

AVIO

Sector: Industrials

NEUTRAL

Price: Eu44.35 - Target: Eu43.00

Fueling the Next Stage of Expansion

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Stock Rating

Rating: Unchanged

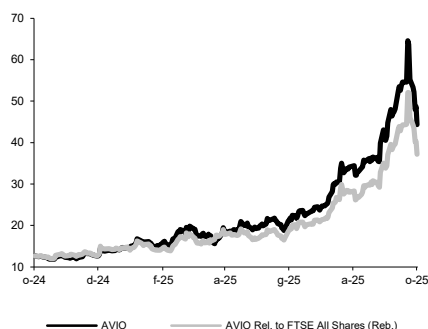
Target Price (Eu): from 21.00 to 43.00

	2025E	2026E	2027E
Chg in Adj EPS	-3.0%	-53.4%	-67.3%

Next Event

EGM October 23rd

AVIO - 12M Performance



Stock Data

Reuters code: AVI.MI

Bloomberg code: AVIO IM

Performance	1M	3M	12M
Absolute	9.4%	83.3%	248.7%
Relative	9.9%	79.4%	229.4%
12M (H/L)		64.60/11.86	
3M Average Volume (th):		460.98	

Shareholder Data

No. of Ord shares (mn):	27
Total no. of shares (mn):	27
Mkt Cap Ord (Eu mn):	1,205
Total Mkt Cap (Eu mn):	1,205
Mkt Float - Ord (Eu mn):	500
Mkt Float (in %):	41.5%
Main Shareholder:	
Leonardo	29.6%

Balance Sheet Data

Book Value (Eu mn):	697
BVPS (Eu):	25.66
P/BV:	1.7
Net Financial Position (Eu mn):	481
Enterprise Value (Eu mn):	639

■ **Launch of a €400mn capital increase:** Avio has unveiled a €400mn rights issue, the cornerstone of a >€600mn capital plan designed to accelerate a decade-long expansion in space launch and defence propulsion. The raise aims to remove production bottlenecks in solid rocket motors (SRMs) and cement a transatlantic industrial footprint, positioning Avio to capture the surge in demand driven by rising defence budgets and supply shortages. The capital increase, targeted for completion by end-2025, is backed by a full underwriting commitment from Jefferies and Morgan Stanley. Leonardo (28.75% stake) has yet to confirm participation. The Board will also propose renewing its mandate for a reserved capital increase of up to 10% of share capital, ensuring flexibility to fund further growth opportunities, such as expanding the US plant.

■ **Unlocking the company's potential:** Avio targets revenues rising from €450-480mn in 2025 to over €1bn by 2029-2031 and >€1.2bn by 2035, implying a CAGR above 10%. The acceleration is expected post-2028, as the US production facility becomes operational, defence contracts ramp up, and the launch cadence of Vega C and Ariane 6 increases. The business mix is set to evolve, with defence propulsion surpassing 50% of revenues by the end of the period (vs. ~20% in 2025). Geographically, exposure will diversify from >95% Europe today to ~70% Europe and ~30% US, reducing reliance on European budgets. EBITDA is expected to grow from €27-33mn in 2025 at a "high-teen" CAGR, with initial growth offset by ramp-up costs, followed by significant expansion post-2028 as US operations scale. CapEx will focus on the US plant and upgrades in Europe, while maintaining a solid balance sheet. Additional upside could come from higher-than-expected demand for space launches and defence programmes, entry to larger missile or US space markets, and potential M&A for vertical integration.

■ **Estimates:** after the capital increase, we forecast that Avio's revenues may grow at a 10.2% CAGR over 2025-2035, broadly in line with company guidance. Tactical Propulsion is expected to drive most of the growth (25-35 CAGR of 21.4%), and Space revenues to expand more moderately (CAGR 4.6%). Adjusted EBITDA is projected to grow at a 17% CAGR, reflecting volume growth, improvement to the mix, and internalization of commercialization and flight operations. Net cash is expected to remain positive throughout the period, benefitting from the cash-in of advances. Our estimates look marginally more optimistic than company targets.

■ **Neutral, TP €43.0:** the capital increase is clearly strategic, enabling Avio to achieve a significant step change in scale. However, given the recent share performance, much of this potential appears to be already priced into the stock. Alongside our traditional DCF, we introduce a SOTP approach, which we believe better captures current market interest in Space and Defence-related assets. This methodology delivers a higher valuation than the DCF (€51/share vs. €35/share) but is more sensitive to market trends and sector allocations, highlighting the need to complement it with a DCF analysis grounded in fundamentals. Upside risks to our estimates include stronger-than-expected demand, which could trigger expansion of the US plant and potential receipt of government grants. The key downside risk remains launch failures, which can lead to delays to ramping up launch cadence and thus to obtaining synergies of scale.

Ratios assume issuance of 11.3mn new shares; will be updated after capital increase terms are released

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	339	442	507	600	678
EBITDA Adj (Eu mn)	28	31	34	35	36
Net Profit Adj (Eu mn)	12	10	12	10	10
EPS New Adj (Eu)	0.443	0.373	0.432	0.273	0.268
EPS Old Adj (Eu)	0.443	0.373	0.446	0.585	0.821
DPS (Eu)	0.240	0.148	0.210	0.129	0.126
EV/EBITDA Adj	3.0	4.3	18.5	34.6	37.9
EV/EBIT Adj	6.6	9.6	nm	nm	nm
P/E Adj	nm	nm	nm	nm	nm
Div. Yield	0.5%	0.3%	0.5%	0.3%	0.3%
Net Debt/EBITDA Adj	-2.7	-2.9	-13.9	-11.8	-7.0

Ratios assume issuance of 11.3mn new shares; will be updated after capital increase terms are released

AVIO – Key Figures

Profit & Loss (Eu mn)	2022A	2023A	2024A	2025E	2026E	2027E
Sales	357	339	442	507	600	678
EBITDA	21	21	26	31	32	33
EBIT	2	5	8	11	9	9
Financial Income (charges)	-1	1	-2	1	2	2
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	1	7	7	13	11	11
Taxes	-0	-0	-0	-3	-2	-2
Tax rate	-5.2%	-0.3%	-5.6%	-22.5%	-22.5%	-22.5%
Minorities & Discontinued Operations	-2	-0	-0	-0	-0	-0
Net Profit	-0	6	6	10	8	8
EBITDA Adj	28	28	31	34	35	36
EBIT Adj	9	13	14	14	12	12
Net Profit Adj	6	12	10	12	10	10
Per Share Data (Eu)	2022A	2023A	2024A	2025E	2026E	2027E
Total Shares Outstanding (mn) - Average	27	27	27	27	38	38
Total Shares Outstanding (mn) - Year End	27	27	27	27	38	38
EPS f.d	-0.016	0.239	0.224	0.351	0.215	0.211
EPS Adj f.d	0.218	0.443	0.373	0.432	0.273	0.268
BVPS f.d	10.813	11.069	11.150	25.661	18.227	18.318
Dividend per Share ORD	0.000	0.240	0.148	0.210	0.129	0.126
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	0.0%	100.5%	66.2%	60.0%	60.0%	60.0%
Cash Flow (Eu mn)	2022A	2023A	2024A	2025E	2026E	2027E
Gross Cash Flow	19	22	24	30	32	32
Change in NWC	49	32	41	27	7	16
Capital Expenditure	-34	-38	-40	-50	-100	-200
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	35	16	23	4	-64	-154
Acquisitions, Divestments & Other Items	-7	-14	-3	0	0	0
Dividends	-5	0	-6	-4	-5	-5
Equity Financing/Buy-back	-6	0	0	390	0	0
Change in Net Financial Position	17	2	14	391	-70	-159
Balance Sheet (Eu mn)	2022A	2023A	2024A	2025E	2026E	2027E
Total Fixed Assets	349	375	398	428	505	681
Net Working Capital	-132	-164	-205	-232	-239	-255
Long term Liabilities	12	23	30	31	34	36
Net Capital Employed	229	234	223	226	299	462
Net Cash (Debt)	74	76	90	481	411	252
Group Equity	303	310	313	707	711	714
Minorities	10	10	10	10	10	10
Net Equity	294	301	303	697	701	704
Enterprise Value (Eu mn)	2022A	2023A	2024A	2025E	2026E	2027E
Average Mkt Cap	299	245	309	1,205	1,705	1,705
Adjustments (Associate & Minorities)	85	85	85	85	85	85
Net Cash (Debt)	74	76	90	481	411	252
Enterprise Value	139	83	134	639	1,208	1,367
Ratios (%)	2022A	2023A	2024A	2025E	2026E	2027E
EBITDA Adj Margin	7.8%	8.3%	7.1%	6.8%	5.8%	5.3%
EBIT Adj Margin	2.4%	3.8%	3.1%	2.9%	2.0%	1.8%
Gearing - Debt/Equity	-24.5%	-24.5%	-28.8%	-68.0%	-57.9%	-35.3%
Interest Cover on EBIT	2.6	nm	5.2	nm	nm	nm
Net Debt/EBITDA Adj	-2.7	-2.7	-2.9	-13.9	-11.8	-7.0
ROACE*	0.9%	2.3%	3.7%	5.1%	3.4%	2.4%
ROE*	2.0%	4.1%	3.4%	2.3%	1.5%	1.5%
EV/CE	0.6	0.4	0.6	2.8	4.6	3.6
EV/Sales	0.4	0.2	0.3	1.3	2.0	2.0
EV/EBITDA Adj	5.0	3.0	4.3	18.5	34.6	37.9
EV/EBIT Adj	16.2	6.6	9.6	nm	nm	nm
Free Cash Flow Yield	3.1%	1.4%	2.1%	0.4%	-5.7%	-13.8%
Growth Rates (%)	2022A	2023A	2024A	2025E	2026E	2027E
Sales	14.7%	-5.2%	30.4%	14.9%	18.3%	13.0%
EBITDA Adj	-26.3%	0.8%	11.7%	10.2%	1.4%	3.4%
EBIT Adj	-48.1%	48.0%	8.8%	4.5%	-17.5%	1.5%
Net Profit Adj	-63.4%	103.3%	-15.8%	15.9%	-10.7%	-1.6%
EPS Adj	-63.4%	103.3%	-15.8%	15.9%	-36.9%	-1.6%
DPS	nm	nm	-38.2%	41.7%	-38.7%	-2.0%

*Excluding extraordinary items

Source: Intermonte SIM estimates

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Capital Increase in Brief

Avio has announced a major **€400mn rights issue** as part of a broader **>€600mn capital plan** aimed at financing a decade-long expansion plan in space launch and defence propulsion to seize the unprecedented opportunities arising in the market. The capital raise will enable the company to address clear market bottlenecks in solid rocket motors (SRMs) and will enable Avio to establish a transatlantic footprint. The industrial rationale is compelling, anchored to rising defence budgets, supply shortages, and Avio's established technical base. As typical of the sector, the returns on the investments will not be immediate, but will be increasingly visible with the ramp-up of programmes after 2028.

The capital raise is foreseen by end-2025, subject to shareholder approval (23 October 2025), regulatory authorisations, and market conditions. The capital raise is **fully guaranteed** by a pre-underwriting agreement with Jefferies and Morgan Stanley.

