-20.1	-20.5	-20.9	-21.3
% on net revenues	-4.1%	-3.6%	-4.4%	-6.0%	-5.3%	-5.1%	-5.0%	-4.8%	-4.7%
EBIT Adjusted	32.3	33.2	28.0	24.0	24.0	26.1	29.4	31.7	34.1
% margin	9.4%	8.5%	7.6%	7.4%	6.4%	6.7%	7.1%	7.3%	7.6%
EBIT	25.0	28.5	26.5	15.9	19.0	23.6	26.9	29.2	31.6
% margin	7.3%	7.3%	7.2%	4.9%	5.1%	6.0%	6.5%	6.7%	7.0%
Financial Income	0.0	0.8	2.1	0.7	0.1	0.1	0.1	0.1	0.1
Financial Charges	-3.6	-1.5	-1.7	-1.1	-0.5	-0.5	-0.5	-0.5	-0.5
Pretax	21.5	27.9	27.0	15.4	18.7	23.2	26.5	28.8	31.2
Taxes	0.3	-2.0	0.0	-0.5	-1.0	-1.1	-1.1	-1.1	-0.1
tax rate	2%	-7%	0%	-3%	-5%	-5%	-4%	-4%	0%
Minorities	-3.6	-1.5	-0.8	-0.8	-0.8	-1.2	-1.3	-1.4	-1.5
Net Profit	18.2	24.3	26.2	14.1	16.8	20.9	24.1	26.3	29.6
% YoY Growth	1261%	34%	8%	-46%	19%	24%	15%	9%	12%
Adjusted Net Profit	25.4	29.0	27.6	22.2	21.8	23.4	26.6	28.8	32.1

Source: Intermonte SIM estimates (E) and Company data (A)

**Avio – Balance Sheet**

	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E
Tangible assets	82.9	92.3	107.5	121.2	134.0	146.4	154.6	161.4	167.0
Goodwill	61.0	61.0	61.0	61.0	61.0	61.0	61.0	61.0	61.0
Intangible assets	117.6	117.0	122.3	125.6	125.1	124.5	123.8	123.0	122.1
Investments	8.0	8.1	7.8	9.1	9.1	9.1	9.1	9.1	9.1
Total Fixed Assets	269.5	278.4	298.5	316.9	329.2	341.0	348.5	354.6	359.2
Inventories	117.5	116.1	145.5	140.3	149.2	156.7	164.7	172.9	179.5
Contract work in progress	-131.3	-73.9	-104.9	-143.0	-120.0	-120.0	-120.0	-120.0	-120.0
Trade receivables	8.5	7.0	6.2	2.2	2.5	2.6	2.8	2.9	3.0
Trade Payables	-89.4	-131.4	-100.3	-66.5	-89.1	-93.6	-98.4	-103.0	-106.5
Other assets and liabilities	61.3	51.3	12.9	12.9	13.0	13.0	13.0	14.0	15.0
Working Capital	-33.4	-31.0	-40.6	-54.0	-44.4	-41.2	-37.9	-33.2	-29.0
Def. tax assets and liab.	76.5	76.2	77.8	78.0	81.0	84.0	87.0	90.0	93.0
Provisions for risks	-61.3	-66.0	-78.6	-102.7	-105.7	-119.4	-129.2	-138.8	-131.6
Provisions for employee benefits	-10.9	-10.7	-11.2	11.3	11.2	11.1	11.0	10.9	10.8
Net Invested Capital	240.5	246.9	245.9	249.4	271.1	275.4	279.3	283.4	302.4
Equity	272.2	284.6	296.1	303.5	310.8	319.8	330.3	341.6	371.2
Minorities	10.1	11.4	7.8	8.5	8.5	8.5	8.5	8.5	8.5
Total Equity	282.2	296.0	303.9	312.0	319.3	328.3	338.8	350.1	379.7
Net Cash (Debt)	41.7	49.1	57.9	62.6	48.1	52.9	59.5	66.7	77.3

Source: Intermonte SIM estimates (E) and Company data (A)

