

AVIO

Sector: Industrials

OUTPERFORM

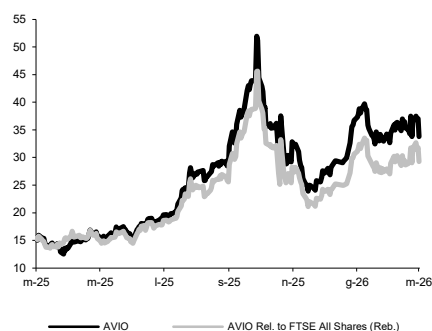
Price: Eu33.80 - Target: Eu42.00

Solid Print, Prudent Guidance Leaves Room for Upside

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 34.00 to 42.00		
	2026E	2027E	2028E
Chg in Adj EPS	1.9%	0.1%	

AVIO - 12M Performance



Stock Data			
Reuters code:	AVI.MI		
Bloomberg code:	AVIO IM		
Performance	1M	3M	12M
Absolute	3.4%	24.3%	119.0%
Relative	7.8%	22.9%	103.4%
12M (H/L)	51.93/12.56		
3M Average Volume (th):	858.05		

Shareholder Data	
No. of Ord shares (mn):	47
Total no. of shares (mn):	47
Mkt Cap Ord (Eu mn):	1,581
Total Mkt Cap (Eu mn):	1,581
Mkt Float - Ord (Eu mn):	1,281
Mkt Float (in %):	81.0%
Main Shareholder:	
Leonardo	19.0%

Balance Sheet Data	
Book Value (Eu mn):	701
BVPS (Eu):	14.98
P/BV:	2.3
Net Financial Position (Eu mn):	491
Enterprise Value (Eu mn):	1,005

■ **Solid end to the year.** Avio reported 4Q25 results broadly in line with our expectations at the EBITDA level, while order backlog, revenues and net cash came in above our forecasts, as already anticipated in January when the company updated its guidance. Order backlog reached €2,166mn, above our €1,900mn estimate, implying robust order intake of c. €592mn in 4Q (book-to-bill 2.6x). Net revenues amounted to €191mn, up +16.5% YoY and above expectations, reflecting a strong contribution from the Space segment, while the Defence contribution was below our expectations, likely because of phasing. Adj. EBITDA came in at €18.4mn vs our €18.8mn estimate, with the lower margin explained by a revenue mix skewed towards the Space business, which is typically lower margin than Defence programmes. Finally, net cash stood at €591.7mn, benefitting not only from the injection from the capital increase but also the down-payments resulting from the strong order intake.

■ **Guidance in line with estimates, but underlying demand points to potential upside.** Avio provided 2026 outlook broadly in line with our expectations, although slightly softer at the revenue and EBITDA level, which may explain the negative market reaction. The company guides for an order backlog of €2.0-2.1bn (vs our €2.02bn), revenues of €560-590mn (vs our €600mn) and adjusted EBITDA of €29-37mn (vs our €35mn), while net income guidance of €8-13mn is above our €8mn estimate. Despite this broadly aligned outlook, management commentary suggests the guidance may be deliberately conservative. In particular, the backlog outlook does not include potential additional defence orders linked to the evolving geopolitical situation and the need to replenish missile inventories. Demand signals appear strong both in Europe, with increasing demand from customers such as MBDA and European defence institutions, and in the US, where management indicated that demand could be 2-3x higher than initially expected. Overall, while investors may perceive the guidance as cautious, underlying demand trends appear stronger than reflected in the company's formal outlook, suggesting potential upside as order visibility improves.

■ **2026 estimates fine-tuned, 2035 revised upwards.** At this stage, we substantially confirm our estimates for 2026, confident of remaining above the mid-point of guidance for most figures except net income, as we believe the current geopolitical situation may unlock further business opportunities for Avio. Moreover, we believe Avio remains a story to be considered from a long term point of view, and therefore we highlight that we are fine-tuning our long-term assumption, increasing 2035 EBITDA by c.5%.