At the time of writing, it still not clear whether Leonardo, the company's largest shareholder (28.75% stake), will take part in the capital increase.

Moreover, the BoD will propose renewal of the board mandate to carry out a reserved capital increase of up to 10% of existing capital, without option rights, to be executed in one or more tranches, providing additional funding in case further opportunities arise in the future (i.e. expansion of the US plant).

Use of Proceeds

The funds raised will underpin Avio's industrial transformation plan, enabling a step-change in scale and diversification.

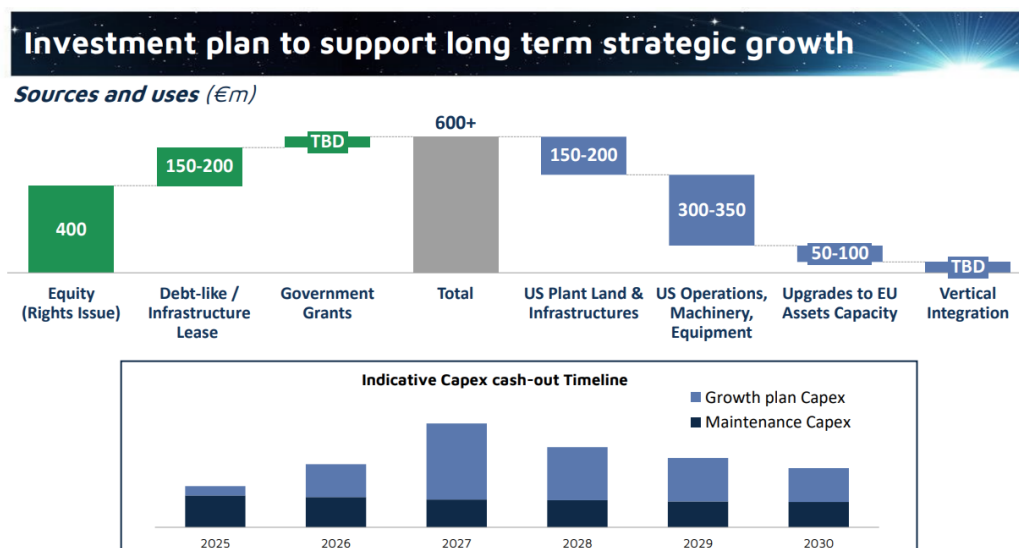
The primary allocation is for construction of a new SRM (solid rocket motor) production plant in the US, with production expected to begin in 2H28 following 24-30 months for construction.

Additional proceeds will finance modernisation projects at Avio's European facilities, including the expansion of production lines, test infrastructure, and advanced materials capabilities. These investments will enhance productivity, reduce unit costs, and increase responsiveness to demand from both space and defence programmes.

Finally, an undisclosed part of the proceeds will fund vertical integration initiatives in high-value supply-chain segments, improving cost control and technological autonomy.

The investment timeline extends through 2030, with peak spending in 2027–2028. Avio's strong cash position and contract-based advance payments are expected to mitigate financing risks during the heaviest phase of CapEx deployment.

Avio – Investments plan

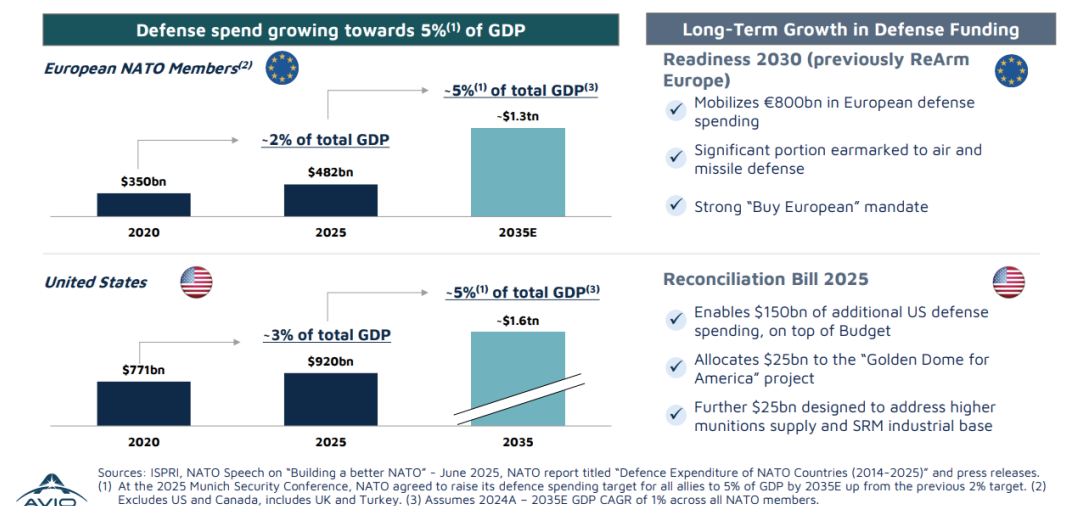


Source: Company presentation

The US Opportunity

The US expansion is a pivotal development in Avio's strategy, transforming the company from a European space and defence propulsion specialist into a dual-continent supplier. Avio's move must be viewed in the context of recent geopolitical tensions, which have underscored the need for Western nations to strengthen their defence capabilities and ensure access to critical weapon systems. In this context, the decision by NATO member countries to increase defence spending to 5% of GDP by 2035 should be viewed as a key strategic driver. Considering that most NATO countries currently allocate around 2% of GDP to defence (with the United States already spending approximately 3%), this target leaves significant room for growth of military expenditure over the coming decade.

Avio – Spending in Defense market

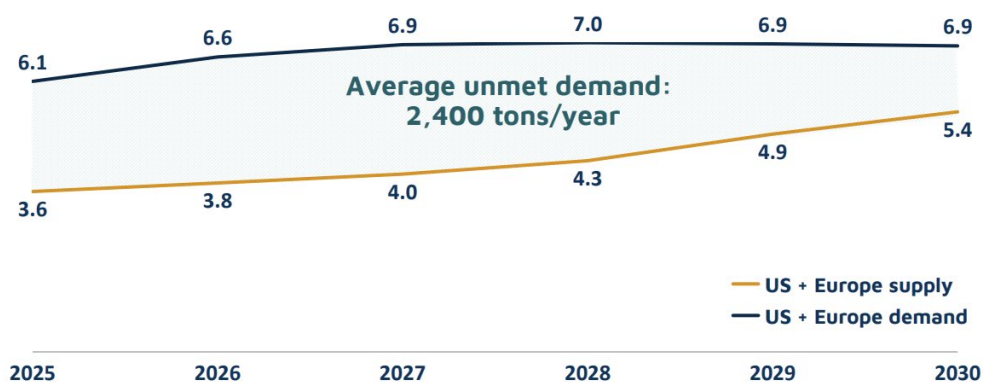


Source: Company presentation

In particular, the US solid rocket motor market continues to experience a structural shortage of qualified suppliers, with the two incumbents (Aerojet and Northrop Grumman) struggling to keep pace with rising demand as ongoing conflicts continue to drain current missile stocks. Leveraging its decades-long expertise in solid propulsion, in recent years Avio has embarked on a path to position itself as a credible supplier to US defence counterparts. This effort has already materialized in the signing of two major agreements: one with the US Armed Forces, which is already transitioning into production orders, and another with Raytheon for the production of MK104 motors used in the "Standard Missile" family, currently advancing toward its Critical Design Review. Other deals are underway. As shown in the chart below, market research suggests that average unmet demand for SRMs across the US and Europe is around 2,400 tons per year, a figure that likely falls well short of the market's true requirements.

Avio – Supply/Demand imbalance

Current Estimate of US & EU Missile Propulsion Supply and Demand (propellant k tons / year)

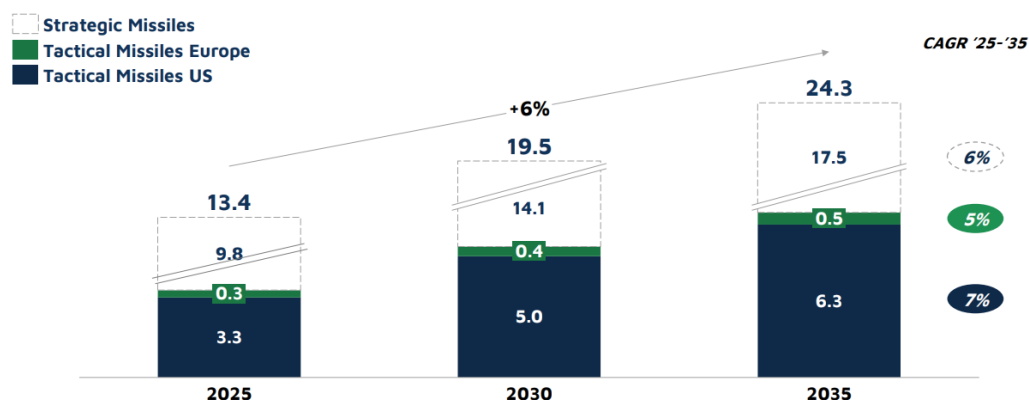


Source: Company presentation

The US SRM market is forecast to reach roughly 6.3k tons by 2035 (7% CAGR), supported by rearmament and missile defence programmes. Avio's local footprint should qualify it under "Buy American" provisions and unlock access to DoD-funded industrial programmes.

Avio – Market Opportunity

US & EU Missile Propulsion SRM Market (propellant k tons / year)



Source: Company presentation

Facility Overview

The company will build a new greenfield facility in the United States (location still undisclosed), establishing an engineering and industrial presence to manufacture solid rocket motors (SRMs) and become a merchant supplier to US Defence Primes and the US Armed Forces.

As of today, preliminary design work has been completed and procurement activities are underway, with start of production targeted for 2H28. The plant will have annual production capacity for solid propellant of up to 700 tons and has been designed using a modular approach. This means that, should additional contracts be signed beyond those currently under negotiation, doubling production capacity would be relatively straightforward and require lower financial resources, estimated at roughly half (~€300mn) of the initial greenfield investment, as costs such as land acquisition and civil works would, of course, not recur in the potential second phase. At present, more than ten programmes are under negotiation with multiple prime contractors, including the qualification of the MK104 SRM with Raytheon and a multi-year manufacturing, assembly, integration & testing contract with the US Armed Forces. In addition, Avio is engaged in ongoing negotiations with another major US prime contractor (discussions are underway to qualify as a secondary supplier across multiple programmes) and with an international customer, with whom a letter of intent has already been signed.

