

AVIO

Sector: Industrials

OUTPERFORM

Price: Eu24.10 - Target: Eu34.00

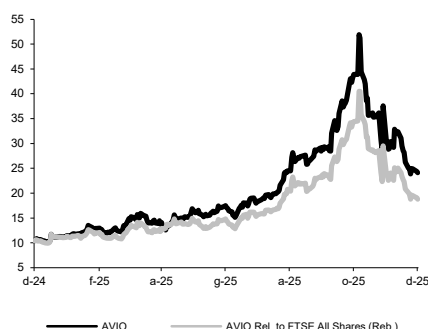
Stronger on the Launchpad: ESA Funding and Capital Raise Reignite Avio

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Stock Rating

Rating:	from NEUTRAL to OUTPERFORM		
Target Price (Eu):	from 43.00 to 34.00		
	2025E	2026E	2027E
Chg in Adj EPS	5.0%	-17.7%	-17.6%

AVIO - 12M Performance



Stock Data

Reuters code:	AVI.MI		
Bloomberg code:	AVIO IM		
Performance	1M	3M	12M
Absolute	-21.8%	-17.4%	131.0%
Relative	-22.2%	-21.3%	103.0%
12M (H/L)	51.93/10.16		
3M Average Volume (th):	824.68		

Shareholder Data

No. of Ord shares (mn):	47
Total no. of shares (mn):	47
Mkt Cap Ord (Eu mn):	1,128
Total Mkt Cap (Eu mn):	1,128
Mkt Float - Ord (Eu mn):	913
Mkt Float (in %):	81.0%
Main Shareholder:	
Leonardo	19.0%

Balance Sheet Data

Book Value (Eu mn):	693
BVPS (Eu):	25.50
P/BV:	0.9
Net Financial Position (Eu mn):	482
Enterprise Value (Eu mn):	88

- **ESA Ministerial Council Delivers Record Funding Boost:** The 2025 ESA Ministerial Council in Bremen closed with an unprecedented €22bn commitment for the next three years (vs. ~€17bn previously), with Member States covering almost the full ESA ask - a step up from the historical ~90% subscription rate. Italy raised its contribution to ~€3.5bn (from €3.1bn in 2022), reinforcing national support. This is positive news, as the ESA generally acts on a geo-return basis, meaning this money will come back into the coffers of Italian sector companies with various contracts that will be signed over the next three years. Crucially for Avio, Space Transportation saw a major uplift to €4.4bn (from ~€3bn), albeit with ~€900m earmarked for the new "European Launcher Challenge," which will foster future competitors to the Vega/Ariane duopoly. Avio typically discloses its expected allocation shortly after the event: it secured ~€700m in the last Ministerial Council (a record) and ~€500m in the one before. We expect a figure in the €500-700m range, with any number above €700m providing potential upside to our estimates.
- **Capital raise successfully completed:** Avio has successfully completed its ~€400mn rights issue, with all ~19.6mn new shares subscribed. Notably, the transaction closed without any recourse to the underwriting syndicate, highlighting strong investor demand. As for its main shareholder, Leonardo ultimately sold a 9.4% stake via an ABB, after weeks of uncertainty around its intentions, while subscribing the capital raise in full for its remaining ~19% stake.
- **Successful VV28 mission:** Vega C completed the VV28 mission with a nominal delivery of KOMPSAT-7, reaffirming the launcher's reliability. The key takeaway is that this was the last Vega C mission operated by Arianespace. Beginning with VV29, Avio will assume full responsibility as Launch Service Operator.
- **Estimates broadly confirmed, only adjusted to reflect new number of shares:** we are only tweaking our 2025 P&L forecasts, with our top line forecasts still well above the upper end of the (confirmed) guidance range for both revenues and the order backlog. Estimates for the final years remain unchanged for now, pending greater visibility on allocations from the ESA Ministerial Council and potential updates on Avio's US expansion (new customers, new programmes). However, we are revising our per-share figures downwards to reflect the higher-than-expected number of newly-issued shares.
- **Upgrade to OUPERFORM; TP €34.0.** We are upgrading the stock to OUTPERFORM as we believe that, following the significant price correction from the highs reached after the announcement of the capital raise, the risk-reward profile has become more compelling. This is particularly true considering the potential upside elements that are not yet included in either our estimates or the company's business plan (mainly the doubling of the US plant, the receipt of government grants, and higher funding from the ESA Ministerial Council). We do not foresee any material risks on our estimates stemming from a potential peace agreement in Ukraine, as demand in the coming years will primarily be driven by the replenishment of inventories depleted during the conflict, both in Europe and the US, and to address new clients. The company is well placed to capture this opportunity. We are lowering our target price from €43.0 to €34.0 to reflect the actual number of shares following the capital raise.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	339	442	522	600	678
EBITDA Adj (Eu mn)	28	31	35	35	36
Net Profit Adj (Eu mn)	12	10	12	10	10
EPS New Adj (Eu)	0.443	0.373	0.454	0.224	0.221
EPS Old Adj (Eu)	0.443	0.373	0.432	0.273	0.268
DPS (Eu)	0.240	0.148	0.223	0.106	0.104
EV/EBITDA Adj	1.3	2.3	2.5	17.9	21.7
EV/EBIT Adj	2.8	5.3	5.8	nm	nm
P/E Adj	54.4	64.6	53.1	nm	nm
Div. Yield	1.0%	0.6%	0.9%	0.4%	0.4%
Net Debt/EBITDA Adj	-2.7	-2.9	-13.7	-12.0	-7.2

