

Company Flash Note

Reason: Company newsflow

26 September 2024

Buy

Recommendation unchanged

Share price: EUR 12.44

closing price as of 25/09/2024

Target price: EUR 16.00

Target Price unchanged

Upside/Downside Potential 28.6%

Reuters/Bloomberg

AVI.MI/AVIO IM

Market capitalisation (EURm) 328

Current N° of shares (m) 26

Free float 56%

Daily avg. no. trad. sh. 12 mth (k) 70

Daily avg. trad. vol. 12 mth (k) 221.87

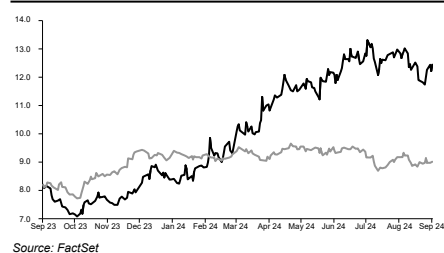
Price high/low 12 months 13.30 / 7.08

Abs Perfs 1/3/12 mths (%) -4.16/2.98/51.71

Key financials (EUR)	12/23	12/24e	12/25e
Sales (m)	339	384	424
EBITDA (m)	21	26	34
EBITDA margin	6.1%	6.7%	8.1%
EBIT (m)	5	7	13
EBIT margin	1.5%	1.8%	3.2%
Net Profit (adj.)(m)	7	8	13
ROCE	7.4%	6.5%	7.7%
Net debt/(cash) (m)	(76)	(36)	(40)
Net Debt Equity	-0.2	-0.1	-0.1
Net Debt/EBITDA	-3.7	-1.4	-1.2
Int. cover(EBITDA/Fin.int)	(14.6)	(25.9)	(34.4)
EV/Sales	0.5	0.8	0.7
EV/EBITDA	8.1	12.0	8.9
EV/EBITDA (adj.)	5.9	9.4	8.0
EV/EBIT	31.8	45.2	22.9
P/E (adj.)	32.4	39.9	24.4
P/BV	0.7	1.0	1.0
OpFCF yield	5.4%	-10.3%	3.3%
Dividend yield	1.9%	2.0%	2.1%
EPS (adj.)	0.26	0.31	0.51
BVPS	11.90	11.96	12.21
DPS	0.24	0.25	0.26

Shareholders

Leonardo 30%; Broggiani Giancarlo 7%; Cobas AM 7%;



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US defence contracts a game changer

AVIO announced in July, new contracts in the USA defence sector with Raytheon and the US Army. These were the results of two to three years commercial efforts which now allow the company to enter the largest defence market of the world app. 3x larger than the European one. The fact that leading USA defence contractors have signed an agreement with a foreign company, speaks loud on the AVIO top level of clearance, manufacturing references and urgent replenishment needs of the USA defence missile stocks.

- ✓ The company reported a tactical propulsion backlog of EUR 320m at the end of H124 providing three to five years of visibility. This represents 23% of total H124 backlog of 1.39bn. However, with many recently large orders announced, those with Poland and prospectively with the USA, we expect tactical propulsion, in the medium term, to become a EUR 200-300m sales business. Space activities remains at low visibility until the Ariane and VEGA programmes return to flight on a regular basis, but capital and political commitments remain very important.
- ✓ The company announced in July two major contracts in defense in USA: one with Raytheon part of RTX and another with the US Army. The contract with Raytheon using AVIO's description aims "to initiate and progress the development of critical solid rocket motors for defense applications. The contract furthers the systems engineering work required to mature these solid rocket motors into a production-ready state". The contract with the US Army is a partnership "for the development and fast prototyping of a solid rocket motor for surface-to-air applications. The project leverages on both Parties' expertise to qualify the propulsion system in a design-to manufacturing approach, offering possibility for a future rapid transition to production".
- ✓ According to an analysis of the Center for Strategic and International studies of January 2023, the inventory replacement times to pre-Ukraine war level, for some missile systems, ranged from 3 up to 18 years. We believe that since then and with no major announcement of a surge in production rates, the situation is even worse today.
- ✓ The USA rocket solid motor industry was estimated at around USD 1.5bn (source: breaking defence) before the recent geopolitical events based essentially on two major supplier: Orbital ATK (now part of Northrop Grumman) and Aerojet Rocketdyne (now part of L3Harris). However, with stocks currently largely depleted and with prospective higher level of stocks due to the tense geopolitical scenario, we expect the market to largely expand over the medium to long term.
- ✓ We keep valuing AVIO with a 2026e SOP valuing the "European" defence propulsion activities at 9x EV/EBITDA or in line with peers and the lower visible space activities at 6x. As far as the USA tactical propulsion prospective contracts, as anticipated in our July comment, being the contracts classified with little details and even less numbers, we can only do some very vague assumptions. However, once again, we would be surprised if AVIO would commit on such deals for less than EUR 100m sales by 2028e. To that business potential, we would apply a DCF with 10% WACC discounted for the low visibility which yields a FV of EUR 2 per share. However, looking at the above replenishment needs, we would expect the USA defence upside to be larger than that so far announced with more upside in due course. Rating BUY and of EUR 16 confirmed.