Avio – new US plant

Key Highlights	Operations	Key Contracts															
Engineering and production Greenfield SRM facility Merchant supplier for OEMs / Armed Forces	Site identified Preliminary design done Procurement started	<table> <tr> <th>Customer</th><th>Production Site</th><th>Contract Overview</th></tr> <tr> <td>US Gov't Armed Forces</td><td></td><td>New agreement for manufacturing, assembly, and testing</td></tr> <tr> <td> Raytheon An RTX Business</td><td></td><td>Under contract to achieve qualification of Mk 104 SRM</td></tr> <tr> <td>US Prime B</td><td></td><td>In discussion on multiple programs to become a second-source supplier</td></tr> <tr> <td>International Defense Customer</td><td></td><td>Letter of Intent signed with an international solid rocket motor manufacturer</td></tr> </table>	Customer	Production Site	Contract Overview	US Gov't Armed Forces		New agreement for manufacturing, assembly, and testing	 Raytheon An RTX Business		Under contract to achieve qualification of Mk 104 SRM	US Prime B		In discussion on multiple programs to become a second-source supplier	International Defense Customer		Letter of Intent signed with an international solid rocket motor manufacturer
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>3 Customers 10+ Programs Up to 700 Tons of propellant annual production 2028 Start of Production in US	 Rendering of the plant																



Source: Company presentation

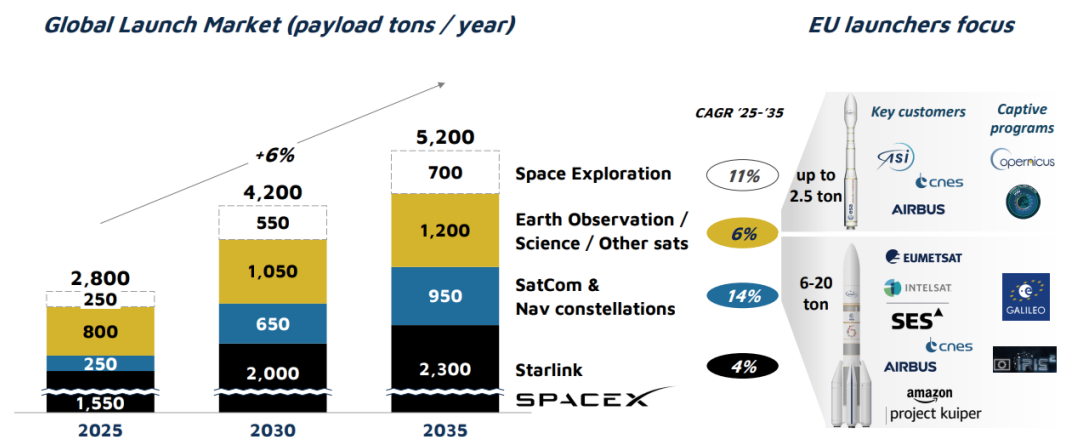
The European Opportunity

Europe remains the core of Avio's technological and industrial base. Although the amount allocated to investments in Colleferro is smaller than the figure planned for the United States, these investments remain significant and will focus primarily on removing certain production bottlenecks, particularly in solid propellant casting capacity, which currently stands at around 500/600 tons per year (space and defence combined) but can be nearly doubled. In addition to these initiatives, more traditional investments in automation and industrial efficiency will also be carried out.

Investments will be needed in order to seize the significant growth opportunities expected to emerge in both of the company's core business areas.

- **Defence:** in the previous section, we outlined the growth drivers for the defence segment and the demand-supply gap in the US market. The same drivers also apply to the European market, with the key difference that Avio is already one of the leading players in production of SRMs, currently serving a single customer, MBDA. In this case, therefore, the goal is not to build a new facility to capture emerging opportunities in the sector, but rather to invest in the existing Colleferro facility and address the current bottlenecks that limit solid propellant casting capacity to approximately 500 tons per year (used for both space and defence propulsion). The planned investments (ranging between €50mn and €100mn) are primarily aimed at nearly doubling annual propellant casting capacity. Even considering the increased production rate of the Vega C, which will absorb part of the additional capacity, this should nonetheless enable the company to almost triple its defence-related production capacity compared to the level expected to be reached in 2025.
- **Space:** the target market is expected to continue to boom, with a projected CAGR of 6% between 2025 and 2035 in terms of total mass launched into orbit. Avio is well positioned to capture this growth, leveraging Vega C for expansion in Earth observation satellites (expected CAGR of 6%) and the Ariane 6 for the growth of communication satellite constellations, a segment forecast to grow at 14% CAGR over the next decade (excluding Starlink). Part of this growth is already secured through the agreement signed in previous years with Amazon's Kuiper project, involving 18 Ariane 6 launches. To serve this expanding market, in the medium term (2029-2031) the company aims to increase the Vega C launch rate to six a year, up from the current three, and to ramp up production of Ariane 6 boosters to approximately 35 units, vs 14 expected in 2025. Investments in efficiency improvements and potential vertical integration initiatives are also expected to contribute to profitability growth.

Avio – Space launch market



Source: Company presentation

Business Plan Targets and Key Drivers

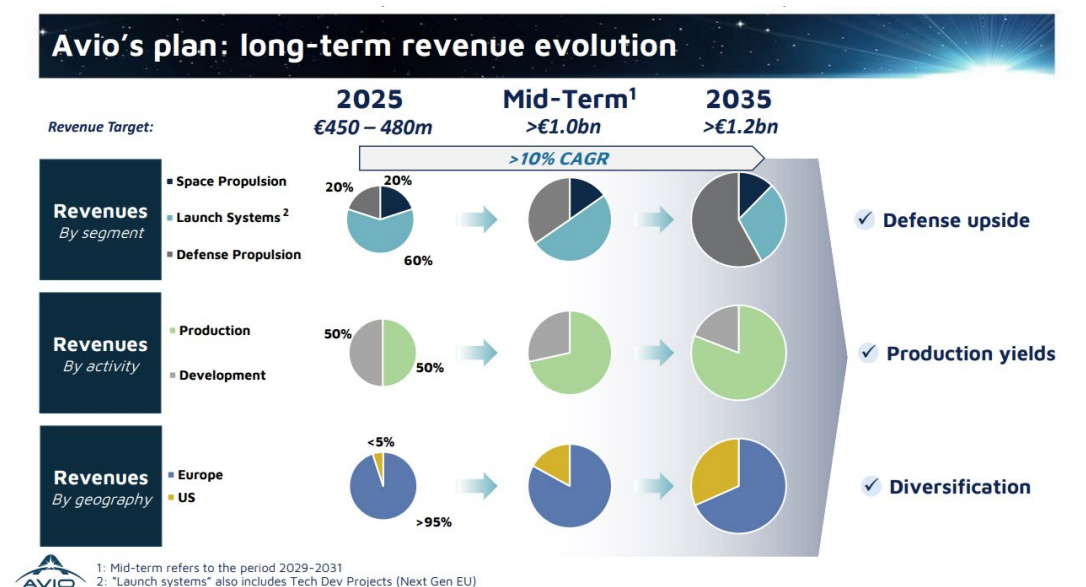
Revenue Growth and Mix Evolution

Avio targets revenues rising from €450-480mn in 2025 to >€1 billion by 2029-2031 and >€1.2 billion by 2035, implying an overall CAGR above 10%. The main acceleration is expected from 2028 onward, once US production is operational, defence contracts ramp up, and launch cadence of Vega C and Ariane 6 increase.

Avio's business mix is set for a structural rebalancing as defence propulsion overtakes space launch systems as the main engine of growth. In 2025, launch systems still account for ~60% of revenues, but by 2030, defence propulsion is expected to approach half of total sales, driven by European programmes with MBDA and entry to US missile programmes. By 2035, management expects defence propulsion to contribute about 60% of revenues (vs. ~20% in 2025), with the space business accounting for around 40%. This important shift underscores Avio's transformation into a dual-purpose propulsion group, less dependent on European space budgets.

Geographically, exposure will diversify from >95% Europe today to ~70% Europe and ~30% US by 2035, reducing reliance on European budgets.

Avio – Long term revenue evolution



Source: Company presentation

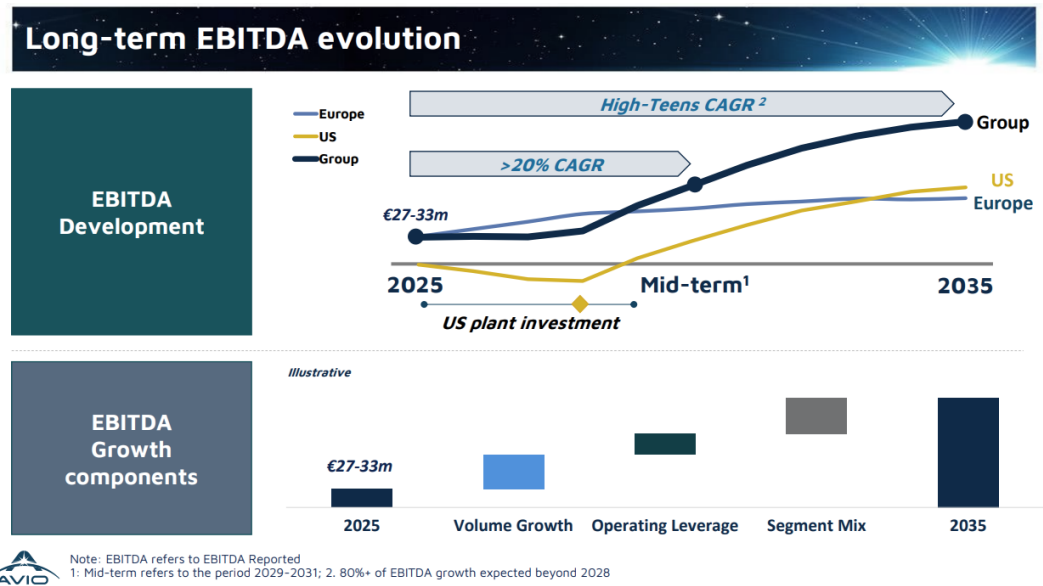
EBITDA evolution

As for profitability, EBITDA is expected to grow from €27-33mn in 2025 at a "high-teen CAGR", with first-phase growth above 20% and a normalisation in the latter stages of the plan. Key margin drivers include:

- Volume growth and operating leverage from higher utilisation rates;
- Improved mix from defence propulsion programmes with higher margins;
- Bringing the commercialisation and flight operations phases in house (previously carried out by Arianespace).

Given the significant investments expected for the new production capacity in the United States, EBITDA evolution is likely to occur in two distinct phases:

- In the first phase, we expect EBITDA to remain broadly in line with 2025 levels, as the anticipated revenue growth should be offset by higher costs related to the ramp-up phase and preparatory activities for the US operations.
- Subsequently, the majority of EBITDA growth is expected to materialize after 2028, once the US plant becomes operational, followed by a gradual production ramp-up to reach full potential around 2031–2032.



Source: Company presentation

CAPEX Deployment Plan

The majority of the funds raised through the capital increase, which could be supplemented by €150–200mn of debt and potential government grants, will be allocated to the construction of the new plant in the United States. The total investment for this project is expected to amount to ~€600mn, of which €150-200mn for land acquisition and infrastructure, and €300-350mn for machinery and equipment. In addition, €50-100mn will be invested in upgrading capacity at the company's European facilities. Regarding the investment rollout, we expect three different phases:

- Phase 1 (2025–2026): focus on preparatory engineering, permitting, and early procurement for the US site, as well as land acquisition.
- Phase 2 (2027–2028): the peak investment period, driven by building and equipping the US facility and concurrent expansion of European capacity.
- Phase 3 (2028–2030): completion of commissioning and the scaling-up of operations.

