

Company Note

Avio

Works Underway

The Vega C return to flight and the AR6 maiden flight both planned by end-2023 could mark an upturn in production activity from 2024. Moreover, the confirmation of the group's main development projects, the new ESA and Next Gen-EU orders and a sound tactical propulsion business should support a high single-digit 2022A-27E top line CAGR. We still view Avio as a key player for the development of an independent European space industry assuming a successful outcome of the important challenges ahead in 2023.

FY22 results

The group's FY22 results were broadly in line with management's guidance. FY22 revenues increased by 14.7% yoy, driven both by the development activity for the Vega C and Vega E launchers and the acceleration of the manufacturing activity of the new P120 engine. The consolidated reported FY22 EBITDA declined by 28.6% yoy, mainly due to higher gas prices and cost inflation. Provisions for Vega C's return-to-flight extraordinary expenses amounted to approx. EUR 24M, partly offset by non-recurring gains. At 31-Dec, the group's net cash amounted to EUR 74.4M partly benefitting from a significant increase in advance payments. The order backlog at FY22 was EUR 1,014M.

2023 guidance feasible but crucial challenges ahead

We believe the released 2023 guidance for revenues in the EUR 330-350M range and a rec. EBITDA of EUR 25M-31M is feasible. The crucial challenges are now the Vega C's return-to-flight and the AR6 maiden flight, both planned by end-2023: their successful execution is at the base of our 2024E-27E forecasts, which factor in the re-acceleration of the P120-P160 engines production from 2024E and an important contribution from the ESA/NRRP development contracts. Based on the announced results and outlook, we cut our 2023E-25E rec. EBITDA estimates by respectively 10.2%, 20.4% and 15.4%, mainly as a result of a one-year delay in the Vega C and AR6 programmes.

Valuation

Based on our updated 2023E-27E forecasts and current market multiples, the avg. between our peers' comparison and DCF valuations **returns a TP at EUR 9.5/sh (EUR 11.5/sh. previously)**. Considering the positive mid-term space industry outlook, the rich order backlog and development projects' pipeline as well as the growing strategic importance for Europe to develop its own space industry, we believe that the stock could represent a defensive play in the current geopolitical scenario. However, the company faces some crucial steps ahead including the timely and successful return to flight of Vega C and Ariane 6's maiden flight. We believe that this is the most important short-term management challenge that has to be successfully completed for investors to return on the stock. **Considering the limited potential price upside, we change our rating to HOLD from BUY.**

Equity

MID CORPORATE

22 March 2023: 7:41 CET

Date and time of production

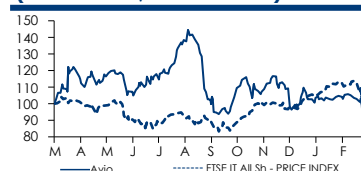
HOLD
(from BUY)

Target Price: EUR 9.5
(from EUR 11.5)

Italy/Aerospace & Defence
Results

MTA-STAR

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



Avio - Key Data

Price date (market close)	20/03/2023
Target price (EUR)	9.5
Target upside (%)	2.70
Market price (EUR)	9.25
Market cap (EUR M)	243.82
52Wk range (EUR)	14.1/9.0

Price performance %	1M	3M	12M
Absolute	-8.8	-12.6	-4.6
Rel. to FTSE IT All Sh	-3.0	-19.9	-9.9

Y/E Dec (EUR M)	FY22A	FY23E	FY24E
Revenues	357.3	338.7	401.4
EBITDA	21.43	20.05	29.49
EBIT	2.29	1.22	9.88
Net income	-0.39	1.07	9.53
EPS (EUR)	0.22	0.27	0.48
Net debt/-cash	-74.41	-60.32	-54.86
Adj P/E (x)	51.0	34.5	19.5
EV/EBITDA (x)	10.5	9.7	6.8
EV/EBIT (x)	98.4	NM	20.4
Div ord yield (%)	0	0	1.6

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

Intesa Sanpaolo Research Dept.