**Avio – Cash Flow**

	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E
Net profit	21.8	25.8	27.0	14.9	17.7	22.1	25.4	27.7	31.1
D&A	14.2	14.0	16.1	19.3	19.7	20.1	20.5	20.9	21.3
Change in Working Capital	5.4	-2.4	9.6	13.5	-9.6	-3.2	-3.3	-4.7	-4.2
Provisions	-6.4	-0.7	-0.7	-3.2	-1.2	-1.3	-1.0	0.0	0.0
Change in funds	0.0	0.2	-0.5	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Cash Flow	35.1	37.0	51.5	44.4	26.4	37.6	41.5	43.8	48.2
YoY change	-3.8	0.1	0.4	-0.1	-0.4	0.4	0.1	0.1	0.1
Capex	-25.6	-22.7	-28.4	-34.5	-35.0	-25.0	-25.0	-25.0	-25.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition	0.0	-3.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Increase/Buyback	0.0	0.0	-2.7	-6.4	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	-10.0	-11.5	0.0	-7.3	-9.6	-11.9	-13.7	-14.9
Others	-16.1	6.7	-0.1	1.2	1.4	1.7	2.0	2.2	2.4
Cash Flow	-6.6	7.4	8.8	4.7	-14.5	4.8	6.6	7.2	10.6
NFP at the beg. of the year	48.3	41.7	49.1	57.9	62.6	48.1	52.9	59.5	66.7
Cash Flow: Cash/(Debt)	-6.6	7.4	8.8	4.7	-14.5	4.8	6.6	7.2	10.6
NFP at year end	41.7	49.1	57.9	62.6	48.1	52.9	59.5	66.7	77.3

Source: Intermonte SIM estimates (E) and Company data (A)

**Avio – Peer Group**

Company name	Country	Mkt cap (EU mn)	EV/Sales		EV/EBITDA		EV/EBIT		PE	
			2021E	2022E	2021E	2022E	2021E	2022E	2021E	2022E
Avio SpA @ our est.	IT	364	0.8 x	0.7 x	6.8 x	6.4 x	12.4 x	11.3 x	17.2 x	16.0 x
Airbus SE	NL	78,437	1.4 x	1.3 x	13.8 x	9.7 x	28.9 x	15.4 x	44.4 x	24.4 x
Moog Inc. Class A	US	2,212	1.2 x	1.1 x	10.7 x	9.3 x	15.3 x	13.0 x	18.0 x	15.3 x
OHB AG	DE	629	0.7 x	0.6 x	9.0 x	7.5 x	16.0 x	11.5 x	25.0 x	18.0 x
Safran S.A.	FR	52,148	3.4 x	2.9 x	18.0 x	13.5 x	28.5 x	19.9 x	40.8 x	27.6 x
Thales SA	FR	18,217	1.2 x	1.1 x	8.3 x	7.2 x	11.8 x	9.8 x	14.9 x	12.6 x
Boeing Company	US	117,134	2.3 x	2.0 x	32.5 x	19.0 x	61.4 x	25.1 x		45.0 x
Aerojet Rocketdyne	US	3,155	1.6 x	1.6 x	12.3 x	11.5 x	16.6 x	16.1 x	25.6 x	23.2 x
Northrop Grumman	US	45,281	1.8 x	1.7 x	12.9 x	12.5 x	15.2 x	14.3 x	14.4 x	13.4 x
Leonardo SpA	IT	3,847	0.5 x	0.5 x	4.6 x	4.1 x	6.6 x	5.7 x	6.9 x	5.7 x
<b>Median</b>			<b>1.4 x</b>	<b>1.3 x</b>	<b>12.3 x</b>	<b>9.7 x</b>	<b>16.0 x</b>	<b>14.3 x</b>	<b>21.5 x</b>	<b>18.0 x</b>

Source: FactSet

## Avio in Brief

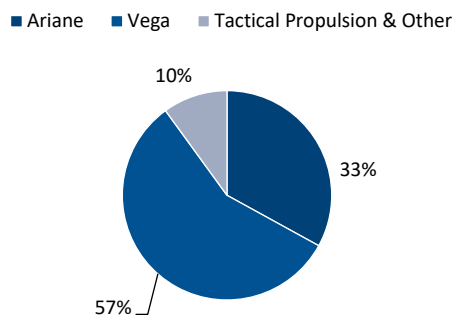
### Company description

Avio is a leading company in space propulsion, based in Colleferro, near Rome, Italy. The company offers solutions for launching institutional, governmental and commercial payloads in Earth orbit through its Vega rocket family. The expertise and know-how acquired in over 50 years, currently allow Avio to compete in the segment of solid, liquid and cryogenic propulsion for space launchers and military tactical missiles.