AVIO – Key Figures

Profit & Loss (Eu mn)	2022A	2023A	2024A	2025E	2026E	2027E
Sales	357	339	442	522	600	678
EBITDA	21	21	26	32	32	33
EBIT	2	5	8	12	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	35	35	36
EBIT Adj	9	13	14	15	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	47	47
Total Shares Outstanding (mn) - Year End	27	27	27	27	47	47
EPS f.d	-0.016	0.239	0.224	0.372	0.177	0.174
EPS Adj f.d	0.218	0.443	0.373	0.454	0.224	0.221
BVPS f.d	10.813	11.069	11.150	25.499	14.878	14.953
Dividend per Share ORD	0.000	0.240	0.148	0.223	0.106	0.104
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	33	13	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	10	-58	-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	385	0	0
Change in Net Financial Position	17	2	14	392	-63	-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	-237	-250	-267
Long term Liabilities	12	23	30	31	34	36
Net Capital Employed	229	234	223	221	288	450
Net Cash (Debt)	74	76	90	482	418	259
Group Equity	303	310	313	703	706	710
Minorities	10	10	10	10	10	10
Net Equity	294	301	303	693	696	700
Enterprise Value (Eu mn)	2022A	2023A	2024A	2025E	2026E	2027E
Average Mkt Cap	240	197	248	655	1,128	1,128
Adjustments (Associate & Minorities)	85	85	85	85	85	85
Net Cash (Debt)	74	76	90	482	418	259
Enterprise Value	81	35	73	88	624	783
Ratios (%)	2022A	2023A	2024A	2025E	2026E	2027E
EBITDA Adj Margin	7.8%	8.3%	7.1%	6.7%	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%	-68.5%	-59.2%	-36.5%
Interest Cover on EBIT	2.6	nm	5.2	nm	nm	nm
Net Debt/EBITDA Adj	-2.7	-2.7	-2.9	-13.7	-12.0	-7.2
ROACE*	0.9%	2.3%	3.7%	5.5%	3.5%	2.5%
ROE*	2.0%	4.1%	3.4%	2.5%	1.5%	1.5%
EV/CE	0.3	0.2	0.3	0.4	2.5	2.1
EV/Sales	0.2	0.1	0.2	0.2	1.0	1.2
EV/EBITDA Adj	2.9	1.3	2.3	2.5	17.9	21.7
EV/EBIT Adj	9.4	2.8	5.3	5.8	nm	nm
Free Cash Flow Yield	3.3%	1.5%	2.2%	1.0%	-5.6%	-14.8%
Growth Rates (%)	2022A	2023A	2024A	2025E	2026E	2027E
Sales	14.7%	-5.2%	30.4%	18.3%	14.9%	13.0%
EBITDA Adj	-26.3%	0.8%	11.7%	12.6%	-0.8%	3.4%
EBIT Adj	-48.1%	48.0%	8.8%	9.9%	-21.6%	1.5%
Net Profit Adj	-63.4%	103.3%	-15.8%	21.7%	-14.8%	-1.5%
EPS Adj	-63.4%	103.3%	-15.8%	21.7%	-50.6%	-1.5%
DPS	nm	nm	-38.2%	50.5%	-52.5%	-1.8%

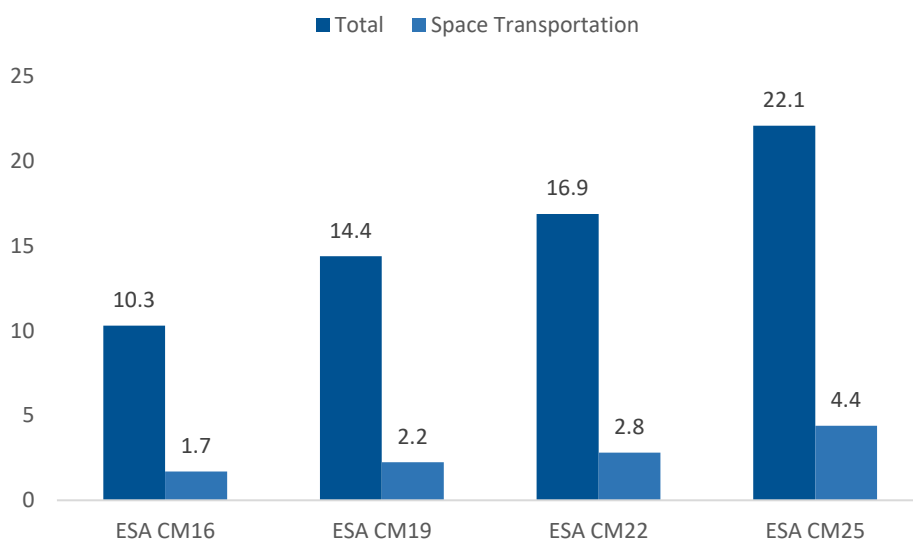
*Excluding extraordinary items

Source: Intermonte SIM estimates

ESA Ministerial Council 2025

The 2025 ESA Ministerial Council in Bremen closed with an unprecedented €22bn commitment for the next three years (vs. €16.9bn previously), with Member States covering almost the full ESA ask, a step up from the historical ~90% subscription rate.

ESA – Total contribution/Space Transportation historical evolution (€ bn)



Source: ESA presentation

Italy raised its contribution to ~€3.5bn (+13% from €3.1bn in 2022), reinforcing national support. This is positive news as the ESA generally acts on a geo-return basis, meaning this money will come back into the coffers of Italian sector companies with various contracts that will be signed over the next three years.