Bruno Permutti - Research Analyst
bruno.permutti@intesasnpaolo.com

4Q/FY22 Results

The group's FY22 results were slightly above forecasts at both the top line and the adj. EBITDA level, while the reported EBITDA was in line with expectations. FY22A revenues increased by 14.7% yoy, driven by both the development activity for the Vega C and Vega E launchers and the acceleration of the manufacturing activity of the new P120 engine following a first half of the year focused on the Vega C maiden flight. The weighting of the production activity on total revenue declined to 57% vs. 69% of 2021, mainly due to the phase-out of AR5, while the development revenue increased to EUR 151M vs. EUR 96M in 2021, supported by the M10 engine for Vega E, Vega C and Space Raider research programs.

FY22 results slightly above forecasts at both the top line and the adj. EBITDA level

Consolidated reported FY22 EBITDA declined by 28.6% yoy, mainly due to higher gas prices and cost inflation. Net not-recurring costs amounted to EUR 6.4M and among others included, on the negative side, EUR 5.4M related to the extraordinary expenses for the Vega C maiden flight and approx. EUR 24M of extraordinary provisions for risks for Vega C's return to flight activities and for the execution of future programmes and, on the positive side, a contribution resulting from other revenues from settlement of Law 808/85 payables, which concerns the public financial support for the development of certain projects in the aerospace and defence sector. No significant surprises emerged below the operating line.

At 31 December, the group's net cash amounted to EUR 74M vs. EUR 21M at 30 September 2022, with the increase partly related to a significant increase in advance payments from customers. Order backlog at 31 December amounted to EUR 1,014M, above the EUR 870-920M guidance.

Avio - 4Q/FY22 results

EUR M	4Q21A	FY21A	4Q22A	4Q22E	4Q21C	A/E %	E/C %	yoy %	FY22A	FY22E	FY22C	FY A/E%	FY A/C%	yoy %
Revenue (net of pass-through)	113.8	311.6	137.4	120.8	NA	13.8	NA	20.8	357.3	340.7	343.0	4.9	4.2	14.7
EBITDA	22.0	30.0	14.9	15.1	NA	-1.1	NA	-32.1	21.4	21.6	23.9	-0.8	-10.3	-28.6
%	19.3	9.6	10.9	12.5	-	-	-	-	6.0	6.3	7.0	-	-	-
Adj. EBITDA	25.9	37.7	17.8	16.6	NA	7.2	NA	-31.3	27.8	26.6	NA	4.5	NA	-26.3
%	22.8	12.1	13.0	13.7	-	-	-	-	7.8	7.8	-	-	-	-
EBIT	16.5	8.9	9.9	9.2	NA	7.9	NA	-39.6	2.2	1.5	3.5	47.9	-35.2	-74.7
%	14.5	2.8	7.2	7.6	-	-	-	-	0.6	0.4	1.0	-	-	-
Adj. EBIT	20.4	16.6	12.8	10.7	NA	19.6	NA	-37.1	8.6	6.5	NA	32.2	NA	-48.0
%	17.9	5.3	9.3	8.9	-	-	-	-	2.4	1.9	-	-	-	-
Net Income	NA	8.5	NA	NA	NA	NA	NA	NA	-0.4	0.8	NA	NM	NA	NM

NA: not available; NM: not meaningful; A: actual; E: estimates; C: Bloomberg consensus; Source: Company data and Intesa Sanpaolo Research

Earnings Outlook

The group provided the following 2023 guidance: revenue in the EUR 330-350M range, reported EBITDA between EUR 19M and EUR 25M, rec. EBITDA EUR 25M-31M and net income in the EUR 2-6M range.

2023 guidance

In particular, for 2023 management expects two Vega launches (one with the old Vega launcher in July and the other with the Vega C return-to-flight by year-end), and three Ariane flights, the last two AR5 and the AR6 maiden flight planned by year-end. Management also said that the production activity could decline this year as a result of a slower than previously planned ramp-up of the P120 engine due to the delay in the AR6 programme and to the need to focus on the Vega C return to flight activities. The development business should instead remain quite sound considering that all the group's research programs were confirmed, that last November the Ministerial Council allocated approx. EUR 700M for the launchers' development (to be awarded mostly in 2023 and 2024) and that in 2023 the group was already awarded EUR 285M orders related to the Next Generation EU/NRRP funds.