The phased approach, coupled to Avio's structurally negative NWC profile and the receipt of contractual advances, should enable the company to maintain a solid balance sheet throughout the investment cycle.

Potential Upside

At this stage, after illustrating the targets for the next decade, we summarise which drivers are already included in the current business plan and which offer potential upside compared to the targets and our estimates.

Included:

- **USA:** the signing of agreements with 4 different players (2 already announced and 2 yet to be announced) and participation in c.10 programmes;
- **Europe:** the removal of certain bottlenecks that should essentially enable a doubling of total solid propellant casting capacity, serving the Space and Defence businesses.

Potential Upside:

- **Higher demand** for 1) space launches (our base case assumes 8 Vega C launches and 40 P120 motors for Ariane 6 in the long term), driven by the increase in numbers of both civil and military satellites, and 2) greater demand for missiles due to geopolitical tensions;
- Participation in a **higher number of defence programmes** than currently expected;
- **Greater market share** in already-expected programmes (for example, Mk 104 engines for Raytheon) due to incumbents' difficulties in keeping up with demand and closing the production gap described in previous sections;

- **Entry to other market segments.** In this regard, we identify two possible—though more complex and longer-term—opportunities: 1) production of **larger engines** for bigger missiles (e.g., ballistic), and 2) **entry to the US space launch market**, although this appears unlikely in the short term (longer timelines, more players, and fiercer competition);
- Finally, upside could come from **potential M&A** aimed at increasing **vertical integration** through the internalization of key skills, components, and strategic materials for the company's operations.

To bring these opportunities to fruition, **further investments** in production capacity would obviously be required in both Europe and the US (in this context, the modular nature of the plant to be built would come into play, enabling a doubling of production capacity with an investment equating to roughly half the already planned amount).

Funding sources should not be lacking, as: 1) we believe the company can maintain a positive net cash position throughout the next decade, partly thanks to structurally negative NWC; 2) the BoD has requested authorization to potentially issue an additional 10% of share capital; and 3) the company may obtain further government grants to support these investments.

Potential risks

After reviewing the opportunities that underpin the company's business plan as well as the additional ones that may represent potential upside, in this section we briefly examine what we believe to be the two main risks to the business plan: **execution risk** associated with such an ambitious investment plan, and **competitive risk** at a time when all players are ramping up production capacity to capitalise on the surge in Defence budgets. In any case, in our view, these risks remain limited overall.

Execution risk

As with any project of this nature, there is inherent execution risk, but we think that in this case such risk is relatively limited. The company can leverage the expertise and know-how built up over the past years through the investments made to establish production capacity for the P120 motor program. This advantage extends not only to the experience gained in planning and setting up new production lines, but also, for instance, to familiarity with suppliers of propellant casting equipment, with whom established relationships already exist, thus meaning the company is not starting from scratch.

Competition risk

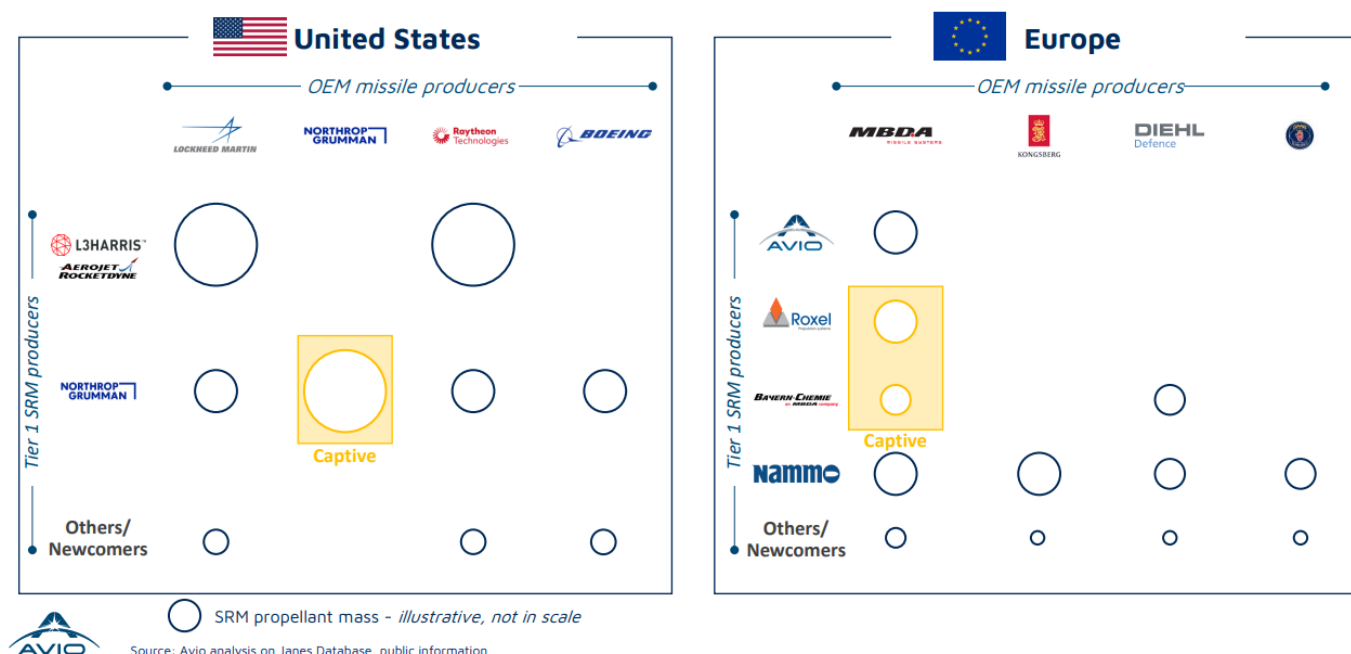
The US solid rocket motor market for missiles is undergoing a significant transformation as multiple players respond to surging demand driven by global conflicts and defence modernization efforts. This competitive landscape can be segmented into three distinct categories: incumbents, foreign players, and newcomers.

- **Incumbents** dominate the market with established production infrastructure and decades of experience. **Northrop Grumman**, the largest SRM producer, is aggressively investing to boost production capacity across facilities in Maryland, Utah, and West Virginia, with its Utah expansion alone tripling propellant casting capabilities and doubling large SRM production by 2025. L3Harris Technologies (through its **Aerojet Rocketdyne** acquisition) produces over 100,000 SRMs annually at its Camden, Arkansas facility. The company has announced a \$215.6mn Defence Production Act agreement to increase capacity. The company has also expanded its Huntsville, Alabama operations via the new, 379,000-square-foot Advanced Manufacturing Facility-South, investing over \$20mn.
- **Foreign Players**, including Avio through its Avio USA subsidiary, are establishing US production footprints to address supply chain constraints. **Nammo AS** (Norway) has partnered with Raytheon to expand its Perry, Florida facility, scheduled to open in 2027. Nammo has delivered over 35,000 rocket motors for the Sidewinder program and currently supplies motors for AMRAAM and ESSM without capacity constraints. **Rafael Advanced Defense Systems** (Israel) has formed a 50/50 joint venture with Kratos Defense called Prometheus Energetics, committing \$175mn to establish a 550-acre facility in Crane, Indiana, with production expected to begin in 2027. The venture aims to produce tens of thousands of SRMs and cast warheads annually.
- **Newcomers** are leveraging advanced manufacturing and technology (such as 3D printing) to try to disrupt the traditional duopoly. However, production capabilities have yet to be proven. **Anduril Industries** officially opened its full-rate production facility in McHenry, Mississippi in August 2025, investing \$75mn of its own capital. The company targets 6,000 tactical motors annually by end of 2026 and has already test-fired over 700 motors since January 2024. Anduril won a contract from the US Army to build a new 4.75-inch SRM for long-range precision artillery and is developing hypersonic rocket motors for the Navy's Standard Missile programme. **X-Bow Systems** received \$64mn from the Defense Department in 2023 to expand manufacturing capacity, with additional funding announced in 2024. The company's Texas

facility is designed for up to c.1,300 tons of annual solid propellant capacity across three manufacturing lines. X-Bow has qualified as a new SRM supplier and is working on motors for hypersonic weapons and the Mk 72 for Standard Missile programmes. **Ursa Major Technologies** has partnered with the US Navy on a \$25mn joint investment (with \$12.5 million from the DoD's Office of Strategic Capital) to mature its Lynx SRM manufacturing process. The company is developing a second-source Mk 104 dual-thrust rocket motor for the Navy and completed successful test flights with Raytheon in December 2024. **General Dynamics Ordnance and Tactical Systems**, traditionally a missile subsystems provider, entered SRM production through a strategic teaming agreement with Lockheed Martin in August 2024. Initial work focuses on GMLRS motors at its Camden, Arkansas facility, with manufacturing of test motors starting in 2025 and production expected by 2027.

While incumbents, foreign entrants, and newcomers are all announcing significant capacity expansions, the fundamental supply-demand imbalance strongly favours all participants. Global conflicts have demonstrated unprecedented consumption rates. Pentagon officials acknowledge the defence industrial base was not designed for prolonged attritional conflict, while Lockheed Martin is ramping up GMLRS production to 14,000 units a year, PAC-3 MSE to over 650 units, and Javelin to 3,960 units a year. The evidence is clear: despite aggressive capacity expansion across all player categories, the substantial and enduring mismatch between demand and supply should ensure sufficient market share for all participants to get their hands on sizeable slices of this growing defence pie.

Avio – suppliers of SRMs



Source: Company presentation

Estimates

In this section, we outline the main assumptions underlying our estimates, which we provide in detail, not only through 2030, in line with our previous approach, but also up to 2035, aiming to offer as complete a picture as possible of what the company may look like at the end of the next decade. Finally, we emphasize that our estimates are based on the assumption that the investments will be financed using the cash proceeds of the capital increase. However, as stated by the company, part of the new plant should be financed through infrastructure leasing. As a result, the financial profile may differ from the one presented below. We will be ready to incorporate this element once greater clarity emerges over the coming months.

P&L

Revenues: we estimate that the Group's net revenues will grow at a CAGR of 10.2% over the 2025-2035 period, a figure in line with company guidance, which points to a CAGR above 10% over the same decade. This result reflects markedly different trends between the Group's two core business areas:

- We expect Tactical Propulsion to post strong growth (2025-2035 CAGR of 21.4%), driven by production expansion in both Europe and the United States, supported by the new production facility. Revenues at the end of the period are expected to be ~10x those registered in 2024.
- Conversely, we anticipate a more moderate growth trajectory for the Space segment (2025-2035 CAGR of 4.6%). However, it is worth noting that this figure is affected by the phasing-out of revenues related to NextGen EU, which naturally expire at the end of 2026. Excluding this effect, the decade-long CAGR would be approximately c.7%. Drivers for revenues growth are the increase in the number of boosters produced for the Ariane 6 (from 14 to >35 in the mid-term) and the increase in launch cadence of Vega C (from 3 to c.6 per year in the mid-term). Moreover, the improvement in the load factor of future flights may increase the average revenues per flight and also benefit margins.