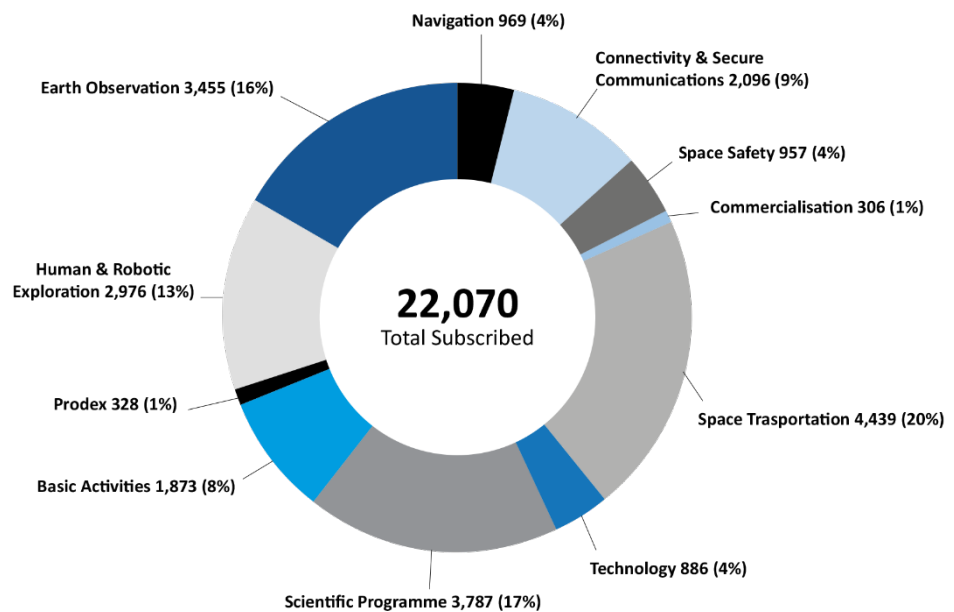
ESA – Contributions by Country

Country	CM22 (€m)	CM22 (%)	CM25 (€m)	CM25 (%)	Δ (€m)	Δ (%)
Austria	227	1.4%	336	1.5%	109	48.0%
Belgium	940	5.6%	1,109	5.1%	169	18.0%
Czech Republic	145	0.9%	186	0.8%	41	28.3%
Denmark	134	0.8%	254	1.2%	120	89.6%
Estonia	25	0.1%	58	0.3%	33	132.0%
Finland	147	0.9%	233	1.1%	86	58.5%
France	3,136	18.8%	3,599	16.4%	463	14.8%
Germany	3,476	20.8%	5,067	23.1%	1591	45.8%
Greece	86	0.5%	127	0.6%	41	47.7%
Hungary	87	0.5%	204	0.9%	117	134.5%
Ireland	94	0.6%	156	0.7%	62	66.0%
Italy	3,059	18.3%	3,462	15.8%	403	13.2%
Luxembourg	131	0.8%	140	0.6%	9	6.9%
Netherlands	459	2.7%	569	2.6%	110	24.0%
Norway	278	1.7%	292	1.3%	14	5.0%
Poland	194	1.2%	731	3.3%	537	276.8%
Portugal	113	0.7%	203	0.9%	90	79.6%
Romania	121	0.7%	78	0.4%	-43	-35.5%
Slovenia	20	0.1%	46	0.2%	26	130.0%
Spain	920	5.5%	1,854	8.5%	934	101.5%
Sweden	313	1.9%	299	1.4%	-14	-4.5%
Switzerland	626	3.7%	771	3.5%	145	23.2%
United Kingdom	1,878	11.2%	1,706	7.8%	-172	-9.2%
Latvia	3	0.0%	6	0.0%	3	100.0%
Lithuania	5	0.0%	13	0.1%	8	160.0%
Slovakia	12	0.1%	14	0.1%	2	16.7%
Canada	81	0.5%	408	1.9%	327	403.7%

Source: ESA presentation

Crucially for Avio, the budget line dedicated to Space Transportation, which finances launchers, has risen sharply to €4.4bn (from ~€2.8bn three years ago), although this is partly explained by the fact that ~€900mn is destined for the "European Launcher Challenge", an initiative designed to encourage the entry of new operators to challenge the Vega/Ariane duopoly. Funds allocated to Ariane and Vega will cover not only the future evolution of these launchers (Vega C Block II, Vega E, Ariane 6 Block II), but also the investments needed to increase the frequency of the two launchers and to improve infrastructure at the Kourou base. Furthermore, during a CM25 fringe event, a cooperation agreement was signed between the Portuguese Space Agency and the European Space Agency for the development of a space hub on the island of Santa Maria, in the Azores, Portugal, including construction work for a landing site for the Space Rider, a programme in which Avio is involved.

ESA – Total contribution per Domain



Source: ESA presentation

Avio typically discloses its expected allocation shortly after the event: it secured ~€700m in the last Ministerial Council (a record) and ~€500m in the one before. We expect a figure in the €500-700m range, with any number above €700m representing potential upside to our estimates. While the potential entry of new players in the sector could be a risk in the medium to long term, we think the expected growth in the market in the coming years is sufficient to allow new operators to enter while allowing the incumbents to continue to grow. Furthermore, the launcher sector is such that we think Avio has an advantage of at least 4-5 years over any new entrant thanks to the track record it has steadily built up since the first Vega launch in 2012.

Change in Estimates

We are only tweaking our 2025 P&L forecasts, with our top line forecasts still well above the upper end of the (confirmed) guidance range for both revenues and the order backlog. Estimates for the final years remain unchanged for now, pending greater visibility on allocations from the ESA Ministerial Council and potential updates on Avio's US expansion (new customers, new programmes). However, we are revising our per-share figures downwards to reflect the higher-than-expected number of newly-issued shares.