Among the ongoing development projects for 2023, we would signal the new round of static firing tests on the second prototype of the M10 liquid-oxygen methane engine, the Space Rider, the new Vega E launcher and the upgrade of the P120 engine, which should equip the more powerful Vega C+ launcher. Management also expects the tactical propulsion revenue to stabilise at around 10% of the group's revenue in 2023 and onward as a result of the significant order inflow expected in the next few months for both the medium-range air defence Aster 30 and the short-range air defence CAMM-ER missiles booster. The company also said that in 2023 the group's operating profitability should continue to be negatively impacted by the high gas costs, that while declining vs. 2022 should remain above the average 2021 level and by the overall cost inflation. In our understanding, the increase in risk provisions for EUR 24.3M made in 2022 should cover the costs to be sustained by the company (additional EUR 30M will be paid by ESA) for the Vega return-to-flight activities, which should therefore have a limited direct impact on 2023.

Ongoing development projects for 2023

End-2023 order backlog was guided in the EUR 1.15-1.25Bn range, with a further increase compared to the 1.014Bn reached at end-2022. In our calculations, the backlog guidance implies a 2023 order inflow of approx. EUR 550M (vs. EUR 500M in 2022) that seems to be quite visible considering the abovementioned EUR 285M order just awarded by the Italian government for research projects on the next generation of European launchers within the NRRP and the EUR 700M funds allocated from ESA.

End-2023 order backlog was guided in the EUR 1.15-1.25Bn range

Management also said that capex is expected to reach a peak in 2023-2024 at around EUR 35-40M per year mainly due to further production capacity expansion for the P120 engine, which will equip both the new AR6 and Vega C gradually declining thereafter. End-2023 net cash position is expected to decline vs. the EUR 74M reached at end-2022, also due to the possible gradual absorption of customers' advance payments.

Looking beyond 2023 and assuming the RfF of Vega C and the maiden flight of AR6 by the end of this year, we would expect the group to be able to re-accelerate the P120-P160 engines production as the Vega C launcher is fully booked until 2026-2027 with 4 or 5 launches per year, while since 2024 AR6 production should benefit from the already announced Amazon order (Project Kuiper) for 18 AR6-4 launches. In addition, we expect the group's development activity to remain at a high level thanks to the

ESA/NRRP contracts already in the group's backlog or to be awarded over the next two years, while we assume that the tactical propulsion business will continue to grow accounting for approx. 10% of the group's annual revenue.

Overall, we estimate the next few years will see a confirmation of the group's main production and development targets; however, mainly to factor in a one-year delay in their implementation, we cut our 2023E-26E group forecasts, mainly to reflect the time and measures needed for Vega C's return to flight and to the postponed AR6 maiden flight.

Avio – Estimates revision (2023E-26E) and 2027E introduction

EUR M	2023E New	Old	Chg%	2024E New	Old	Chg%	2025E New	Old	Chg%	2026E New	Old	Chg%	2027E New
Sales	338.7	383.5	-11.7	401.4	435.3	-7.8	476.2	481.4	-1.1	512.0	513.5	-0.3	553.0
EBITDA	20.0	26.0	-22.9	29.5	38.3	-23.0	37.8	45.7	-17.4	46.4	51.3	-9.6	52.6
% margin	5.9	6.8		7.3	8.8		7.9	9.5		9.1	10.0		9.5
Adj. EBITDA	26.0	29.0	-10.2	32.5	40.8	-20.4	40.8	48.2	-15.4	49.4	53.8	-8.2	55.6
% margin	7.7	7.6		8.1	9.4		8.6	10.0		9.7	10.5		10.1
EBIT	1.2	1.8	-32.7	9.9	13.5	-26.6	12.0	20.0	-40.3	19.7	25.5	-23.0	23.3
% margin	0.4	0.5		2.5	3.1		2.5	4.2		3.8	5.0		4.2
Net Income	1.1	1.0	3.7	9.5	11.5	-17.2	11.6	17.4	-33.4	18.8	22.4	-16.1	21.6