### Strengths/Opportunities

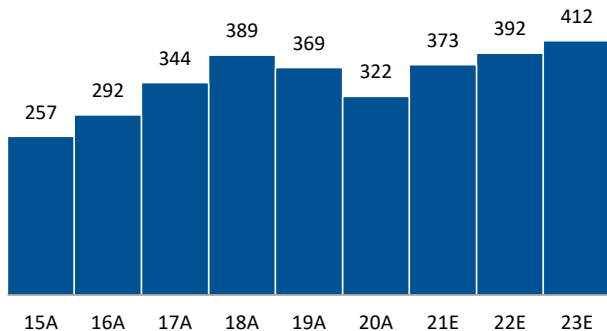
- Leading company operating in a sector with extremely high technological entry barriers
- High visibility thanks to a solid backlog
- Exposure to the fast-growing LEO market
- Solid balance sheet able to support future growth
- Launch of new products (i.e. mini launchers)
- Exploitation of important economies of scale

Figure 1: Revenues Breakdown by Business



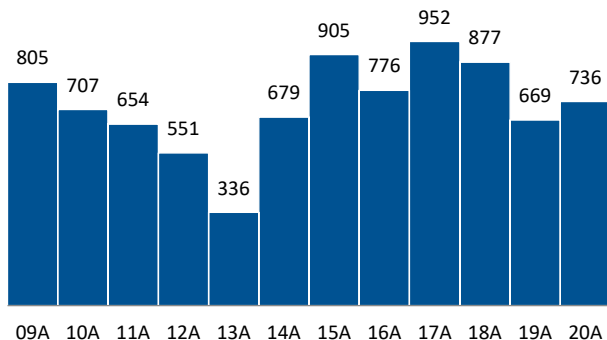
Source: Intermonte SIM

Figure 3: Net Revenues (Eu mn)



Source: Intermonte SIM

Figure 5: Order Backlog (Eu mn)



Source: Intermonte SIM

### Management

CEO: Giulio Ranzo  
 Chairman: Roberto Italia  
 CFO: Alessandro Agosti

Next BoD renewal: 2023

BoD independent members: 7/11

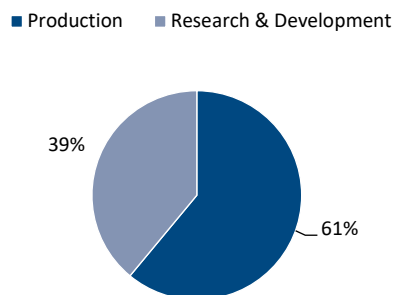
### Shareholders

Leonardo	29.6%
Space Holding	4.8%
InOrbit	4.1%
Treasury Shares	2.6%
Floating	58.9%

### Weaknesses/Threats

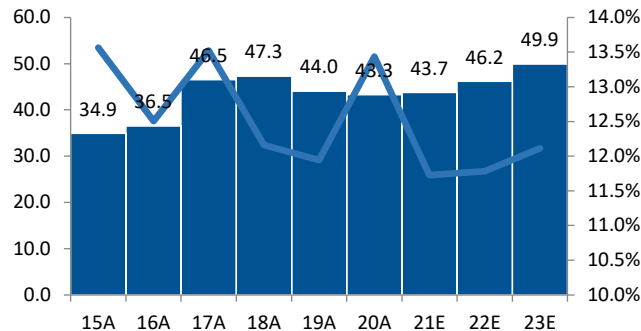
- More expensive products compared to competitors
- Highly concentrated client base
- Increasing competition
- Deteriorating of the macroeconomic environment leading to reduced budget allocations for space programmes
- Failure of launches

Figure 2: Revenues Breakdown by Activity



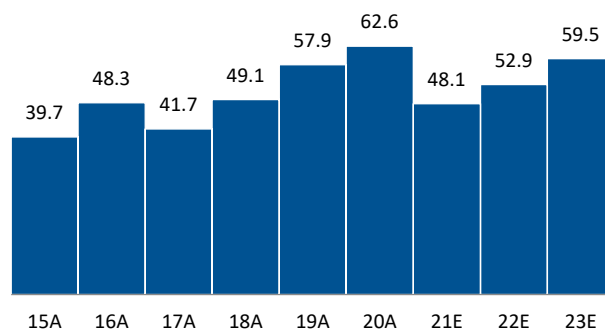
Source: Intermonte SIM

Figure 4: EBITDA Adjusted (Eu mn) and margin (%)



Source: Intermonte SIM

Figure 6: Net Cash (Eu mn)



Source: Intermonte SIM

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	AVIO		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	17.50	Previous Target (Eu):	17.50
Current Price (Eu):	13.84	Previous Price (Eu):	12.96
Date of report:	29/04/2021	Date of last report:	12/11/2020



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- 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 2.5% and a risk premium of 5.0% are being used.

Frequency of research: quarterly.

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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 2021 Intermonte's Research Department covered 124 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	16,26 %
OUTPERFORM:	51,22 %
NEUTRAL:	28,45 %
UNDERPERFORM	04,07 %
SELL:	00,00 %

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OUTPERFORM:	57,69 %
NEUTRAL:	17,31 %
UNDERPERFORM	00,00 %
SELL:	00,00 %

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IKF	0,57	SHORT
OLIDATA	0,74	SHORT

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