Avio – Change in estimates

	New estimates			Old estimates			Change		
	25	26	27	25	26	27	25	26	27
Net Revenues	522	600	678	507	600	678	3%	0%	0%
YoY	18.3%	14.9%	13.0%	14.9%	18.3%	13.0%			
EBITDA Adj.	35	35	36	34	35	36	2%	0%	0%
% margin	6.7%	5.8%	5.3%	6.8%	5.8%	5.3%			
EBITDA	32	32	33	31	32	33	2%	0%	0%
% margin	6.2%	5.3%	4.9%	6.2%	5.3%	4.9%			
D&A	-20	-23	-24	-20	-23	-24			
EBIT Adj.	15	12	12	14	12	12	5%	0%	0%
% margin	2.9%	2.0%	1.8%	2.9%	2.0%	1.8%			
EBIT	12	9	9	11	9	9	7%	0%	0%
% margin	2.3%	1.5%	1.3%	2.3%	1.5%	1.3%			
Net Financials	1	2	2	1	2	2			
Pre-Tax	13	11	11	13	11	11	6%	0%	0%
Taxes	-3	-2	-2	-3	-2	-2			
Minorities	0	0	0	0	0	0			
Net profit	10	8	8	10	8	8	6%	0%	0%
Net profit Adj	12	10	10	12	10	10	5%	0%	0%
EPS Adj.	0.5	0.2	0.2	0.4	0.3	0.3	5%	-18%	-18%
Net Cash	482	418	259	481	411	252	1	7	7

Source: Intermonte SIM

Avio – Intermonte 2025 estimates vs. company's guidance

	2025 Company guidance			Intermonte	Δ vs
	Low-end	Mid-point	High-end	2025 Est.	mid-point
Backlog	1700	1750	1800	1900	8.6%
Revenues	450	465	480	522	12.3%
EBITDA Adj.	30	33	36	35	6.7%
EBITDA reported	27	30	33	32	7.4%
Net Income	7	8.5	10	10	18.9%

Source: Intermonte SIM and Company's guidance

Financials

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	105	125	151	168	199	206	206	206	206	206	206
% YoY growth	11%	40%	19%	21%	11%	18%	4%	0%	0%	0%	0%	0%
Vega	206	217	248	310	351	392	409	409	417	417	424	424
% YoY growth	18%	6%	14%	25%	13%	12%	4%	0%	2%	0%	2%	0%
Satellite	4	4	4	4	4	4	4	4	4	4	4	4
% YoY growth	-30%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other (incl NRRP)	87	95	85	45	2	2	2	2	2	2	2	2
% YoY growth	91%	9%	-11%	-47%	-96%	0%	0%	0%	0%	0%	0%	0%
Space Business	372	421	463	510	525	597	621	621	629	629	636	636
% YoY growth	27.0%	13.3%	9.8%	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	522	600	678	752	912	1050	1148	1223	1259	1304	1340
% YoY growth	30.4%	18.3%	14.9%	13.0%	10.8%	21.4%	15.0%	9.3%	6.5%	3.0%	3.5%	2.8%

Source: Company data & Intermonte SIM Estimates

Avio – P&L

	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Net Revenues	442	522	600	678	752	912	1050	1148	1223	1259	1304	1340
% growth	30.4%	18.3%	14.9%	13.0%	10.8%	21.4%	15.0%	9.3%	6.5%	3.0%	3.5%	2.8%
EBITDA Adjusted	31	35	35	36	43	71	99	125	143	154	160	166
% margin	7.1%	6.7%	5.8%	5.3%	5.7%	7.8%	9.4%	10.9%	11.7%	12.2%	12.3%	12.4%
% YoY growth	11.7%	12.6%	-0.8%	3.4%	17.8%	66.4%	39.3%	27.2%	14.0%	7.5%	4.2%	3.7%
EBITDA	26	32	32	33	40	68	96	123	141	151	158	164
% 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	-20	-23	-24	-24	-43	-46	-47	-47	-47	-47	-47
EBIT Adjusted	14	15	12	12	19	28	53	79	96	107	114	120
% 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	12	9	9	16	26	50	76	94	105	111	117
% 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	-2	1	2	2	1	1	1	1	1	1	1	2
Pretax	7	13	11	11	17	26	51	77	95	106	113	119
Taxes	0	-3	-2	-2	-4	-6	-11	-17	-21	-24	-25	-27
tax rate	-6%	-23%	-23%	-23%	-23%	-23%	-23%	-23%	-23%	-23%	-23%	-23%
Minorities	0	0	0	0	0	0	0	0	0	0	0	0
Net Profit	6	10	8	8	13	20	39	59	73	82	87	92
% YoY growth	-6%	66%	-18%	-2%	60%	54%	95%	52%	23%	12%	6%	5%
Adjusted Net Profit	10	12	10	10	15	22	41	61	75	84	89	94

Source: Company data & Intermonte SIM Estimates

Avio – Balance Sheet

	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Fixed Assets	398	428	505	681	817	909	973	992	995	998	1002	1005
Working Capital	-205	-237	-250	-267	-305	-351	-391	-418	-440	-459	-478	-499
% on sales	-46%	-45%	-42%	-39%	-41%	-38%	-37%	-36%	-36%	-36%	-37%	-37%
Def. tax assets/liab.	88	91	94	97	100	103	106	109	112	115	118	121
Provisions for risks	-48	-50	-50	-51	-54	-58	-70	-82	-90	-96	-99	-104
Employee benefits	-9	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-11
Net Invested Capital	223	221	288	450	548	592	608	591	566	548	532	512
Equity	303	693	696	700	705	714	731	757	788	824	861	900
Minorities	10	10	10	10	10	10	10	10	10	10	10	10
Total Equity	313	703	706	710	715	724	741	767	798	834	871	910
Net Cash (Debt)	90	482	418	259	167	132	132	176	232	286	340	397