Source: Intesa Sanpaolo Research estimates

Valuation

In our valuation, we use both a peers' comparison to obtain a more market related and short-term view of the company's valuation and a DCF model that, given the long-term projects pertaining to the space industry and the company's growing disclosure on its medium-term plans and targets, should allow us to factor in the expected outcome of the strategic actions that management is planning to implement in the 2023-27 period.

We therefore set our target price based on both a market multiples analysis and a DCF model.

Peers' comparison

The valuation of space companies is not an easy task, as most of them are not listed or are loss-making/start-up companies. Looking at our selected sample, we note that 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. Aerojet Rocketdyne, a space propulsion specialist, is probably more similar than others to Avio, even if it is much bigger. For this reason, we would look cautiously at the information provided by the peers' comparison, which is nonetheless useful to have a more market related view. In the table below, we show Avio's peers' market multiples:

2023E-25E peers' multiples

	Price	Curr.	Mkt. Cap.	EV/EBITDA			EV/EBIT			P/E		
			(M)	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Northrop Grumman	449.3	USD	68,761	14.7	14.3	13.2	19.5	18.7	16.8	20.3	18.2	16.0
Aerojet Rocketdyne	55.8	USD	4,501	15.5	14.5	13.7	17.2	16.4	15.9	27.5	24.3	186.0
Boeing	204.8	USD	122,502	27.6	17.9	14.5	38.5	23.9	18.0	706.1	35.8	22.2
Lockheed	475.7	USD	121,445	13.7	14.1	13.8	16.1	16.3	15.9	17.7	16.9	16.6
Moog	97.1	USD	3,092	9.1	9.0	7.9	10.7	10.7	10.4	17.0	14.9	13.3
Airbus	118.6	EUR	93,481	9.5	8.9	7.1	13.5	12.0	9.2	21.1	16.7	13.0
Safran	130.4	EUR	55,706	12.7	11.1	9.6	17.8	14.9	12.3	26.1	20.4	16.6
Thales	132.3	EUR	27,800	9.1	9.6	9.0	12.0	12.4	11.4	16.7	15.3	13.9
Leonardo	10.5	EUR	6,091	4.8	4.9	4.6	7.2	7.1	6.6	8.2	7.2	6.7
Avio*	9.3	EUR	245	7.5	6.2	4.9	26.9	15.5	13.0	34.7	19.6	16.8
Median ex-Avio				12.7	11.1	9.6	16.1	14.9	12.3	20.3	16.9	16.0
Avio disc./pr.(+)%				-41	-44	-49	68	4	5	70	16	5

Source: FactSet and *Intesa Sanpaolo Research estimates

Applying the sample median 2023E-24E EV/EBITDA, EV/EBIT and P/E peers' multiples to our estimates for Avio, we obtain a fair value of EUR 10.2/sh (EUR 9.1/sh previously), as the weighted average of the obtained values. The valuation change compared to our previous report (October 2022) mainly reflects the market multiples improvement, which more than offset the downwards revision of our 2023E-24E forecasts.

Fair value of EUR 10.2/sh on peers

While acknowledging the relevance of the peers' multiple analysis we would also note that, in the current economic and political context, its outcome is subject to a significant volatility not necessarily dependent on company-specific issues.

DCF model

We rolled over our DCF model to 2027 based on our updated detailed 2023E-27E forecasts (2022E-26E previously), while leaving unchanged the perpetuity growth factor at 2.0% from 2027E onwards, which in our opinion reflects the growing interest by European countries and institutions towards the development of the space industry, which could smoothen the possible cyclicity of the production process. In addition, compared with our previous valuation, we changed our risk-free rate to 4.0% (from 3% previously) and left unchanged our market risk premium at 6.5%. Based on the above-specified assumptions, our DCF model returns a fair value for Avio at EUR 8.8/share (EUR 13.8/share previously), mainly reflecting our 2023E-27E estimates' changes, and the higher WACC (8.94% vs. 7.75% previously).