Company description

Avio (AVIO) is a leading international group operating in the aerospace sector and specializing in development and production of space launchers that use solid, liquid and cryogenic propulsion systems, as well as tactical propulsion systems.

In 2017, Avio S.p.A. was listed on the Italian Stock Exchange's STAR segment after a merger by incorporation with the SPAC Space2. A group reorganization was realized in 2018, resulting in Avio S.p.A. overseeing the launchers development, production and distribution business and Spacelab S.p.A. (subsidiary) being in charge of R&D and testing. In 2018 and 2019 the companies Avio Guyane SAS and Avio France SAS were incorporated.

Avio operates through three main business lines:

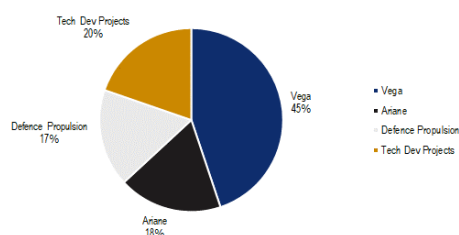
- ✓ **Ariane:** a space program sponsored by the European Space Agency (ESA) for missions involving geostationary (GEO) satellites. AVIO operates as a subcontractor in charge developing and producing different propulsion systems since 1996.
- ✓ **Vega:** a space program sponsored by ESA for space missions involving low earth orbit (LEO) satellites and AVIO operates as prime contractor for development and production on different parts of the launchers, focusing specifically on the propulsion components. The company is also involved in the development and production of propulsion systems for next-gen launchers "Vega-C" and "Vega-E".
- ✓ **Tactical propulsion:** it focuses on developing and producing boosters, propulsion units and aerodynamic control surfaces for tactical applications. AVIO is the booster manufacturer of the surface to air ASTER (solid propellant – two stage motor) and CAMM (solid propellant – one stage motor) missiles families manufactured by MBDA. The Aster is a Franco-Italian family of all-weather, vertical launch surface-to-air missiles. The CAMM is a family of surface-to-air missiles developed by MBDA UK for the United Kingdom.

AVIO's business is mainly based on **long term development and construction projects with large clients** such as Arianespace, ESA, ASI and MBDA, and the main risks are price pressure, launches' failure and lower than expected industry funding.

The **top managers** are Mr. Giulio Ranzo (CEO), PhD in structural engineering and has been Chief Executive since 2015, Mr. Roberto Italia (Chairman) and Mr. Alessandro Agosti (CFO and Head of Investor Relations).

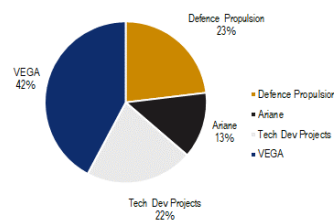
The **shareholding structure** is as follows: Leonardo 29.6%, Cobas AM 9.8%, CGN Futuro 7.4%, Space Holding 4.1%, InOrbit 4.1%, Delfin Sarl 3.8%, Treasury shares 4.1%. Free float is 37%.

Revenue breakdown by business line (H124)



Source: company data

Net order backlog breakdown (H124)