Source: Company data & Intermonte SIM Estimates

Avio – Cash Flow

	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Net profit	6	10	9	8	13	20	39	60	74	82	87	92
D&A	17	20	23	24	24	43	46	47	47	47	47	47
Delta Working Capital	41	33	13	16	38	46	40	27	23	19	18	21
Change in funds	-1	0	0	0	0	0	0	0	0	0	0	0
Others	-2	-3	-3	-3	-3	-3	-3	-3	-3	-3	-3	-3
Operating Cash Flow	63	60	42	46	72	107	122	131	140	145	150	157
YoY change	15.6%	-3.7%	-30.4%	9.3%	58.0%	47.3%	14.5%	7.0%	7.1%	3.8%	3.0%	5.1%
Capex	-40	-50	-100	-200	-160	-135	-110	-65	-50	-50	-50	-50
Acquisitions	0	0	0	0	0	0	0	0	0	0	0	0
Capital Raise	0	385	0	0	0	0	0	0	0	0	0	0
Dividends	-6	-4	-5	-5	-5	-7	-11	-22	-34	-42	-46	-49
Others	-3	0	0	0	0	0	0	0	0	0	0	0
Cash Flow	14	392	-63	-159	-92	-36	1	44	56	54	53	58
Net Cash beg. year	76	90	482	418	259	167	132	132	176	232	286	340
Cash Flow	14	392	-63	-159	-92	-36	1	44	56	54	53	58
Net Cash at year end	90	482	418	259	167	132	132	176	232	286	340	397

Source: Company data & Intermonte SIM Estimates

Valuation

Valuation Summary

Since our previous report, our target price has been the average of the outcomes stemming from DCF and SOP valuations, an approach introduced as we believe it better captures current market interest in Space and Defence-related assets. The SOP methodology delivers a higher valuation than the DCF (€39/share vs. €29/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 €34/share, lower than the previous €43/share to account for the actual number of shares issued in the context of the capital raise, which was higher than expected.

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

Method			Weight
DCF (WACC 9%, G 3%)	1361	Eu mn	50%
SOP 2030	1829	Eu mn	50%
Weighted Equity value	1595	Eu mn	
NOSH post aucap	46.8	mn	
Target Price	34	Eu ps	

Source: Intermonte SIM

Avio – Multiples @ current price

@ 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	1.3 x	1.1 x	1.0 x	1.2 x	1.2 x	1.0 x	0.9 x	0.8 x	0.7 x	0.6 x	0.5 x	0.5 x
EV/EBITDA	18.0 x	15.9 x	17.9 x	21.7 x	20.6 x	12.9 x	9.2 x	6.9 x	5.7 x	4.9 x	4.4 x	3.9 x
EV/EBIT	40.6 x	36.9 x	52.3 x	64.6 x	47.2 x	32.5 x	17.2 x	11.0 x	8.4 x	7.1 x	6.2 x	5.4 x
PE	111.3 x	91.5 x	107.4 x	109.0 x	75.9 x	51.5 x	27.5 x	18.4 x	15.0 x	13.5 x	12.7 x	12.0 x
FCF yield	2.1%	0.9%	-5.1%	-13.7%	-7.8%	-2.5%	1.1%	5.8%	8.0%	8.5%	8.8%	9.5%

Source: Intermonte SIM

Avio – Multiples @ target price

@ target 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	2.3 x	2.0 x	1.8 x	1.8 x	1.8 x	1.5 x	1.3 x	1.2 x	1.0 x	1.0 x	0.9 x	0.8 x
EV/EBITDA	32.8 x	29.1 x	31.1 x	34.5 x	31.4 x	19.4 x	13.9 x	10.6 x	8.9 x	7.9 x	7.3 x	6.7 x
EV/EBIT	74.1 x	67.3 x	91.1 x	102.9 x	72.1 x	49.1 x	26.0 x	16.9 x	13.2 x	11.4 x	10.3 x	9.3 x
PE	157.0 x	129.0 x	151.5 x	153.8 x	107.1 x	72.6 x	38.7 x	25.9 x	21.2 x	19.0 x	17.9 x	17.0 x
FCF yield	1.5%	0.6%	-3.6%	-9.7%	-5.5%	-1.8%	0.8%	4.1%	5.7%	6.0%	6.3%	6.7%

Source: Intermonte SIM

DCF

Our DCF valuation (with WACC assumptions broadly unchanged) yields an equity value of €1,361mn. As expected for a sector with long-cycle returns, the Terminal Value accounts for nearly 100% of the company's valuation, given that the early years of the forecast horizon are affected by the significant investment plan announced by the company and financed through the capital raise.

Avio – DCF summary and sensitivity analysis

		Eu mn	WACC					
				7.9%	8.4%	8.9%	9.4%	9.9%
Discounted Free cash flows 25-35		4						
Terminal value		791						
Total EV		795						
Net Cash (YE24)		90						
Capital Increase (net of costs)		380						
Sponsor warrant exercise		10						
Financial assets		17						
Tax assets		88						
Employee benefits		-10						
Minorities & Adjustments		-10						
Total EQUITY		1,361						
WACC		8.9%						
Terminal growth		3.0%						

Source: Intermonte SIM

SOP

In conducting our SOP analysis, the most critical aspect is identifying the appropriate panel of comparable companies. 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 is more challenging, given the wide range of players, from **unprofitable but fast-growing 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 SOP 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, **discounted back to today**. The result is a **Discounted Equity Value of €1,829mn**.