DCF model returns a fair value for Avio at EUR 8.8/share

Avio - DCF valuation

EUR M	
PV of FOpCF 23E-27E	14.6
Perpetual growth rate %	2.0%
Terminal Value	214.2
PV of terminal value	142.2
EV	157
Net debt(+)/cash(-) at 31 Dec. 2022	-74.4
Equity value	231.2
Number of shares (M)	26.4
Fair value/Share (EUR)	8.8

Source: Intesa Sanpaolo Research estimates

Conclusions

Based on our updated 2023E-27E forecasts and current market multiples, the avg. between our peers' comparison and DCF valuations **returns a TP at EUR 9.5/sh** (EUR 11.5/sh. previously). Considering the positive mid-term space industry outlook, the rich order backlog and development projects' pipeline as well as the growing strategic importance for Europe to develop its own space industry, we believe that the stock could represent a defensive play in the current geopolitical scenario. However, the company faces some crucial steps ahead including the timely and successful return-to-flight of Vega C and Ariane 6's maiden flight, both planned by year-end. We believe that this is management's important short-term challenge that has to be successfully completed for investors to return to the stock. **We change our rating to HOLD from BUY.**

TP at EUR 9.5/share; rating HOLD

Avio – Key Data

Rating HOLD	Target price (EUR/sh) Ord 9.5		Mkt price (EUR/sh) Ord 9.25		Sector Aerospace & Defence	
Values per share (EUR)	2020A	2021A	2022A	2023E	2024E	2025E
No. ordinary shares (M)	26.36	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	26.36
Market cap (EUR M)	358.99	321.53	290.24	243.82	243.82	243.82
Adj. EPS	0.54	0.32	0.22	0.27	0.48	0.55
BVPS	11.5	11.5	11.1	11.2	11.5	11.8
Dividend ord	0.29	0.18	0	0	0.14	0.18
Income statement (EUR M)	2020A	2021A	2022A	2023E	2024E	2025E
Revenues	322.0	311.6	357.3	338.7	401.4	476.2
EBITDA	34.98	30.01	21.43	20.05	29.49	37.76
EBIT	15.88	8.86	2.29	1.22	9.88	11.96
Pre-tax income	15.41	8.62	1.43	2.57	11.03	13.11
Net income	14.12	8.48	-0.39	1.07	9.53	11.61
Adj. net income	14.12	8.48	5.69	7.07	12.53	14.61
Cash flow (EUR M)	2020A	2021A	2022A	2023E	2024E	2025E
Net income before minorities	14.9	9.1	1.4	2.6	11.0	13.1
Depreciation and provisions	19.1	21.2	19.1	20.5	19.6	25.8
Others/Uses of funds	-12.3	-14.7	24.7	0	0	0
Change in working capital	17.7	20.0	9.0	4.5	-0.1	4.9
Operating cash flow	39.3	35.6	54.2	27.6	30.5	43.8
Capital expenditure	-34.6	-33.7	-32.5	-40.0	-36.0	-34.0
Financial investments	0	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0	0
Free cash flow	4.7	1.9	21.7	-12.4	-5.5	9.8
Dividends	0	-7.3	-4.5	0	0	-3.8
Equity changes & Non-op items	0	0	0	0	0	0
Net cash flow	4.7	-5.4	17.2	-12.4	-5.5	6.0
Balance sheet (EUR M)	2020A	2021A	2022A	2023E	2024E	2025E
Net capital employed	249.4	253.2	229.5	251.3	264.7	265.0
of which associates	0	0	0	0	0	0
Net debt/-cash	-62.6	-57.2	-74.4	-60.3	-54.9	-60.8
Minorities	8.5	7.8	9.6	11.1	12.6	14.1
Net equity	303.5	302.5	293.7	294.8	304.3	312.1
Minorities value	8.5	7.8	9.6	11.1	12.6	14.1
Enterprise value	304.9	272.2	225.4	194.6	201.6	197.1
Stock market ratios (x)	2020A	2021A	2022A	2023E	2024E	2025E
Adj. P/E	25.4	37.9	51.0	34.5	19.5	16.7
P/CFPS	10.6	10.6	14.2	10.6	8.0	6.3
P/BVPS	1.2	1.1	0.99	0.83	0.80	0.78
Payout (%)	53	55	0	0	40	40
Dividend yield (% ord)	2.1	1.5	0	0	1.6	1.9
FCF yield (%)	1.3	0.6	7.5	-5.1	-2.2	4.0
EV/sales	0.95	0.87	0.63	0.57	0.50	0.41
EV/EBITDA	8.7	9.1	10.5	9.7	6.8	5.2
EV/EBIT	19.2	30.7	98.4	NM	20.4	16.5
EV/CE	1.2	1.1	0.98	0.77	0.76	0.74
D/EBITDA	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
D/EBIT	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
Profitability & financial ratios (%)	2020A	2021A	2022A	2023E	2024E	2025E
EBITDA margin	10.9	9.6	6.0	5.9	7.3	7.9
EBIT margin	4.9	2.8	0.6	0.4	2.5	2.5
Tax rate	3.5	NM	5.0	NM	NM	NM
Net income margin	4.4	2.7	-0.1	0.3	2.4	2.4
ROCE	6.4	3.5	1.0	0.5	3.7	4.5
ROE	4.7	2.8	-0.1	0.4	3.2	3.8
Interest cover	33.6	37.4	2.7	-0.9	-8.6	-10.3
Debt/equity ratio	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
Growth (%)		2021A	2022A	2023E	2024E	2025E
Sales		-3.2	14.7	-5.2	18.5	18.6
EBITDA		-14.2	-28.6	-6.5	47.1	28.0
EBIT		-44.2	-74.1	-46.6	NM	21.0
Pre-tax income		-44.1	-83.4	79.2	NM	18.9
Net income		-40.0	NM	NM	NM	21.8
Adj. net income		-40.0	-32.9	24.2	77.3	16.6