Source: company data

SWOT Analysis

Strengths / Opportunities

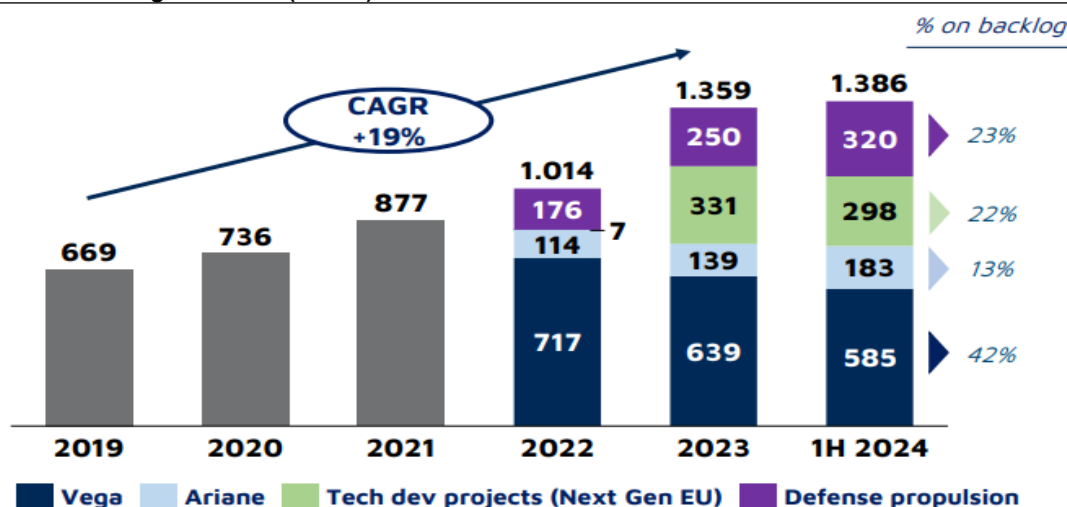
- ✓ AVIO is a leading global player in aerospace launch systems.
- ✓ Huge barriers to entry.
- ✓ Strong national and European industrial and financial support.
- ✓ Development of VEGA C, Ariane 6.2 and 6.4, Various EU space projects.
- ✓ Strong prospective growth in defence propulsion

Weaknesses / Threats

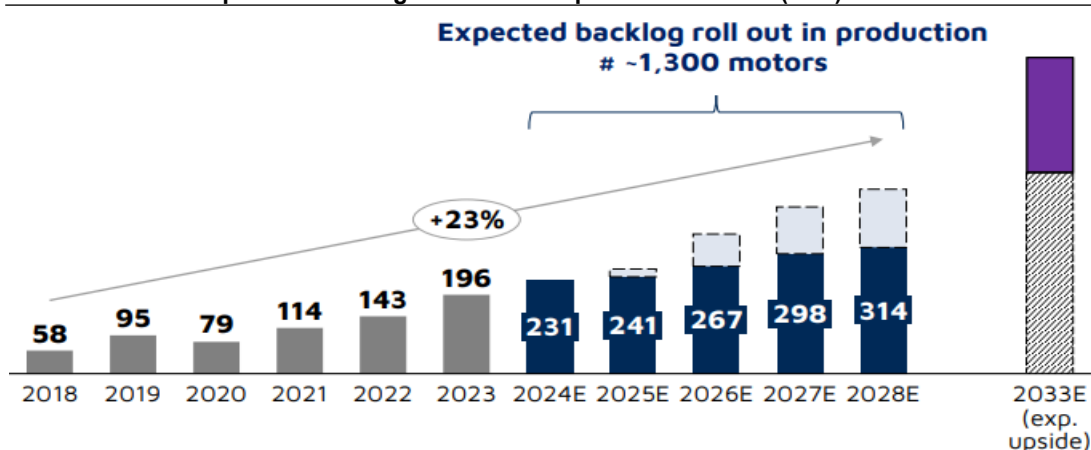
- ✓ Overall high capex intensity
- ✓ Low visibility on overall profitability
- ✓ Launch failures.
- ✓ Ongoing price pressure from national and commercial players

Investment angle: defence propulsion backlog at all-time high. Three to five years of visibility ma likely more to come.

The company reported a tactical propulsion backlog of EUR 320m at the end of H124 providing three to five years of visibility. This represents 23% of total H124 backlog of 1.39bn. However, with many recently large orders announced, those with Poland and prospectively with the USA, we expect tactical propulsion, in the medium term, to become a EUR 200-300m sales business. It is worth highlighting that belatedly, in 2023 and H124, sales of defence propulsion seem growing much faster than volumes hinting at an improving mix (see table bottom of the page). Space activities remains at low visibility until the Ariane and VEGA programmes return to flight on a regular basis, but capital and political commitments remain very important.

AVIO: Backlog Evolution (EURM)


Source: Company Data

AVIO: Defence Propulsion Backlog Volumes Prospective Evolution ('000)


Source: Company Data

AVIO: Rocket motor units and sales: 2023 and H124 mix seems improving.