Avio – Sum of the Parts (2030)

	Sales '30	Multiple	EV	Note
Space business	621	2.6 x	1,639	Space peers multiples
Defence business	429	2.2 x	943	Defence peers multiples
Total EV			2,583	
Net Cash 2030			132	
Associates			17	
Tax Assets			88	
Others			-20	Minorities/Empl. benefits
Equity Value			2,801	
Discount factor			0.7	9% actualization rate
Discounted Equity Value			1,829	

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	26,410	1.4 x	1.3 x	1.2 x	11.9 x	10.0 x	8.8 x	24.8 x	20.5 x	17.5 x
BAE Systems	GB	55,066	1.8 x	1.6 x	1.5 x	12.9 x	11.9 x	10.8 x	21.6 x	19.2 x	17.1 x
Thales	FR	45,204	2.2 x	2.0 x	1.8 x	13.8 x	12.3 x	10.9 x	23.7 x	20.3 x	18.0 x
Rheinmetall	DE	66,612	5.6 x	4.1 x	3.0 x	28.0 x	19.2 x	13.2 x	51.7 x	34.0 x	22.9 x
Northrop Grumman	US	66,943	2.1 x	2.0 x	1.9 x	15.1 x	14.0 x	13.2 x	21.1 x	19.0 x	17.5 x
Lockheed Martin	US	87,384	1.6 x	1.5 x	1.5 x	12.9 x	10.9 x	10.6 x	19.7 x	15.0 x	14.1 x
Saab	SE	22,536	3.3 x	2.8 x	2.4 x	23.9 x	19.8 x	16.6 x	43.2 x	35.6 x	28.8 x
L3Harris Tech.	US	43,799	2.8 x	2.6 x	2.4 x	15.4 x	14.0 x	13.1 x	25.5 x	21.8 x	19.1 x
Kongsberg Gruppen	NO	17,736	3.5 x	2.9 x	2.5 x	19.8 x	17.0 x	14.8 x	28.1 x	26.2 x	22.6 x
Median Defense			2.2 x	2.0 x	1.9 x	15.1 x	14.0 x	13.1 x	24.8 x	20.5 x	18.0 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 Corp.	US	19,283	37.0 x	25.3 x	18.2 x	n.m.	2,789 x	128.4 x	n.m.	n.m.	403.9 x
Firefly Aerospace	US	2,456	14.3 x	4.9 x	2.7 x	n.m.	n.m.	30.4 x	n.m.	n.m.	6,265 x
Iridium Comm.	US	1,507	3.9 x	3.5 x	3.0 x	6.8 x	6.1 x	5.2 x	15.9 x	15.1 x	13.6 x
Eutelsat Comm.	FR	2,457	4.0 x	3.4 x	3.2 x	7.4 x	6.6 x	6.2 x	n.m.	n.m.	n.m.
Moog	US	6,250	2.1 x	1.9 x	1.8 x	15.1 x	12.9 x	11.7 x	26.3 x	23.4 x	20.2 x
ViaSat	US	3,912	2.1 x	1.9 x	1.8 x	6.2 x	5.8 x	5.4 x	n.m.	n.m.	n.m.
Redwire Corp	US	743	2.6 x	1.9 x		n.m.	20.2 x		n.m.	n.m.	
Chemring Group	GB	1,457	2.7 x	2.5 x	2.2 x	14.5 x	13.0 x	10.7 x	25.4 x	22.2 x	18.2 x
Magellan Aerospace	CA	564	1.0 x	0.9 x	0.9 x	9.0 x	7.2 x	6.2 x	21.0 x	13.4 x	10.2 x
Astroscale Holdings	JP	487	14.0 x	8.4 x	4.4 x	n.m.	n.m.	44.4 x	n.m.	n.m.	444.5 x
Satrec Initiative	KR	305	2.2 x	1.7 x	1.5 x	22.4 x	15.8 x	11.3 x	36.8 x	28.6 x	19.6 x
Ducommun	US	1,160	1.9 x	1.7 x	1.6 x	11.5 x	9.7 x	8.9 x	24.4 x	20.6 x	17.1 x
Hexcel Corp.	US	5,165	3.6 x	3.2 x	2.9 x	20.6 x	16.4 x	13.9 x	43.4 x	31.6 x	23.3 x
MDA Space	CA	1,799	1.9 x	1.7 x	1.4 x	9.7 x	8.6 x	7.3 x	16.0 x	15.0 x	13.5 x
SES	LU	2,071	2.6 x	2.2 x	2.1 x	5.5 x	4.7 x	4.4 x	13.4 x	26.3 x	12.1 x
Median Space			2.6 x	2.2 x	2.2 x	9.7 x	9.7 x	9.8 x	24.4 x	22.2 x	18.9 x

Source: FactSet

APPENDIX: Developments since our last report (20th October)

3Q25 results (27th October)

Results were broadly in line with our estimates, and management reaffirmed 2025 guidance:

- Net revenues reached €116.1mn (+19% YoY), driven mainly by higher contributions from Vega C activities.
- Adj. EBITDA came in at €5.0mn (vs. €4.7mn expected), with the margin down c.120bp YoY to 4.3% due to a less favourable mix (notably higher Vega C and P120 engine production).
- Adj. EBIT was at break-even, slightly ahead of expectations.
- The net cash position stood at €47mn, down €28mn QoQ, reflecting normal seasonal working capital absorption.
- The order backlog expanded further to €1.86bn, in line with expectations, supported by a robust €306mn intake (book-to-bill 2.6x) including the €200mn of contracts already indicated in the last conference call in September.