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 data

Mkt price (EUR)	9.25	Free float (%)	58.5
No. of shares	26.36	Major shr	Leonardo
52Wk range (EUR)	14.1/9.0	(%)	25.9
Reuters	AVI.MI	Bloomberg	AVIO IM
Performance (%)	Absolute	Rel. FTSE IT All Sh	
-1M	-8.8	-1M	-3.0
-3M	-12.6	-3M	-19.9
-12M	-4.6	-12M	-9.9

Key Risks

Company specific risks:

- Rising pricing pressure competition from main competitors, both in the Ariane and Vega programmes in the long run;
- Persisting high gas prices
- Vega C return to flight

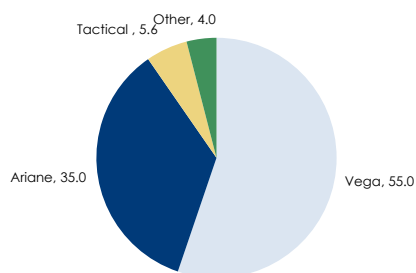
Sector generic risks:

- Potential disruption to revenue prospects related to launch failures;

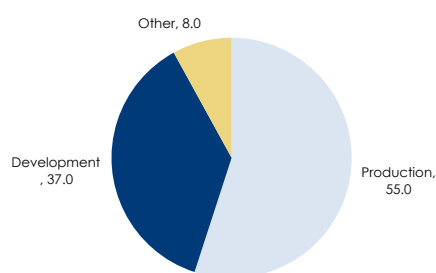
Estimates vs. consensus

EUR M (Y/E Dec)	2022A	2023E	2023C	2024E	2024C	2025E	2025C
Sales	357.3	338.7	344.5	401.4	431.9	476.2	NA
EBITDA	21.43	20.05	24.00	29.49	43.26	37.76	NA
EBIT	2.29	1.22	6.50	9.88	18.63	11.96	NA
Pre-tax income	1.43	2.57	3.20	11.03	20.04	13.11	NA
Net income	-0.39	1.07	1.66	9.53	15.72	11.61	NA
EPS (€)	0.22	0.27	0.12	0.48	0.62	0.55	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 20/03/2023)

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 eligible for listing have revenues below 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 around EUR 1Bn.