In terms of business mix, these dynamics imply a significant shift, in line with the company's business plan, toward Defence-related activities, which by the end of the period are expected to account for more than half of total revenues.

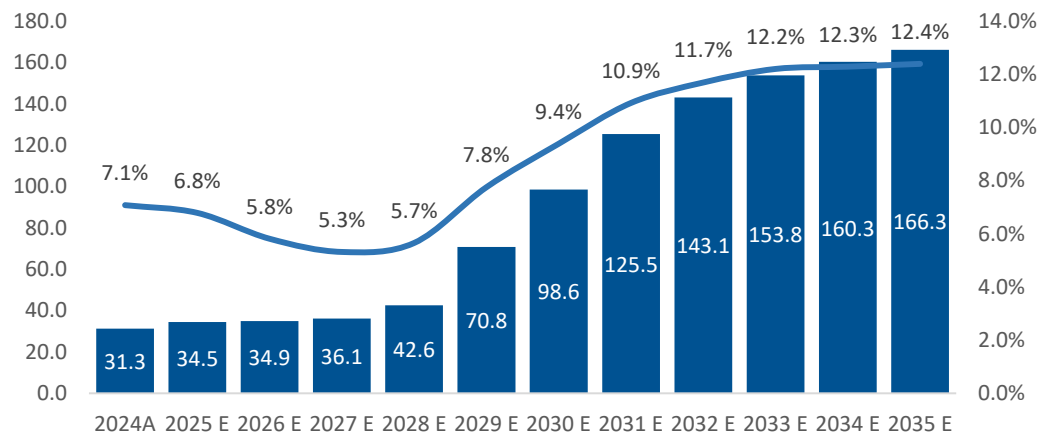
Avio – Revenues Breakdown

	2024A	2025 E	2026 E	2027 E	2028 E	2029 E	2030 E	2031 E	2032 E	2033 E	2034 E	2035 E
Ariane	75.3	105.1	125.2	151.0	168.0	199.0	206.0	206.0	206.0	206.0	206.0	206.0
% YoY growth	11%	40%	19%	21%	11%	18%	4%	0%	0%	0%	0%	0%
Vega	205.6	217.2	248.4	310.0	351.0	392.0	409.0	409.0	416.5	416.5	424.0	424.0
% YoY growth	18%	6%	14%	25%	13%	12%	4%	0%	2%	0%	2%	0%
Satellite	3.5	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
% YoY growth	-30%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other (incl NRRP)	87.4	80.0	85.0	45.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
% YoY growth	91%	-8%	6%	-47%	-96%	0%	0%	0%	0%	0%	0%	0%
Space Business	372	406	463	510	525	597	621	621	629	629	636	636
% YoY growth	27.0%	9.3%	13.8%	10.3%	2.9%	13.7%	4.0%	0.0%	1.2%	0.0%	1.2%	0.0%
EU Defense	70	101	123	138	150	162	184	205	227	248	270	291
% YoY growth	52%	45%	21%	13%	9%	8%	13%	12%	10%	9%	9%	8%
US Defense	0	0	15	31	77	153	245	322	368	383	398	413
% YoY growth	n.a.	n.a.	n.a.	100%	150%	100%	60%	31%	14%	4%	4%	4%
Tactical propulsion	70	101	138	168	227	315	429	527	594	631	668	704
% YoY growth	53%	45%	36%	22%	35%	39%	36%	23%	13%	6%	6%	6%
Total Net revenues	442	507	600	678	752	912	1050	1148	1223	1259	1304	1340
% YoY growth	30.4%	14.9%	18.3%	13.0%	10.8%	21.4%	15.0%	9.3%	6.5%	3.0%	3.5%	2.8%

Source: Company data & Intermonte SIM Estimates

Adj. EBITDA: we expect the Group's EBITDA to grow more than proportionally, with an anticipated CAGR of 17% over the 2025-2035 period (vs company indications for a "high teen" CAGR). The main drivers behind this expected growth are the increase in volumes and the resulting operating leverage, the improvement in the revenue mix with a greater contribution from Defence-related activities (for which we estimate a margin above 15% at run rate, significantly higher than the high single-digit margins expected for the Space segment by the end of the period), and the internalisation of commercialisation and flight operations, previously managed by Arianespace. However, we do not expect a linear growth trajectory throughout the period. We estimate that EBITDA will grow only marginally between 2025 and 2028 as the company incurs start-up costs for the launch of operations in the United States. Thereafter, EBITDA is projected to accelerate as the new facility ramps up to full capacity, expected by 2032. By the end of the period, we expect the EBITDA margin to reach 12.4%, well above the 6.8% forecast for 2025, with adjusted EBITDA projected at approximately €166mn.

Avio – EBITDA Adj. (Eu mn, lhs) and EBITDA Adj. margin (% , rhs)



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

D&A: we expect depreciation and amortisation to remain broadly stable through 2028, before increasing following the completion of the new US facility, scheduled for 2H28. We therefore anticipate an annual step-up of approximately €20mn from 2029 onwards.

Financial gains/charges: given our expectation that, thanks to the capital increase and favourable working capital dynamics, the company will maintain a positive net cash position throughout the plan horizon, we anticipate this line will continue to contribute positively to results.

Tax rate: we expect the tax rate to gradually converge toward a “normalised” level over the coming years as the stock of tax loss carryforwards is progressively utilised.

Adj. net income: as a result of the trends outlined above, we expect the bottom line to grow at a CAGR of 21.5% during the period under review.

Avio – P&L

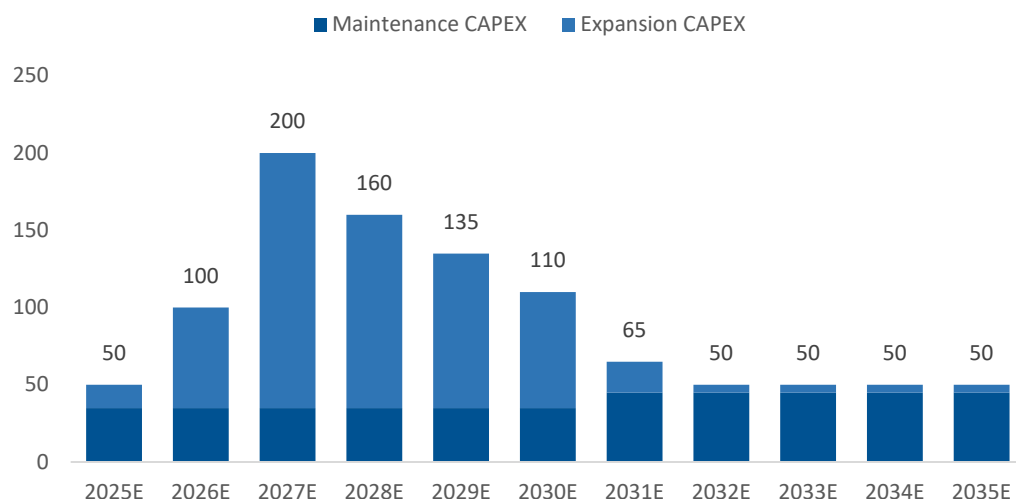
	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Net Revenues	441.6	507.4	600.3	678.4	751.6	912.5	1049.8	1147.8	1222.7	1259.4	1303.7	1340.4
% growth	30.4%	14.9%	18.3%	13.0%	10.8%	21.4%	15.0%	9.3%	6.5%	3.0%	3.5%	2.8%
EBITDA Adjusted	31.3	34.5	34.9	36.1	42.6	70.8	98.6	125.5	143.1	153.8	160.3	166.3
% margin	7.1%	6.8%	5.8%	5.3%	5.7%	7.8%	9.4%	10.9%	11.7%	12.2%	12.3%	12.4%
% YoY growth	11.7%	10.2%	1.4%	3.4%	17.8%	66.4%	39.3%	27.2%	14.0%	7.5%	4.2%	3.7%
EBITDA	25.8	31.5	31.9	33.1	40.1	68.3	96.1	123.0	140.6	151.3	157.8	163.8
% margin	5.8%	6.2%	5.3%	4.9%	5.3%	7.5%	9.2%	10.7%	11.5%	12.0%	12.1%	12.2%
D&A	-17.4	-20.0	-23.0	-24.0	-24.0	-42.8	-45.8	-46.6	-46.6	-46.6	-46.6	-46.6
EBIT Adjusted	13.8	14.5	11.9	12.1	18.6	28.0	52.8	78.9	96.5	107.2	113.7	119.7
% margin	3.1%	2.9%	2.0%	1.8%	2.5%	3.1%	5.0%	6.9%	7.9%	8.5%	8.7%	8.9%
EBIT	8.4	11.5	8.9	9.1	16.1	25.5	50.3	76.4	94.0	104.7	111.2	117.2
% margin	1.9%	2.3%	1.5%	1.3%	2.1%	2.8%	4.8%	6.7%	7.7%	8.3%	8.5%	8.7%
Net financial charges	-1.6	1.2	2.1	1.5	0.9	0.6	0.5	0.6	0.9	1.1	1.4	1.7
Pretax	6.8	12.7	11.0	10.7	17.0	26.1	50.8	77.0	94.8	105.9	112.7	118.9
Taxes	-0.4	-2.9	-2.5	-2.4	-3.8	-5.9	-11.4	-17.3	-21.3	-23.8	-25.3	-26.7
tax rate	-6%	-23%	-23%	-23%	-23%	-23%	-23%	-23%	-23%	-23%	-23%	-23%
Minorities	-0.3	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3
Net Profit	6.1	9.5	8.3	8.1	13.0	20.0	39.2	59.4	73.2	81.8	87.0	91.8
% YoY Growth	-6%	56%	-13%	-2%	60%	54%	96%	52%	23%	12%	6%	5%
Adjusted Net Profit	10.1	11.7	10.5	10.3	14.8	21.9	41.0	61.3	75.1	83.6	88.8	93.6

Source: Company data & Intermonte SIM Estimates

Balance Sheet and Cash Flow

CapEx: based on our estimates, we expect CapEx to begin ramping up in 2026, reaching its peak in 2027 and 2028, when investments are projected to amount to approximately €200mn and €160mn respectively. Capital expenditure is expected to remain at relatively high levels over the following two years, reflecting the completion of commissioning and the progressive ramp-up of operations. From 2032 onwards, we anticipate CapEx normalising at around €50mn per year, higher than the €30-40mn seen in recent years, as the new facilities will inevitably entail increased maintenance requirements.