Avio – Quarterly results

	1Q24A	2Q24A	3Q24A	4Q24A	2024A	1Q25A	2Q25A	3Q25A	4Q25E	2025E	3Q25E	A vs. E
Net Revenues	78.8	101.8	97.3	163.7	441.6	108.0	126.9	116.1	171.4	522.4	101.4	14.5%
YoY Growth	31.8%	4.0%	49.3%	41.3%	30.4%	37.1%	24.6%	19.4%	4.7%	18.3%	4.2%	
EBITDA Adj.	3.4	7.2	5.3	15.4	31.3	4.8	6.6	5.0	18.8	35.2	4.7	5.5%
% margin	4.3%	7.0%	5.5%	9.4%	7.1%	4.4%	5.2%	4.3%	11.0%	6.7%	4.7%	
EBITDA rep.	1.6	6.5	4.0	13.7	25.8	4.0	6.0	5.2	17.0	32.2	4.5	14.5%
% margin	2.0%	6.4%	4.1%	8.4%	5.8%	3.7%	4.7%	4.5%	9.9%	6.2%	4.5%	
EBIT Adj.	-1.0	3.1	1.0	10.7	13.8	-0.1	1.5	0.0	13.8	15.2	-0.3	nm
% margin	-1.2%	3.0%	1.0%	6.6%	3.1%	-0.1%	1.2%	0.0%	8.1%	2.9%	-0.3%	
EBIT rep.	-2.8	2.4	-0.3	9.1	8.4	-0.9	0.9	0.2	12.0	12.2	-0.5	nm
% margin	-3.6%	2.4%	-0.3%	5.6%	1.9%	-0.8%	0.7%	0.1%	7.0%	2.3%	-0.5%	
Financial Charges					-1.6					1.2		
Pre-Tax					6.8					13.4		
Taxes					-0.4					-3.0		
Minorities					-0.3					-0.3		
Net Income					6.1					10.1		
Net Cash/ (Net Debt)	9.6	21.5	-0.1	90.1	90.1	59.0	75.3	47.2	481.6	481.6	55.0	-14.2%
Order Intake	97	110	59	539	807	92	89	306	211	698	281	8.8%
Book-to-bill	1.2 x	1.1 x	0.6 x	3.3 x	1.8 x	0.9 x	0.7 x	2.6 x	1.2 x	1.3 x	2.8 x	
Order backlog	1378	1386	1348	1724	1724	1708	1670	1860	1900	1900	1850	0.5%

Source: Company data & Intermonte SIM Estimates

ABB from Leonardo (28th October)

Leonardo announced the launch of an ABB for the disposal of c.2.6mn Avio shares, corresponding to c.9.4% of the share capital. Following the deal, Leonardo has kept a stake of c.19% in Avio and has committed to a 90-day lock-up on its remaining shares. Leonardo then subscribed its share of the capital raise, thus retaining a 19% stake into the company.

Agreements Signed with Raytheon and Lockheed Martin for New American Plant (10th November)

Avio signed a Memorandum of Understanding (MoU) with Raytheon (RTX group) to support the construction of the new plant in the United States dedicated to the production of solid propellant engines for Raytheon and other defence sector customers. The agreement grants Raytheon preferential access to a share of the future plant's production capacity, and will position Avio as a vertically integrated supplier on the US market.

At the same time, Avio announced the signing of a non-binding term sheet with Lockheed Martin, which will also benefit from preferential access to part of its production capacity. The two companies plan to define a Strategic Cooperation Agreement in the near future aimed at ensuring a stable and efficient supply of propelling systems.

We note that in its business plan presentation Avio indicated four main customers to whom the production capacity of the new plant in the United States would be dedicated: two were already known (the American Army and Raytheon) and two had not yet been revealed. The real news is confirmation of the third client, which will be Lockheed Martin. This comes as no surprise, as the presentation referred to another prime US company, suggesting a leading defence sector player.

Avio and ArianeGroup sign contract for Ariane 6 stabilised production phase, value of over €200m for Avio (17th November)

Avio and ArianeGroup have signed a new multiyear contract for the stabilised Ariane 6 production phase, with a total value of over €200mn for Avio. The agreement covers the supply of solid P120/P160 boosters and LOX turbo pumps for Ariane 6, as well as the exchange of components between the two companies for Ariane 6 and Vega C. Europropulsion (50% Avio, 50% ArianeGroup) will integrate and deliver P160C engines up to 2029; this new element common to the Ariane 6 and Vega C launchers was already qualified in 2025. The first Ariane 6 launch with P160C is expected in 2Q26. The agreement adds nothing to our estimates, but enhances visibility on the next 4 years.

VV28 Mission Completed Successfully (1st December)

Vega C completed the VV28 mission, bringing the KOMPSAT-7 satellite into orbit for the Korean space agency KARI. The launch was made from Kourou at 14:21 local time, and was executed successfully according to the parameters set. After two ignitions, the AVUM+ upper stage released the satellite in sun-synchronous orbit at an altitude of c.576km 44 minutes after take-off. KOMPSAT-7 (mass ~1,810 kg) is designed for observation of the Korean peninsula and to respond to growing national demand for high resolution satellite images.

Avio in Brief

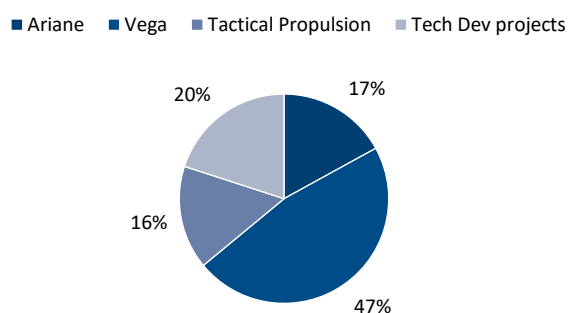
Company description

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

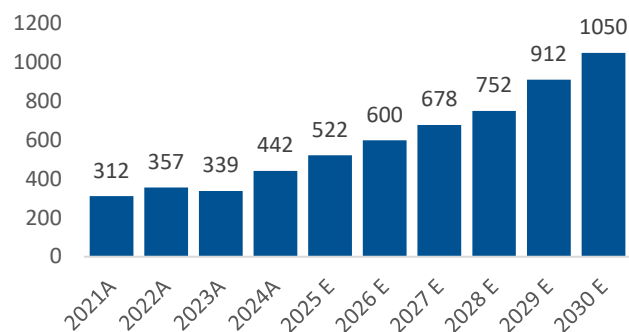
- A leading company operating in a sector with extremely high technological entry barriers
- High visibility thanks to solid backlog
- Exposure to the fast-growing LEO market
- Solid balance sheet able to support future growth
- Launch of new products
- Exploitation of important economies of scale