Def. Propulsion	2018A	2019A	%Ch.	2020A	%Ch.	2021A	%Ch.	2022A	%Ch.	2023A	%Ch.	H124	%Ch.
Rocket Motor Units	58.0	95.0	64%	79.0	-17%	114.0	44%	143.0	25%	196.0	37%	na	+18%*
Sales (EURm)	32.9	32.2	-2%	28.0	-13%	28.1	0%	20.6	-27%	46.0	124%	31	+82%

Source: Company Data.; *2024e unit growth trend

US defence contracts a game changer

AVIO announced in July, new contracts in the USA defence sector. These were the results of two to three years commercial efforts which now allow the company to enter the largest defence market of the world, app. 3x larger than the European one. The fact that leading USA defence contractors have signed an agreement for a key component with a foreign company, speaks loud on the AVIO top level of clearance, manufacturing references and urgent replenishment needs of the USA defence missile stocks. We highlight that in order to enter the USA defence market, Avio established Avio USA, a wholly owned subsidiary headquartered in Arlington, Virginia, which is structured to operate in compliance with US security and export-control regulations and is governed by a US-led board of directors. It is worth highlight that AVIO USA CEO is the former director of the US Missile Defence Agency

In the light of the above some points are worth highlighting: 1) in our memory and knowledge this is the first time the USA is subcontracting a key technology like missile rocket motors to a foreign manufacturer; 2) the deals aims for a fast engineering to prototype to production evolution since USA manufacturers and clients have in our opinion serious capacity saturation issues that they want to solve (see comment ahead; 3) AVIO is going to manufacture these new projects in its existing Italian manufacturing facilities with obvious benefits in terms of operational leverage. 4) these are generally very long-term programs with time span execution of 8-10 years likely to be replaced by new programs once expired; 5) we would not be surprised if more of these deals will be announced.

We assume the USA missile stocks to be largely depleted.

The company announced in July two major contracts in defence in USA: one with Raytheon part of RTX and another with the US Army. The contract with Raytheon using AVIO's description aims "to initiate and progress the development of critical solid rocket motors for defence applications. The contract furthers the systems engineering work required to mature these solid rocket motors into a production-ready state". The contract with the US Army is a partnership "for the development and fast prototyping of a solid rocket motor for surface-to-air applications. The project leverages on both Parties' expertise to qualify the propulsion system in a design-to manufacturing approach, offering possibility for a future rapid transition to production".

In our opinion, the fact that the USA have allowed a foreign manufacturer, although allied, to become a supplier of a key components like solid rocket motors for missile application, reflects the urgency of depleted stocks levels. According to an analysis of the Center for Strategic and International studies of January 2023, the inventory replacement times to pre-Ukraine war level, for some missile systems, ranged from 3 up to 18 years. We believe that since then and with no major announcement of a surge in production rates, the situation is even worse today.

The USA rocket solid motor industry was estimated at around USD 1.5bn (source: breaking defence) before the recent geopolitical events based essentially on two major supplier: Orbital ATK (now part of Northrop Grumman) and Aerojet Rocketdyne (now part of L3Harris). However, with stocks currently largely depleted (see table below) and with prospective higher level of stocks due to the tense geopolitical scenario, we expect the market to largely expand over the medium to long term. It is worth highlighting that current AVIO's backlog of EUR 320m does not include the expected large order related to the MBDA Polish contract neither the USA contracts described above. Moreover, the growth in "motor equivalent" of the chart above does not reflect a likely material mix improvements of the models in production.

As far as the Polish contract, we remind investors, that in November 2023, MBDA has finalised an agreement with Polska Grupa Zbrojeniowa S.A. (PGZ) for MBDA's support for PGZ's delivery of the NAREW air defence programme for the Polish Armed Forces. NAREW will provide Poland with a mobile air defence system capable of dealing with modern and future threats out to ranges beyond 40 km, utilising the CAMM-ER missile developed in cooperation between the UK and Italy. The PGZ-NAREW Consortium was awarded the executive contracts for NAREW in September from the Polish Armament Agency. The agreement enables the PGZ-NAREW Consortium to make more than 1,000 CAMM-ER air

defence missiles and over 100 launchers for the NAREW programme in Poland. The agreement is worth some GBP 4bn according to MBDA and over USD 12bn according to other sources (Globaldefencecorp.com). The first deliveries of missiles and SAMs are planned to start in 2027 (Globaldefencecorp.com).

AVIO: Inventory replacement times for ammunitions and ground to ground/air missiles

	Number transferred to Ukraine	Production rate (year)	Manufacturing lead time (months)	Production time (months)	Total time to rebuild (months)
155 mm ammunition (recent rate)	1,074,000	93,000	Inventory rebuild not possible because of U.S. training requirements		
155 mm ammunition (surge rate)	1,074,000	240,000	12-18	44	59 (5 years)
155 mm precision munition—Excalibur (recent rate)	5,200	1,000	22	56	84 (7 years)
155 mm precision munition—Excalibur (surge rate)	5,200	2,400	22	23	48 (4 years)
Javelin (recent rate)	8,500	1,000	24	12	149 (~8 years)
Javelin (surge rate)	8,500	2,100	24	12	56 (~5.5 years)
HIMARS (recent rate)	20	20	26	12	37 (3 years)
HIMARS (surge rate)	20	72+	26	5	30 (2.5 years)
GMLRS (recent rate)	"Thousands"	5,000	17+	?	?
GMLRS (surge rate)	"Thousands"	10,000+	17+	?	?
Stinger (recent rate)	1,600	100?	24+	192	216 (18 years)
Stinger (historical rate)	1,600	350?	24+	55	79 (6.5 years)