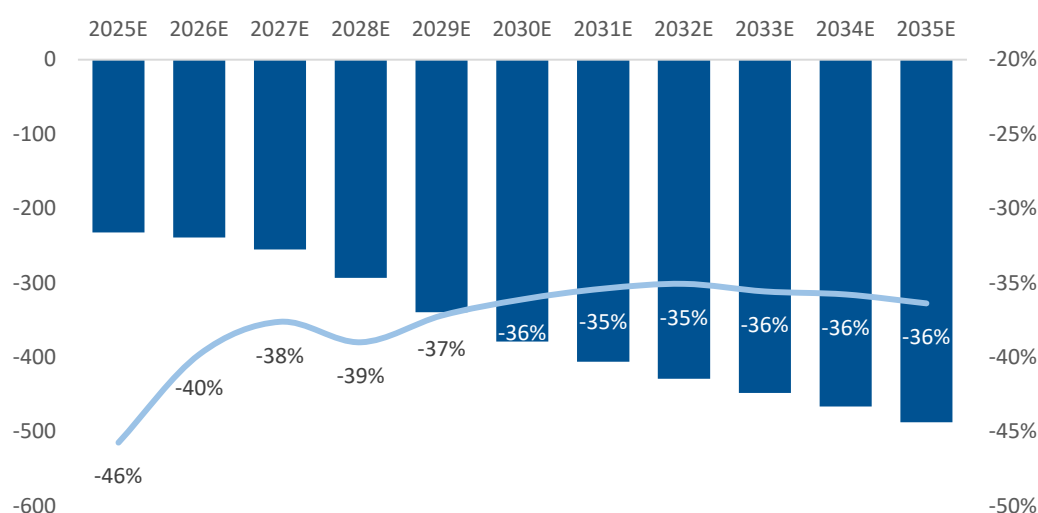
Avio – CAPEX estimates (Eu mn)



Source: Intermonte SIM estimates

Net working capital: we estimate that order intake will remain strong over the coming years, both in the space sector (driven by new launch contracts and by development activities resulting from awards at upcoming ESA ministerial conferences) and in the defence sector, thanks to new US customers. We therefore expect a book-to-bill ratio above 1.2x through 2032, gradually normalising to around 1.1x in the following years. This trend should lead not only to a significant increase in order backlog, which we expect to exceed €3bn by the end of the period, but also to the collection of substantial customer advances (which we estimate slightly above 20% of contract value). This, in turn, should enable the company to maintain a structurally negative net working capital position and preserve a net cash position throughout the forecast horizon.

Avio – Working capital (Eu mn, lhs) and Working Capital/sales (% , rhs)



Source: Intermonte SIM estimates

Dividends: the company has not provided a payout target over the plan horizon; therefore, we maintain our assumption of a 60% payout ratio, at the upper end of the company's dividend policy range, which foresees a dividend payout of up to 60% of consolidated net income (close to the upper end of the range over the past two years).

Capital increase: we include the proceeds from the capital increase in 2025 (net of expenses, which we estimate at approximately €20 million, or about 5% of the total amount) in light of the company's expectation that the transaction will be completed by the end of the current year. In addition, 2025 also reflects the exercise of the sponsor warrants, which resulted in proceeds of approximately €10 million.

Avio – Balance Sheet

	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Fixed Assets	397.9	427.9	504.9	680.9	816.9	909.1	973.3	991.7	995.1	998.5	1001.9	1005.3
Working Capital	-205.0	-232.1	-239.0	-255.2	-293.1	-339.4	-379.0	-406.1	-428.6	-448.0	-466.3	-487.5
% on sales	-46%	-46%	-40%	-38%	-39%	-37%	-36%	-35%	-35%	-36%	-36%	-36%
Def. tax assets/liab.	87.5	90.5	93.5	96.5	99.5	102.5	105.5	108.5	111.5	114.5	117.5	120.5
Provisions for risks	-48.2	-50.4	-50.3	-50.6	-53.9	-58.4	-69.8	-81.8	-90.2	-95.6	-99.2	-102.5
Employee benefits	-9.5	-9.6	-9.7	-9.8	-9.9	-10.0	-10.1	-10.2	-10.3	-10.4	-10.5	-10.6
Net Invested Capital	222.8	226.4	299.5	461.8	559.6	603.9	619.9	602.1	577.5	559.1	543.4	525.1
Equity	302.8	696.9	700.5	704.0	709.6	718.3	735.3	761.0	792.6	828.0	865.6	905.3
Minorities	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Total Equity	312.9	707.0	710.6	714.1	719.7	728.3	745.3	771.0	802.7	838.0	875.7	915.3
Net Cash (Debt)	90.1	480.6	411.1	252.2	160.1	124.5	125.3	168.9	225.2	279.0	332.3	390.2

Source: Company data & Intermonte SIM Estimates

Avio – Cash Flow

	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Net profit	6.4	9.8	8.6	8.3	13.2	20.2	39.4	59.7	73.5	82.0	87.3	92.1
D&A	17.4	20.0	23.0	24.0	24.0	42.8	45.8	46.6	46.6	46.6	46.6	46.6
Delta Working Capital	41.4	27.1	6.9	16.2	37.9	46.3	39.6	27.1	22.5	19.3	18.4	21.2
Change in funds	-0.6	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Others	-2.0	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5
Operating Cash Flow	62.6	54.3	35.9	45.9	72.4	106.7	122.3	130.8	140.0	145.4	149.7	157.3
YoY change	15.6%	-13.3%	-34.0%	27.8%	58.0%	47.3%	14.5%	7.0%	7.1%	3.8%	3.0%	5.1%
Capex	-39.5	-50.0	-100.0	-200.0	-160.0	-135.0	-110.0	-65.0	-50.0	-50.0	-50.0	-50.0
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Increase	0.0	390.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	-6.1	-3.8	-5.4	-4.7	-4.6	-7.4	-11.4	-22.2	-33.7	-41.6	-46.4	-49.4
Others	-3.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash Flow	14.0	390.5	-69.5	-158.8	-92.2	-35.6	0.9	43.5	56.3	53.8	53.3	57.9
NFP beg. of the year	76.1	90.1	480.6	411.1	252.2	160.1	124.5	125.3	168.9	225.2	279.0	332.3
Cash Flow	14.0	390.5	-69.5	-158.8	-92.2	-35.6	0.9	43.5	56.3	53.8	53.3	57.9
NFP at year end	90.1	480.6	411.1	252.2	160.1	124.5	125.3	168.9	225.2	279.0	332.3	390.2

Source: Company data & Intermonte SIM Estimates

Change to Estimates

It is clear that the post-capital-increase estimates imply lower profitability in the initial years of the plan, with the positive effects of the investment program expected to become evident in the second half of the decade as the new facilities reach full capacity.

Avio – Change to estimates

	New estimates						Old estimates						Change					
	25	26	27	28	29	30	25	26	27	28	29	30	25	26	27	28	29	30
Net Revenues	507	600	678	752	912	1050	479	554	614	655	730	812	6%	8%	11%	15%	25%	29%
YoY	14.9%	18.3%	13.0%	10.8%	21.4%	15.0%	8.5%	15.6%	10.8%	6.8%	11.5%	11.2%						
EBITDA Adj.	34	35	36	43	71	99	34	43	52	61	72	85	0%	-18%	-31%	-30%	-2%	17%
% margin	6.8%	5.8%	5.3%	5.7%	7.8%	9.4%	7.2%	7.7%	8.5%	9.3%	9.9%	10.4%						
EBITDA	31	32	33	40	68	96	31	40	49	58	70	82	0%	-19%	-32%	-31%	-2%	17%
% margin	6.2%	5.3%	4.9%	5.3%	7.5%	9.2%	6.5%	7.1%	8.0%	8.9%	9.5%	10.1%						
D&A	-20	-23	-24	-24	-43	-46	-19	-22	-23	-24	-24	-24						
EBIT Adj.	14	12	12	19	28	53	15	21	29	37	48	61	-6%	-42%	-58%	-50%	-42%	-13%
% margin	2.9%	2.0%	1.8%	2.5%	3.1%	5.0%	3.2%	3.7%	4.7%	5.6%	6.6%	7.5%						
EBIT	11	9	9	16	26	50	12	18	26	34	46	58	-7%	-49%	-65%	-53%	-44%	-13%
% margin	2.3%	1.5%	1.3%	2.1%	2.8%	4.8%	2.6%	3.2%	4.2%	5.2%	6.3%	7.2%						
Net Financials	1	2	2	1	1	1	1	1	1	1	1	1						
Pre-Tax	13	11	11	17	26	51	14	19	27	36	47	60	-7%	-41%	-61%	-52%	-45%	-15%
Taxes	-3	-2	-2	-4	-6	-11	-3	-5	-7	-9	-12	-15						
Minorities	0	0	0	0	0	0	0	0	0	0	0	0						
Net profit	10	8	8	13	20	39	10	14	20	27	35	44	-4%	-40%	-60%	-51%	-43%	-12%
Net profit Adj	12	10	10	15	22	41	12	16	22	28	37	46	-3%	-34%	-54%	-48%	-41%	-11%
Net Cash	481	411	252	160	124	125	74	67	74	89	93	93	407	344	179	71	31	32

Source: Intermonte SIM estimates

The above estimates are slightly more optimistic than those provided by the company, as they incorporate a somewhat higher growth rate in the space business.

Avio – Post-Capital Increase estimates vs Company's targets

	Mid-Term		2035	
	AVIO target	INT 2030 est.	AVIO target	INT est.
Revenues	> Eu1,000mn	1050	> Eu1,200mn	1340
Revenues CAGR			> 10%	10.2%
EBITDA CAGR	> 20%	23.4%	"High-teens CAGR"	17.0%

Source: Intermonte SIM

Valuation

Valuation Summary

Alongside our traditional DCF, we have introduced a SOTP approach, which we believe better captures current market interest in Space and Defence-related assets. This methodology delivers a higher valuation than the DCF (€51/share vs. €35/share) but is more sensitive to market trends and sector allocations, highlighting the need to complement it with a DCF analysis grounded in fundamentals. We give equal weight to the two different approaches, thereby arriving at a target price of €43/share.

Upside risks to our estimates include stronger-than-expected demand that could trigger expansion of the US plant and the potential receipt of government grants. The key downside risk remains launch failures, which can lead to delays to the ramping-up of launch cadence and thus to obtaining synergies of scale.

Avio – Valuation summary (post-money)

Method			Weight
DCF (WACC 9.0%, G 3.0%)	1338	Eu mn	50%
SOP 2030	1973	Eu mn	50%
Weighted Equity value	1655	Eu mn	
NOSH post aucap	38.4	mn	
Target Price	43	Eu ps	

Source: Intermonte SIM

Both valuations are presented on a **post-money basis** in order to capture the value creation expected from the investments made possible only through execution of the capital increase; this requires us to estimate a potential **subscription price for the new shares**. We have reviewed sizeable recent rights issues completed over the past two years on the main market, noting that the **average discount to TERP** (Theoretical Ex-Rights Price) has been approximately **24%**, with the range between **~15% and ~32%**.

Avio - Discount to TERP of recent rights issues

Company	Amount (Eu mn)	Discount to TERP
Italgas	1,020	24.8%
Geox*	30	14.9%
Dovalue	150	25.8%
Aquafil	40	15.5%
Fincantieri*	399	32.2%
Juventus	200	31.9%
Carel	200	23.7%
Median		24.8%
Average		24.1%

Source: Intermonte SIM *excluding warrants

Given strong investor appetite for assets of this nature, we expect robust demand for the transaction and have therefore assumed a discount at the **lower end of the range (15%)**. Based on the closing price on **Friday, 17 October**, this implies an **issue price of €35.5 per share**, corresponding to the issuance of approximately **11.3 million new shares**, and a **post-money share count of around 38.4 million**.