Figure 1: Revenue Breakdown by Business (2024)



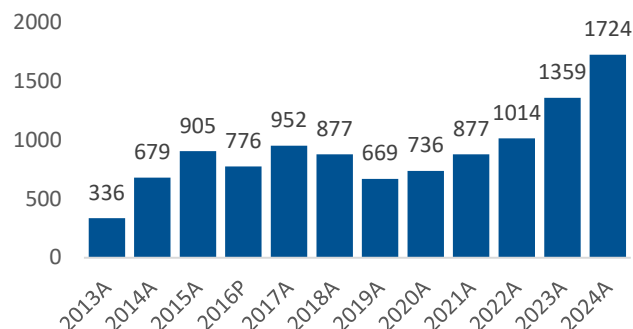
Source: Intermonte SIM

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

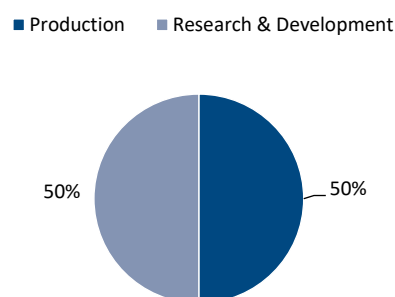
Shareholders

Leonardo	19.0%
Barclays	5.5%
WCM Inv. Management	5.01%
DWS Investments	3.54%
Delfin	3.68%
Plenisfer	3.47%
InOrbit	1.45%
Treasury Shares	3.63%
Floating	54.72%

Weaknesses/Threats

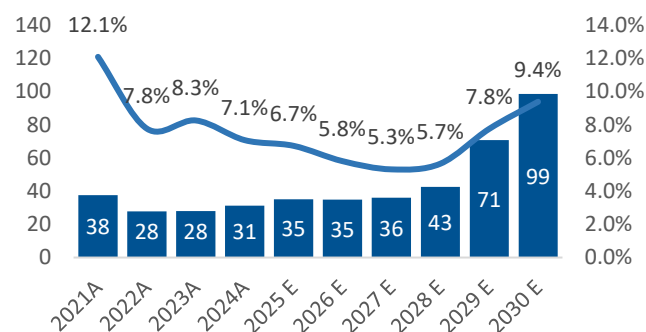
- Products more expensive compared to competitors
- Highly concentrated client base
- Increasing competition
- Deterioration of the macroeconomic environment leading to reduced budget allocations for space programmes
- Launch failures
- Delay in the development of new solutions

Figure 2: Revenue Breakdown by Activity (2024)



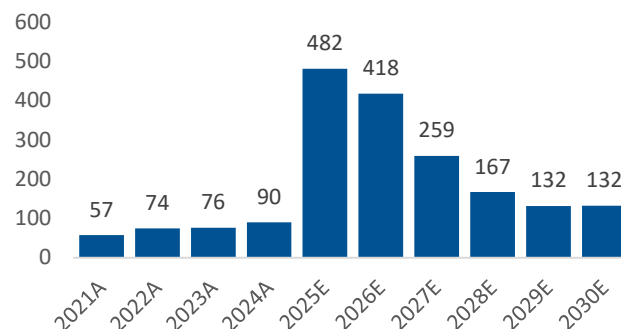
Source: Intermonte SIM

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:	OUTPERFORM	Previous Recomm:	NEUTRAL
Current Target (Eu):	34.00	Previous Target (Eu):	43.00
Current Price (Eu):	24.10	Previous Price (Eu):	35.65
Date of report:	04/12/2025	Date of last report:	20/10/2025

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GUIDE TO FUNDAMENTAL RESEARCH

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 MIBEX 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 4 December 2025 Intermonte's Research Department covered 132 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	31.82%
OUTPERFORM:	38.64%
NEUTRAL:	28.78%
UNDERPERFORM:	00.76%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (77 in total) is as follows:

BUY:	50.65%
OUTPERFORM:	31.17%
NEUTRAL:	16.88%
UNDERPERFORM:	01.30%
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

Intermonte SIM S.p.A. provides or has provided corporate brokerage services to ALLCORE, ALMAWAVE, ANTARES VISION, AQUAFIL, AVIO, CASTA DIVA GROUP, CUBE LABS, CY4GATE, CYBEROO, DOMINION HOSTING HOLDING, ELICA, ESPRINET, EVISIO, EXECUS, FINE FOODS & PHARMACEUTICALS NTM, FNM, FRANCHI UMBERTO MARM, G.M. LEATHER, GPI, GREEN OLEO, HIGH QUALITY FOOD, IGD, IKONISYS SA, INTRED, ISCC FINTECH, LEMON SISTEMI, LUVE, MAPS, MARE ENGINEERING GROUP, NEODECORTECH, NOTORIOUS PICTURES, PREATONI GROUP, REDELFI, REDFISH LONGTERM CAPITAL, REVO INSURANCE, REWAY GROUP, SERI INDUSTRIAL, SPINDOX, STAR7, TALEA GROUP, TECNO, ULISSE BIOMED, XENIA HOTELLERIE SOLUTION, Zest Group SpA in the last 12 months

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Intermonte SIM S.p.A. operates or has operated in the last 12 months as liquidity provider of BANCA SISTEMA, Zest Group SpA

Intermonte SIM has acted as counterparty to WIIT Fin S.r.l. in connection with call and put options having WIIT S.p.A. shares and dividends as reference underlying.

Intermonte SIM is acting as financial advisor to Banca CF+ in the context of the public tender offer promoted on Banca Sistema.

Intermonte SIM S.p.A. performs or has performed in the last 12 months the role of financial advisor for AQUAFIL, BANCA GENERALI, BANCA IFIS, BANCO BPM, MARE ENGINEERING GROUP, TINEXTA

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