Color Key

Unlikely to rebuild inventories within five years
Inventory replacement within five years at low risk
Rebuilding timeline unclear but substantial risk of low inventories and long replacement cycles

Source: Center for Strategic & International Studies (January 2023)

Valuation based on 2026e SOP.

We keep valuing AVIO with a 2026e SOP in order to catch the growth of the defence propulsion business and the recovery in space activities. In light of the higher visibility on defence, we apply 9x to 2026e EBITDA (20% margin on sales) or in line with the defence sector, and 6x for the space activities, a much lower multiple than other listed players like Rocket Lab (30x) and an arbitrary low multiple, but fair in our opinion to reflect for the lower visibility.

As far as the USA defence contracts are concerned, being the contracts classified with little details and even less numbers we can only do some very vague assumptions. However, as anticipated at the time of the announcement, we would be surprised if AVIO would commit on such deals for less than EUR 100m sales by 2028e. As such, we would apply a DCF to that business potential. We would apply to the EUR 100m potential sales figure a 20% EBITDA margin or the long-term profitability we are applying to its defence business, less a 5% depreciation rate and 28% tax rate. We then discount all this at 9.5%, we derive a value creation of EUR 3.4 per share. Finally, to stay on the safe side and reflect the overall low visibility on these contracts, we discount the latter by an arbitrary 40% or a value creation of EUR 2 per share that we temporary add as a standalone element to our SOP and PT. The resulting PT is EUR 16 an upside of app. 29%.

The risks of execution in the space activities remain high and the visibility on its overall earnings low. But from an historically prospective AVIO was making at the peak some EUR 43m of EBITDA in 2019 to which we should now add the expansion in tactical propulsion and the higher backlog for a potential EBITDA of at least EUR 60-70m. There should be no reasons, once reliability return to the space activities, that AVIO does not reach progressively than kind of absolute profitability. BUY and PT of EUR 16 confirmed. **Main risks are in space launch failures and delays in overall backlog execution.**

AVIO: 2026e SOP

	T/o	EBITDA rpt	EBITDA margin	EBIT	Imp. EV/ Sales	Target EV/ EBITDA	Imp. EV/ EBIT	Imp. PE	EV Target	Comments
Space	274	22.0	8.1%	na	0.49x	6.0x	na	na	133	Arbitrary multiple vs Rocket Lab. at app. 15x
Tactical Prop.	113	22.5	20.0%	na	1.81x	9.0x	na	na	203	In line with defence sector '26e comps
USA tactical propulsion	Na	na	20.0%	na	na	na	na	na	54	2024-2028 DCF disc.by 40%
Group	502	44.5	8.9%	13.4	0.78x	8.8x	29.1x	20.4x	390	
Net Cash/(Debt) exc. lfrs									48	2026e net cash
Minorities									-8	arbitrary 10x multiple
Periph. Assets/others									-9	TFR
Target Mkt Cap Inc. C1									421	
Out. Sh. ('000)									26359	
Ord. Share PT									16.0	
Price									11.22	
Upside/(Downside)									42%	