In the table below we provide a sensitivity analysis on the number of shares to be issued based on different levels of discount to TERP.

Avio – Sensitivity analysis – Numbers of shares to be issued at different levels of discount to TERP

Capital increase price	Closing price (Eu) 17/10/2025	NOSH (ex-treasury shares)	Capital Increase amount (Eu mn)	N. shares capital increase (mn)	N. shares post Capital Increase (mn)	Mkt Cap post Capital Increase	TERP (Eu)	Discount to TERP (%)	Dilution (%)
44.4	44.4	26.2	400	9.0	35.2	1,561	44.4	0.0%	25.6%
43.9	44.4	26.2	400	9.1	35.3	1,561	44.2	(0.8%)	25.8%
43.4	44.4	26.2	400	9.2	35.4	1,561	44.1	(1.6%)	26.1%
42.9	44.4	26.2	400	9.3	35.5	1,561	44.0	(2.5%)	26.3%
42.4	44.4	26.2	400	9.4	35.6	1,561	43.8	(3.3%)	26.5%
41.9	44.4	26.2	400	9.6	35.7	1,561	43.7	(4.1%)	26.7%
41.4	44.4	26.2	400	9.7	35.8	1,561	43.5	(5.0%)	27.0%
40.9	44.4	26.2	400	9.8	36.0	1,561	43.4	(5.8%)	27.2%
40.4	44.4	26.2	400	9.9	36.1	1,561	43.3	(6.7%)	27.5%
39.9	44.4	26.2	400	10.0	36.2	1,561	43.1	(7.5%)	27.7%
39.4	44.4	26.2	400	10.2	36.3	1,561	43.0	(8.3%)	28.0%
38.9	44.4	26.2	400	10.3	36.5	1,561	42.8	(9.2%)	28.2%
38.4	44.4	26.2	400	10.4	36.6	1,561	42.6	(10.0%)	28.5%
37.9	44.4	26.2	400	10.6	36.7	1,561	42.5	(10.9%)	28.7%
37.4	44.4	26.2	400	10.7	36.9	1,561	42.3	(11.7%)	29.0%
36.9	44.4	26.2	400	10.8	37.0	1,561	42.2	(12.5%)	29.3%
36.4	44.4	26.2	400	11.0	37.2	1,561	42.0	(13.4%)	29.6%
35.9	44.4	26.2	400	11.1	37.3	1,561	41.8	(14.2%)	29.9%
35.4	44.4	26.2	400	11.3	37.5	1,561	41.6	(15.0%)	30.2%
34.9	44.4	26.2	400	11.5	37.6	1,561	41.5	(15.9%)	30.5%
34.4	44.4	26.2	400	11.6	37.8	1,561	41.3	(16.7%)	30.8%
33.9	44.4	26.2	400	11.8	38.0	1,561	41.1	(17.6%)	31.1%
33.4	44.4	26.2	400	12.0	38.2	1,561	40.9	(18.4%)	31.4%
32.9	44.4	26.2	400	12.2	38.3	1,561	40.7	(19.2%)	31.7%
32.4	44.4	26.2	400	12.4	38.5	1,561	40.5	(20.1%)	32.1%
31.9	44.4	26.2	400	12.5	38.7	1,561	40.3	(20.9%)	32.4%
31.4	44.4	26.2	400	12.7	38.9	1,561	40.1	(21.8%)	32.8%
30.9	44.4	26.2	400	13.0	39.1	1,561	39.9	(22.6%)	33.1%
30.4	44.4	26.2	400	13.2	39.3	1,561	39.7	(23.4%)	33.5%
29.9	44.4	26.2	400	13.4	39.6	1,561	39.5	(24.3%)	33.8%
29.4	44.4	26.2	400	13.6	39.8	1,561	39.2	(25.1%)	34.2%

Source: Company data & Intermonte SIM Estimates

Avio – Multiples post-money @ current price

	2024A	2025 E	2026 E	2027 E	2028 E	2029 E	2030 E	2031 E	2032 E	2033 E	2034 E	2035 E
EV/SALES	2.6 x	2.2 x	2.0 x	2.0 x	1.9 x	1.6 x	1.4 x	1.3 x	1.1 x	1.1 x	1.0 x	0.9 x
EV/EBITDA	36.4 x	33.0 x	34.6 x	37.9 x	34.3 x	21.1 x	15.1 x	11.6 x	9.7 x	8.7 x	8.0 x	7.4 x
EV/EBIT	82.3 x	78.7 x	101.3 x	112.9 x	78.6 x	53.4 x	28.3 x	18.4 x	14.4 x	12.5 x	11.3 x	10.3 x
PE	168.3 x	145.2 x	162.6 x	165.2 x	115.0 x	77.9 x	41.5 x	27.8 x	22.7 x	20.4 x	19.2 x	18.2 x
FCF yield	1.4%	0.3%	-3.8%	-9.0%	-5.1%	-1.7%	0.7%	3.9%	5.3%	5.6%	5.8%	6.3%

Source: Intermonte SIM

DCF

In our DCF, in addition to incorporating the effects of the capital increase, we extend the forecast horizon from 2031 to 2035 using the explicit estimates presented in the previous sections. We maintain the WACC essentially unchanged at 9.0% (ERP 5.5%, risk-free rate 4.0%, unlevered beta 0.9), while increasing the terminal growth rate (g) to 3.0% from 2.5% previously.

Avio – DCF summary and sensitivity analysis

	Eu mn	WACC						
			8.0%	8.5%	9.0%	9.5%	10.0%	
Discounted Free cash flows 25-35	-8	T G	2.0%	1303	1245	1195	1153	1115
Terminal value	780		2.5%	1390	1320	1261	1211	1167
Total EV	773		3.0%	1496	1410	1338	1278	1226
Net Cash (YE24)	90		3.5%	1625	1517	1429	1356	1294
Capital Increase (net of costs)	380		4.0%	1787	1649	1538	1448	1374
Sponsor warrant exercise	10							
Financial assets	17							
Tax assets	88							
Employee benefits	-10							
Minorities & Adjustments	-10							
Total EQUITY	1338							
WACC	9.0%							
Terminal growth	2.5%							

Source: Intermonte SIM

SOP

In conducting the SOTP analysis, the most critical aspect is identifying the appropriate panel of comparables. For the **Defence business**, this was relatively straightforward, as it consists of well-established companies with long track records. However, drawing up the **Space segment** peer group proved more challenging, given the wide range of players, from **high-growth but unprofitable companies** to **more mature operators** with lower growth profiles.

Our approach was to construct a balanced peer set that captures both categories. It includes **launch vehicle companies** such as Rocket Lab and Firefly, **space debris removal specialists** like Astroscale (a business area that could become relevant for Avio in the future), **satellite service operators**, and **composite material producers** such as Hexcel (a segment of potential interest to Avio for vertical integration). The result is a **diversified peer group** yielding **valuation multiples slightly higher** than those applied to the Defence segment.

Since only a limited number of companies have estimates and multiples available for 2030 (the year used in our SOTP as it marks the point by which a huge portion of the benefits of the investment plan will have materialised) we have decided to use the **current trading multiples** of the peer group presented earlier and **discount them back to today**. The result is a **Discounted Equity Value of €1,973mn**.

Avio – Sum of the Parts (2030)

	Sales '30	Multiple	EV	Note
Space business	621	2.9 x	1788	Space peers multiples
Defence business	429	2.4 x	1029	Defence peers multiples
Total EV			2818	
Net Cash 2030			125	
Associates			17	
Tax Assets			88	
Others			-20	Minorities/Employee benefits
Equity Value			3028	
Discount factor			0.7	9% actualization rate
Disc. Equity Value			1973	

Source: Intermonte SIM

Multiples

Avio – Peers comparison/Defense Business

Company name	Country	Mkt cap (Eu mn)	EV/Sales			EV/EBITDA			PE		
			2025	2026	2027	2025	2026	2027	2025	2026	2027
Leonardo	IT	27,809	1.5 x	1.4 x	1.2 x	12.3 x	10.5 x	9.2 x	26.5 x	22.1 x	18.9 x
BAE Systems	GB	63,165	2.0 x	1.9 x	1.7 x	14.3 x	13.1 x	12.0 x	24.6 x	22.0 x	19.8 x
Thales	FR	50,538	2.4 x	2.2 x	2.0 x	15.1 x	13.6 x	11.9 x	26.3 x	22.4 x	20.0 x
Rheinmetall	DE	76,433	6.1 x	4.4 x	3.3 x	32.0 x	22.0 x	15.8 x	56.2 x	37.2 x	25.5 x
Northrop Grumman	US	72,957	2.3 x	2.2 x	2.1 x	16.1 x	15.0 x	14.3 x	23.4 x	20.6 x	19.0 x
Lockheed Martin	US	99,079	1.8 x	1.7 x	1.7 x	14.3 x	12.1 x	11.6 x	22.6 x	16.9 x	15.8 x
Saab	SE	22,379	3.3 x	2.8 x	2.4 x	24.1 x	19.9 x	16.6 x	43.3 x	35.5 x	28.6 x
L3Harris Tech.	US	45,520	2.9 x	2.7 x	2.6 x	16.0 x	14.7 x	13.8 x	26.9 x	23.0 x	20.1 x
Kongsberg Gruppen	NO	21,731	4.2 x	3.5 x	3.1 x	24.0 x	21.0 x	18.1 x	35.4 x	31.6 x	27.3 x
Median Defense			2.4 x	2.2 x	2.1 x	16.0 x	14.7 x	13.8 x	26.5 x	22.4 x	20.0 x

Source: FactSet

Avio – Peers comparison/Space Business

Company name	Country	Mkt cap (Eu mn)	EV/Sales			EV/EBITDA			PE		
			2025	2026	2027	2025	2026	2027	2025	2026	2027
Rocket Lab	US	27,488	54.5 x	35.6 x	26.9 x	n.m.	661.1 x	187.2 x	n.m.	n.m.	558.1 x
Firefly Aerospace	US	3,311	22.2 x	6.7 x	3.8 x	n.m.	n.m.	31.6 x	n.m.	n.m.	89.6 x
Iridium Comm.	US	1,690	4.2 x	4.0 x	3.8 x	7.5 x	7.1 x	6.6 x	18.7 x	15.6 x	12.5 x
Eutelsat Comm.	FR	1,732	3.6 x	2.8 x	2.7 x	6.5 x	5.4 x	5.2 x	n.m.	n.m.	n.m.
Moog	US	5,551	1.9 x	1.8 x	1.6 x	13.6 x	11.7 x	10.2 x	24.6 x	21.1 x	18.3 x
ViaSat	US	4,107	2.1 x	2.0 x	1.9 x	6.4 x	6.0 x	5.7 x	n.m.	n.m.	n.m.
Redwire	US	1,128	3.4 x	2.4 x		n.m.	19.2 x		n.m.	n.m.	36.2 x
Chemring Group	GB	1,656	2.9 x	2.6 x	2.3 x	15.7 x	14.0 x	11.3 x	27.2 x	23.3 x	18.5 x
Magellan Aerospace	CA	560	1.0 x	0.9 x	0.9 x	8.7 x	7.1 x	6.5 x	20.0 x	13.4 x	10.9 x
Astroscale Holdings	JP	646	17.9 x	10.5 x	5.4 x	n.m.	n.m.	54.7 x	n.m.	n.m.	575.2 x
Satrec Initiative	KR	406	2.8 x	2.2 x	1.7 x	28.8 x	19.6 x	12.0 x	43.1 x	31.2 x	19.4 x
Ducommun	US	1,176	1.9 x	1.7 x	1.6 x	11.6 x	10.0 x	9.1 x	24.9 x	20.6 x	17.7 x
Hexcel	US	4,212	2.9 x	2.6 x	2.4 x	16.4 x	13.1 x	11.4 x	33.6 x	24.8 x	19.6 x
MDA Space	CA	2,670	2.8 x	2.4 x	2.1 x	14.5 x	12.5 x	10.9 x	25.2 x	22.3 x	20.1 x
SES	LU	2,469	2.5 x	2.1 x	1.9 x	5.0 x	4.4 x	3.8 x	24.2 x	23.3 x	13.7 x
Median Space			2.9 x	2.4 x	2.2 x	11.6 x	11.7 x	10.5 x	24.9 x	22.3 x	19.4 x