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Equity Research Publications in Last 12M

The list of all recommendations on any financial instrument or issuer produced by Intesa Sanpaolo Research Department and distributed during the preceding 12-month period is available on the Intesa Sanpaolo website at the following address:

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Equity rating key: (long-term horizon: 12M)

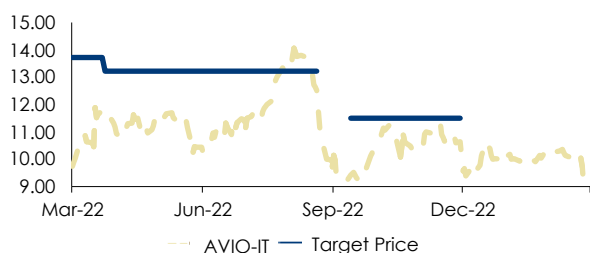
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Equity Rating Key (long-term horizon: 12M)

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.
TENDER SHARES	We advise investors to tender the shares to the offer.
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

Historical recommendations and target price trends (long-term horizon: 12M)

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->. Note: please also refer to <https://group.intesasanpaolo.com/it/research/equity-credit-research/equity> in applicable cases for the ISP-UBI Equity Ratings Reconciliation Table, the archive of ex-UBI's previously published research reports and 12M historical recommendations.

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

Date	Rating	TP (EUR)	Mkt Price (EUR)
21-Dec-22	Under Review	Under Review	9.6
03-Oct-22	BUY	11.5	9.4
12-Sep-22	Under Review	Under Review	10.6
13-Apr-22	ADD	13.2	11.8

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at January 2023)**

Number of companies considered: 129	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)*	66	16	18	0	0
of which Intesa Sanpaolo's Clients (%)**	79	29	52	0	0

* Last rating refers to rating as at end of the previous quarter; ** 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
SHORT	Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event

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Intesa Sanpaolo Research Dept.

Gregorio De Felice - Head of Research	+39 02 8796 2012	gregorio.defelice@intesasnpaolo.com
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Equity&Credit Research

Alberto Cordara	+39 02 4127 8647	alberto.cordara@intesasnpaolo.com
Giampaolo Trasi	+39 02 8794 9803	giampaolo.trasi@intesasnpaolo.com

Equity Research

Monica Bosio (Head)	monica.bosio@intesasnpaolo.com
Luca Bacoccoli	luca.bacoccoli@intesasnpaolo.com
Davide Candela	davide.candela@intesasnpaolo.com
Oriana Cardani	oriana.cardani@intesasnpaolo.com
Marco Cristofori	marco.cristofori@intesasnpaolo.com
Antonella Frongillo	antonella.frongillo@intesasnpaolo.com
Manuela Meroni	manuela.meroni@intesasnpaolo.com
Elena Perini	elena.perini@intesasnpaolo.com
Bruno Permutti	bruno.permutti@intesasnpaolo.com

Corporate Broking Research

Alberto Francese (Head)	alberto.francese@intesasnpaolo.com
Gabriele Berti	gabriele.berti@intesasnpaolo.com
Giada Cabrino	giada.cabrino@intesasnpaolo.com
Youness Nour El Alaoui	youness.alaoui@intesasnpaolo.com
Davide Rimini	davide.rimini@intesasnpaolo.com
Arianna Terazzi	arianna.terazzi@intesasnpaolo.com