Source: Company Data, Banca Akros forecasts. Note: price as of 24/09/2024

Avio: Summary tables

PROFIT & LOSS (EURm)	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Sales	312	357	339	384	424	502
Cost of Sales & Operating Costs	-139.2	-150.4	-153.9	-174.4	-192.5	-228.2
Non Recurrent Expenses/Income	-7.7	-6.4	-7.5	-7.0	-4.0	-4.0
EBITDA	30.0	21.4	20.5	25.9	34.4	44.5
EBITDA (adj.)*	37.7	27.8	28.0	32.9	38.4	48.5
Depreciation	-21.2	-19.2	-15.3	-19.0	-21.0	-23.0
EBITA	8.8	2.3	5.2	6.9	13.4	21.5
EBITA (adj)*	16.5	8.6	12.7	13.9	17.4	25.5
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	8.8	2.3	5.2	6.9	13.4	21.5
EBIT (adj.)*	16.5	8.6	12.7	13.9	17.4	25.5
Net Financial Interest	-0.2	-0.9	1.4	1.0	1.0	1.0
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	8.6	1.4	6.6	7.9	14.4	22.5
Tax	0.5	-0.1	0.0	0.0	-0.7	-1.1
<i>Tax rate</i>	<i>n.m.</i>	<i>5.1%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>5.0%</i>	<i>5.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-0.7	-1.7	0.0	0.0	-0.8	-0.8
Net Profit (reported)	8.5	-0.4	6.6	7.9	12.9	20.6
Net Profit (adj.)	8.5	-0.4	6.6	7.9	12.9	20.6
CASH FLOW (EURm)	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Cash Flow from Operations before change in NWC	30.3	20.5	21.9	26.9	34.7	44.4
Change in Net Working Capital	23.3	61.5	26.6	-25.8	11.2	-5.8
Cash Flow from Operations	53.6	82.0	48.5	1.1	45.9	38.7
Capex	-35.1	-32.5	-36.3	-35.0	-35.0	-23.0
Net Financial Investments	0.0	-1.7	-2.5	0.0	0.0	0.0
Free Cash Flow	18.4	47.8	9.6	-33.9	10.9	15.7
Dividends	-7.5	-4.5	0.0	-6.3	-6.6	-7.0
Other (incl. Capital Increase & share buy backs)	-16.4	-26.0	-8.0	0.0	-0.4	-0.3
Change in Net Financial Debt	-5.4	17.3	1.7	-40.2	3.8	8.4
NOPLAT	17.5	8.2	12.7	13.9	16.5	24.3
BALANCE SHEET & OTHER ITEMS (EURm)	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Net Tangible Assets	123	138	156	172	186	186
Net Intangible Assets (incl. Goodwill)	200	192	198	198	198	198
Net Financial Assets & Other	172	170	172	172	172	172
Total Fixed Assets	495	500	526	542	556	556
Inventories	155	203	284	322	356	422
Trade receivables	3.7	3.7	2.9	3.3	3.7	4.4
Other current assets	478.8	447.5	146.5	166.0	183.3	217.3
Cash (-)	-104.6	-131.4	-95.6	-62.2	-64.9	-70.9
Total Current Assets	742	785	529	554	608	714
Total Assets	1,236.4	1,285.3	1,055.1	1,095.5	1,163.2	1,269.9
Shareholders Equity	302	294	301	302	308	322
Minority	7.8	9.6	9.7	9.7	10.1	10.6
Total Equity	310	303	310	312	319	333
Long term interest bearing debt	26.8	17.0	7.7	10.4	9.9	9.0
Provisions	10.3	9.5	8.9	8.9	8.9	8.9
Other long term liabilities	137	106	100	100	100	100
Total Long Term Liabilities	174	133	117	120	119	118
Short term interest bearing debt	20.7	39.9	11.8	15.9	15.2	13.8
Trade payables	76.9	89.8	113	128	147	174
Other current liabilities	654	719	503	520	564	631
Total Current Liabilities	752	849	628	664	725	819
Total Liabilities and Shareholders' Equity	1,236.4	1,285.4	1,055.1	1,095.5	1,163.3	1,269.9
Net Capital Employed	400.7	344.7	343.6	385.4	388.2	393.9
Net Working Capital	-93.9	-155.4	-182.0	-156.2	-167.4	-161.7
GROWTH & MARGINS	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
<i>Sales growth</i>	<i>-3.0%</i>	<i>14.5%</i>	<i>-5.2%</i>	<i>13.3%</i>	<i>10.4%</i>	<i>18.5%</i>
EBITDA (adj.)* growth	-15.6%	-26.3%	0.7%	17.4%	16.8%	26.4%
<i>EBITA (adj.)* growth</i>	<i>-34.7%</i>	<i>-47.9%</i>	<i>47.4%</i>	<i>9.3%</i>	<i>25.5%</i>	<i>46.7%</i>
EBIT (adj)*growth	-34.7%	-47.9%	47.4%	9.3%	25.5%	46.7%