Source: FactSet

Appendix

2Q25 Results

The company reported results substantially in line with our expectations, confirming the guidance for 2025. 2Q25 results maintain the usual limited seasonal relevance - 1H typically contributes ~1/3 of annual EBITDA - and therefore do not represent a catalyst for the stock. Specifically:

- Net revenue Eu126.9mn, up 24.6% YoY and above our expectation (Eu117.8mn)
- Adj. EBITDA Eu6.6mn, down 8% YoY and slightly below our estimate of Eu6.9mn. Margin down 1.8pp YoY to 5.2%, which we think was due to a less favourable turnover mix (+ space /-tactical propulsion)
- EBIT Eu0.9mn, slightly below our Eu1.2mn
- Eu75mn net cash position, above our Eu65mn estimate, rising from Eu59mn as at the end of March after the usual swing in working capital.
- Order backlog of Eu1,670mn, below our estimate of Eu1,701mn. Order intake in 2Q was Eu89mn (Eu111mn expected), with book-to-bill of 0.7x.
- 2025 guidance confirmed: order backlog Eu1,700mn-Eu1,800mn, revenues Eu450mn-Eu480mn, adj. EBITDA Eu30mn-Eu36mn, net profit Eu7mn-Eu10mn

Avio – 2Q25 results

	1Q24A	2Q24A	1H24A	2H24A	2024A	1Q25A	2Q25A	1H25A	2H25E	2025E	2Q25E	A vs E
Net Revenues	78.8	101.8	180.6	260.9	441.6	108.0	126.9	234.9	272.5	507.4	117.8	7.7%
YoY Growth	31.8%	4.0%	14.5%	44.2%	30.4%	37.1%	24.6%	30.0%	4.4%	14.9%	15.7%	
EBITDA Adj.	3.4	7.2	10.6	20.7	31.3	4.8	6.6	11.4	23.1	34.5	6.9	-5.0%
% margin	4.3%	7.0%	5.9%	7.9%	7.1%	4.4%	5.2%	4.9%	8.5%	6.8%	5.9%	
EBITDA rep.	1.6	6.5	8.1	17.7	25.8	4.0	6.0	10.0	21.5	31.5	6.1	-2.4%
% margin	2.0%	6.4%	4.5%	6.8%	5.8%	3.7%	4.7%	4.3%	7.9%	6.2%	5.2%	
EBIT Adj.	-1.0	3.1	2.1	11.7	13.8	-0.1	1.5	1.4	13.0	14.5	2.0	-25.2%
% margin	-1.2%	3.0%	1.2%	4.5%	3.1%	-0.1%	1.2%	0.6%	4.8%	2.9%	1.7%	
EBIT rep.	-2.8	2.4	-0.4	8.8	8.4	-0.9	0.9	0.0	11.4	11.5	1.2	-25.1%
% margin	-3.6%	2.4%	-0.2%	3.4%	1.9%	-0.8%	0.7%	0.0%	4.2%	2.3%	1.1%	
Financial Charges			-0.1	-1.5	-1.6			0.3	0.9	1.2		
Pre-Tax			-0.5	7.3	6.8			0.4	12.3	12.7		
Taxes			-1.3	0.9	-0.4			-0.5	-2.3	-2.9		
Minorities			0.0	-0.3	-0.3			0.0	-0.3	-0.3		
Net Income			-1.8	7.9	6.1			-0.2	9.7	9.5		
Net Cash/ (Net Debt)	9.6	21.5	21.5	90.1	90.1	59.0	75.3	75.3	480.6	480.6	65.0	15.8%
Order Intake	97	110	208	599	807	92	89	181	453	633	111	-20.1%
Book-to-bill	1.2 x	1.1 x	1.1 x	2.3 x	1.8 x	0.9 x	0.7 x	0.8 x	1.7 x	1.2 x	0.9 x	
Order backlog	1378	1386	1386	1724	1724	1708	1670	1670	1850	1850	1701	-1.8%

Source: Company data & Intermonte SIM Estimates

Avio in Brief

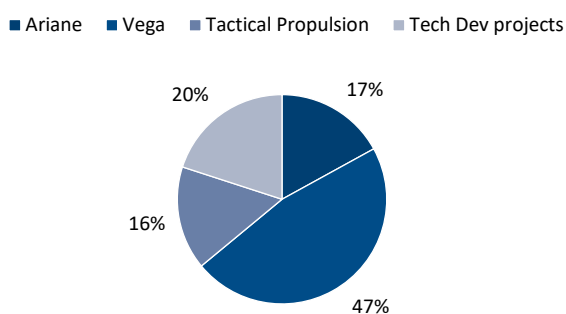
Company description

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

Strengths/Opportunities

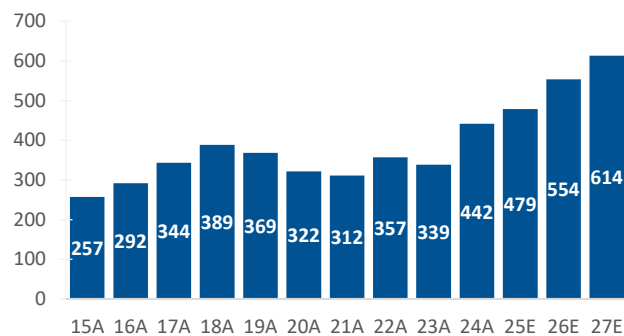
- A leading company operating in a sector with extremely high technological entry barriers
- High visibility thanks to solid backlog
- Exposure to the fast-growing LEO market
- Solid balance sheet able to support future growth
- Launch of new products
- Exploitation of important economies of scale

Figure 1: Revenue Breakdown by Business (2024)



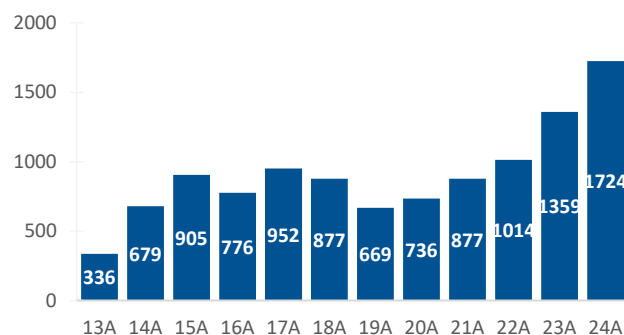
Source: Intermonte SIM

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: Roberto Carassai

Next BoD renewal: 2026

BoD independent members: 6/11

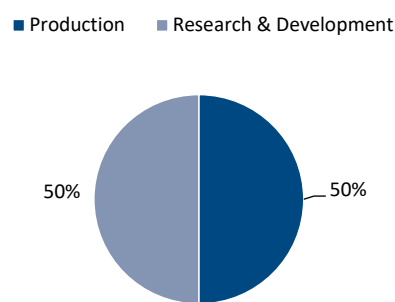
Shareholders

Leonardo	28.75%
WCM Inv. Management	5.01%
DWS Investments	4.84%
Delfin	3.68%
Plenisfer	3.47%
InOrbit	1.45%
Treasury Shares	3.63%
Floating	49.16%

Weaknesses/Threats

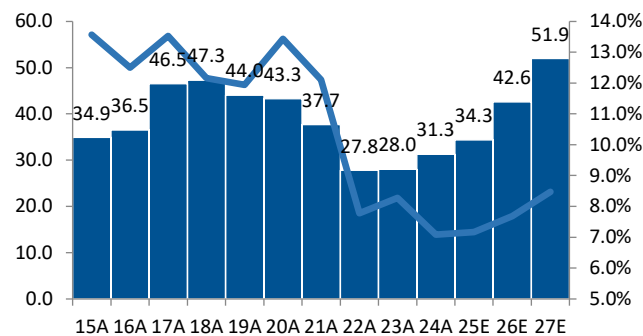
- Products more expensive compared to competitors
- Highly concentrated client base
- Increasing competition
- Deterioration of the macroeconomic environment leading to reduced budget allocations for space programmes
- Launch failures
- Delay in the development of new solutions

Figure 2: Revenue Breakdown by Activity (2024)



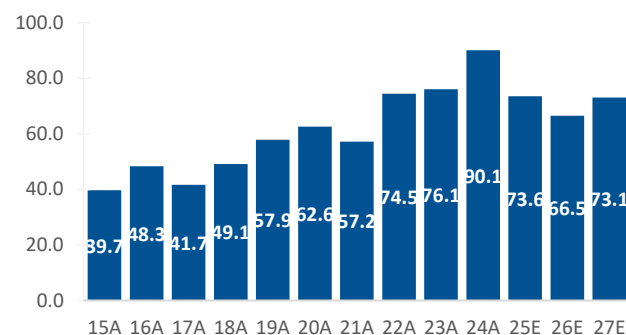
Source: Intermonte SIM

Figure 4: Adjusted EBITDA (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:	NEUTRAL	Previous Recomm:	NEUTRAL
Current Target (Eu):	43.00	Previous Target (Eu):	21.00
Current Price (Eu):	44.35	Previous Price (Eu):	19.60
Date of report:	20/10/2025	Date of last report:	06/05/2025

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

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

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 20 October 2025 Intermonte's Research Department covered 131 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	32.06%
OUTPERFORM:	37.40%
NEUTRAL:	30.54%
UNDERPERFORM:	00.00%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (76 in total) is as follows:

BUY:	51.32%
OUTPERFORM:	30.26%
NEUTRAL:	18.42%
UNDERPERFORM:	00.00%
SELL:	00.00%

CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest Intermonte SIM states that:

Intermonte SIM S.p.A. operates or has operated in the last 12 months as the person in charge of carrying out the share buyback plan approved by the shareholders' meeting of ABITARE IN, AZIMUT, ELEN., ELICA, INTERCOS, INTRED, PHARMANUTRA, SESA, STAR7, SYS-DAT, TMP GROUP, UNIDATA, VALSOIA, WEBUILD

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