Credit Research

Maria Grazia Antola (Head)	maria.antola@intesasnpaolo.com
Alessandro Chiodini	alessandro.chiodini@intesasnpaolo.com
Dario Fasani	dario.fasani@intesasnpaolo.com
Melanie Gavin	melanie.gavin@intesasnpaolo.com
Maria Gabriella Tronconi	maria.tronconi@intesasnpaolo.com
Barbara Pizzarelli (Research Support)	barbara.pizzarelli@intesasnpaolo.com

Technical Analysis

Corrado Binda	corrado.binda@intesasnpaolo.com
Sergio Mingolla	antonio.mingolla@intesasnpaolo.com

Clearing & Data Processing

Anna Whatley (Head)	anna.whatley@intesasnpaolo.com
Stefano Breviglieri	stefano.breviglieri@intesasnpaolo.com
Annita Ricci	annita.ricci@intesasnpaolo.com
Wendy Ruggeri	wendy.ruggeri@intesasnpaolo.com
Elisabetta Bugliesi (IT support)	elisabetta.bugliesi@intesasnpaolo.com

Intesa Sanpaolo – IMI Corporate & Investment Banking Division

Bernardo Bailo - Head of Global Markets Sales	+39 02 7261 2308	bernardo.bailo@intesasnpaolo.com
--	------------------	----------------------------------

Equity Sales

Giorgio Pozzobon	+39 02 7261 5616	giorgio.pozzobon@intesasnpaolo.com
-------------------------	------------------	------------------------------------

Institutional Sales

Catherine d'Aragon	+39 02 7261 5929	catherine.daragon@intesasnpaolo.com
Carlo Cavalieri	+39 02 7261 2722	carlo.cavalieri@intesasnpaolo.com
Francesca Guadagni	+39 02 7261 5817	francesca.guadagni@intesasnpaolo.com
Laurent Kieffer	+44 20 7651 3653	laurent.kieffer@intesasnpaolo.com
Federica Repetto	+39 02 7261 5517	federica.repetto@intesasnpaolo.com
Fabrizio Tito	+39 02 7261 7152	fabrizio.tito@intesasnpaolo.com
Mark Wilson	+39 02 7261 2758	mark.wilson@intesasnpaolo.com
Paola Parenti (Corporate Broking)	+39 02 7265 6530	paola.parenti@intesasnpaolo.com
Roberta Papeschi (Corporate Broking)	+39 02 7261 6363	roberta.papeschi@intesasnpaolo.com
Francesco Riccardi (Corporate Broking)	+39 02 7261 5966	francesco.riccardi@intesasnpaolo.com
Laura Spinella (Corporate Broking)	+39 02 7261 5782	laura.spinella@intesasnpaolo.com
Alessandro Bevacqua	+39 02 7261 5114	alessandro.bevacqua@intesasnpaolo.com
Lorenzo Pennati (Sales Trading)	+39 02 7261 5647	lorenzo.pennati@intesasnpaolo.com

Equity Derivatives Institutional Sales

Emanuele Manini	+39 02 7261 5936	emanuele.manini@intesasnpaolo.com
Enrico Ferrari	+39 02 7261 2806	enrico.ferrari@intesasnpaolo.com
Stefan Gess	+39 02 7261 5927	stefan.gess@intesasnpaolo.com
Edward Lythe	+44 20 7894 2456	edward.lythe@intesasnpaolo.com
Ferdinando Zamprota	+39 02 7261 5577	ferdinando.zamprota@intesasnpaolo.com

Gherardo Lenti Capoduri – Head of Market Hub

	+39 02 7261 2051	gherardo.lenticapoduri@intesasnpaolo.com
--	------------------	--

E-commerce Distribution

Massimiliano Raposio	+39 02 7261 5388	massimiliano.raposio@intesasnpaolo.com
----------------------	------------------	--

Intesa Sanpaolo IMI Securities Corp.

Greg Principe (Equity Institutional Sales)	+1 212 326 1233	greg.principe@intesasnpaolo.com
--	-----------------	---------------------------------