Avio: Summary tables

GROWTH & MARGINS	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Net Profit growth	-40.1%	n.m.	n.m.	19.4%	63.6%	59.9%
EPS adj. growth	-40.1%	n.m.	n.m.	19.4%	63.6%	59.9%
DPS adj. growth	-37.5%	n.m.	n.m.	5.0%	5.0%	5.0%
EBITDA (adj.)* margin	12.1%	7.8%	8.3%	8.6%	9.1%	9.7%
EBITA (adj.)* margin	5.3%	2.4%	3.7%	3.6%	4.1%	5.1%
EBIT (adj.)* margin	5.3%	2.4%	3.7%	3.6%	4.1%	5.1%
RATIOS	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Net Debt/Equity	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1
Net Debt/EBITDA	-1.9	-3.5	-3.7	-1.4	-1.2	-1.1
Interest cover (EBITDA/Fin.interest)	n.m.	25.1	n.m.	n.m.	n.m.	n.m.
Capex/D&A	166.1%	169.5%	237.5%	184.2%	166.7%	100.0%
Capex/Sales	11.3%	9.1%	10.7%	9.1%	8.3%	4.6%
NWC/Sales	-30.1%	-43.5%	-53.7%	-40.7%	-39.5%	-32.2%
ROE (average)	2.8%	-0.1%	2.2%	2.6%	4.2%	6.5%
ROCE (adj.)	7.6%	4.7%	7.4%	6.5%	7.7%	10.9%
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
ROCE (adj.)/WACC	0.9	0.5	0.9	0.8	0.9	1.3
PER SHARE DATA (EUR)***	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Average diluted number of shares	25.8	25.3	25.3	25.3	25.3	25.3
EPS (reported)	0.33	-0.02	0.26	0.31	0.51	0.82
EPS (adj.)	0.33	-0.02	0.26	0.31	0.51	0.82
BVPS	11.71	11.63	11.90	11.96	12.21	12.75
DPS	0.18	0.00	0.24	0.25	0.26	0.28
VALUATION	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
EV/Sales	0.9	0.6	0.5	0.8	0.7	0.6
EV/EBITDA	9.0	9.2	8.1	12.0	8.9	6.7
EV/EBITDA (adj.)*	7.1	7.1	5.9	9.4	8.0	6.2
EV/EBITA	30.4	87.0	31.8	45.2	22.9	13.9
EV/EBITA (adj.)*	16.3	22.9	13.0	22.4	17.6	11.7
EV/EBIT	30.4	87.0	31.8	45.2	22.9	13.9
EV/EBIT (adj.)*	16.3	22.9	13.0	22.4	17.6	11.7
P/E (adj.)	35.7	n.m.	32.4	39.9	24.4	15.2
P/BV	1.0	0.8	0.7	1.0	1.0	1.0
Total Yield Ratio	1.5%	0.0%	1.9%	2.0%	2.1%	2.2%
EV/CE	1.2	1.1	1.0	1.5	1.4	1.3
OpFCF yield	6.0%	19.6%	5.4%	-10.3%	3.3%	4.8%
OpFCF/EV	6.8%	25.1%	7.3%	-10.9%	3.6%	5.2%
Payout ratio	54.3%	0.0%	91.9%	80.8%	51.9%	34.0%
Dividend yield (gross)	1.5%	0.0%	1.9%	2.0%	2.1%	2.2%
EV AND MKT CAP (EURm)	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Price** (EUR)	11.70	9.57	8.46	12.44	12.44	12.44
Outstanding number of shares for main stock	26.4	26.4	26.4	26.4	26.4	26.4
Total Market Cap	308.4	252.3	223.0	327.9	327.9	327.9
Gross Financial Debt (+)	47.4	57.0	19.5	26.3	25.1	22.8
Cash & Marketable Securities (-)	-104.6	-131.4	-95.6	-62.2	-64.9	-70.9
Net Financial Debt	-57.2	-74.4	-76.1	-35.9	-39.8	-48.2
Lease Liabilities (+)						
Net Debt	-57.2	-74.4	-76.1	-35.9	-39.8	-48.2
Other EV components	18.2	19.1	18.7	18.7	19.0	19.5
Enterprise Value (EV adj.)	269.4	196.9	165.5	310.6	307.2	299.3

Source: Company, Banca Akros estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

***EPS (adj.) diluted = Net Profit (adj.) / Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported / Avg DIL. Ord. (+ Ord. equivalent) Shs.

Sector: Industrial Goods & Services/Aerospace

Company Description: Avio is a leading global player in the field of aerospace launch systems using both solid, liquid and cryogenic propulsion. Avio components are in the Vega programme for low earth orbit satellites (LEO) where the company is prime contractor for the ESA since the first launch in 2012 and in the Ariane programme for geostationary (GEO) satellites where the company is the industrial partner for its propulsion part since 1996. The company is also involved in the replacement programme of the two launchers, the VEGA C and Ariane 6

This document has been prepared by Andrea Bonfà (AIAF member), who acts as financial analyst at Banca Akros SpA ("Banca Akros"), the party responsible for the production of the document. The document has been produced and distributed from September 25, 2024, at 5:37 PM Italian time. Financial analysts who prepared this research, have gained considerable experience with Banca Akros and other authorised brokerage houses. Said financial analysts do not receive a bonus, salary or any other form of remuneration, whether directly or indirectly, from any earnings in any investment banking operation. Said financial analysts and their families are not directors, managers or advisors of the companies. Financial analyst Andrea Bonfà (and/or his relatives) holds financial instruments issued by Avio.

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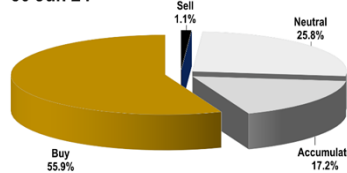
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Percentage of recommendations by the 30 June 2024

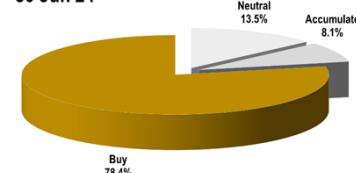
All recommendations

Recommendations on stocks under conflict of interest (*)

30 Jun 24



30 Jun 24



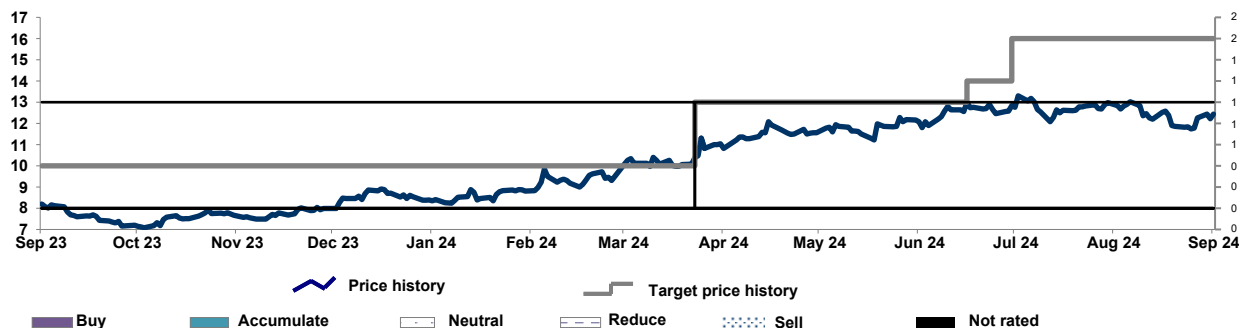
(*) Please note that the rate of issuers who are in potential conflict of interests with Banca Akros is equivalent to 39.8% of all issuers covered

Recommendation history for AVIO

Date	Recommendation	Target price	Price at change date
24-Jul-24	Buy	16.00	12.84
10-Jul-24	Buy	14.00	13.00
16-Apr-24	Buy	13.00	10.38
21-Dec-22	Neutral	10.00	9.57
17-Oct-22	Buy	12.00	10.12
12-Sep-22	Neutral	13.50	10.62
06-Apr-22	Buy	15.00	11.88
28-Jan-22	Neutral	11.00	10.62

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows Banca Akros continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Andrea Bonfà (since 16/01/2019)



ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated based on **total return**, measured by the upside/downside potential (including dividends and capital reimbursement) over a **12-month time horizon**. The final responsible of the recommendation of a listed company is the analyst who covers that company. The recommendation and the target price set by an analyst on one stock are correlated but not totally, because an analyst may include in its recommendation also qualitative elements as market volatility, earning momentum, short term news flow, possible M&A scenarios and other subjective elements.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12 months
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12 months
- **Rating Suspended:** the rating is suspended due to: a) a capital operation (take-over bid, SPO, etc.) where a Member of ESN is or could be involved with the issuer or a related party of the issuer; b) a change of analyst covering the stock; c) the rating of a stock is under review by the Analyst.
- **Not Rated:** there is no rating for a stock when there is a termination of coverage of the stocks or a company being floated (IPO) by a Member of ESN or a related party of the Member.

Note: a certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Banca Akros Ratings Breakdown

Recommendation	Nr.of stocks covered	%
Buy	52	55%
Accumulate	21	22%
Neutral	21	22%
Reduce	0	0%
Sell	1	1%

of which Sponsored Research

Recommendation	Nr.of stocks covered	%
Buy	19	70%
Accumulate	2	7%
Neutral	6	22%
Reduce	0	0%
Sell	0	0%

ESN Ratings Breakdown

Recommendation	Nr.of stocks covered	%
Buy	231	67%
Accumulate	27	8%
Neutral	82	24%
Reduce	1	0%
Sell	4	1%

of which Sponsored Research

Recommendation	Nr.of stocks covered	%
Buy	35	78%
Accumulate	2	4%
Neutral	8	18%
Reduce	0	0%
Sell	0	0%

For full ESN Recommendation and Target price history (in the last 12 months), please see ESN Website [Link](#)

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