■ **Outperform confirmed, TP Eu42.0.** We upgraded the stock in December as we believed the risk reward profile was becoming increasingly attractive. In our view, recent escalation of geopolitical tensions further strengthens the case for investors willing to look at the longer term. Heightened defence demand materially increases the likelihood that the company may decide to double, or even treble, the capacity of its planned US plant in order to capture the structural demand linked to the replenishment of missile inventories depleted by ongoing conflicts. This is not included in the business plan or in our estimates and therefore represent a potential upside.

Key Figures & Ratios	2024A	2025A	2026E	2027E	2028E
Sales (Eu mn)	442	542	600	678	752
EBITDA Adj (Eu mn)	31	35	35	36	43
Net Profit Adj (Eu mn)	10	12	11	10	15
EPS New Adj (Eu)	0.373	0.457	0.229	0.221	0.317
EPS Old Adj (Eu)	0.373	0.454	0.224	0.221	
DPS (Eu)	0.148	0.148	0.125	0.120	0.178
EV/EBITDA Adj	2.3	nm	28.8	32.0	29.5
EV/EBIT Adj	5.2	nm	nm	nm	nm
P/E Adj	90.6	74.0	nm	nm	nm
Div. Yield	0.4%	0.4%	0.4%	0.4%	0.5%
Net Debt/EBITDA Adj	-2.9	-17.0	-14.1	-9.5	-5.6

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AVIO – Key Figures						
Profit & Loss (Eu mn)	2023A	2024A	2025A	2026E	2027E	2028E
Sales	339	442	542	600	678	752
EBITDA	21	26	32	33	34	41
EBIT	5	8	12	10	10	17
Financial Income (charges)	1	-2	1	3	2	1
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	7	7	13	13	12	18
Taxes	-0	-0	-1	-3	-3	-4
Tax rate	-0.3%	-5.6%	-11.3%	-22.5%	-22.5%	-22.5%
Minorities & Discontinued Operations	-0	-0	-1	-1	-1	-1
Net Profit	6	6	10	9	9	13
EBITDA Adj	28	31	35	35	36	43
EBIT Adj	13	14	15	12	12	19
Net Profit Adj	12	10	12	11	10	15
Per Share Data (Eu)	2023A	2024A	2025A	2026E	2027E	2028E
Total Shares Outstanding (mn) - Average	27	27	27	47	47	47
Total Shares Outstanding (mn) - Year End	27	27	27	47	47	47
EPS f.d	0.239	0.224	0.386	0.197	0.190	0.285
EPS Adj f.d	0.443	0.373	0.457	0.229	0.221	0.317
BVPS f.d	11.069	11.150	25.675	14.976	15.045	15.152
Dividend per Share ORD	0.240	0.148	0.148	0.125	0.120	0.178
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	100.5%	66.2%	66.3%	63.3%	63.4%	62.5%
Cash Flow (Eu mn)	2023A	2024A	2025A	2026E	2027E	2028E
Gross Cash Flow	22	24	32	33	33	38
Change in NWC	32	41	129	-34	25	29
Capital Expenditure	-38	-40	-37	-90	-200	-160
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	16	23	125	-94	-144	-96
Acquisitions, Divestments & Other Items	-14	-3	6	0	0	0
Dividends	0	-6	-4	-7	-6	-6
Equity Financing/Buy-back	0	0	375	0	0	0
Change in Net Financial Position	2	14	502	-101	-150	-101
Balance Sheet (Eu mn)	2023A	2024A	2025A	2026E	2027E	2028E
Total Fixed Assets	375	394	422	489	665	801
Net Working Capital	-164	-205	-334	-300	-326	-355
Long term Liabilities	23	34	29	32	35	34
Net Capital Employed	234	223	117	221	374	480
Net Cash (Debt)	76	90	592	491	341	240
Group Equity	310	313	708	712	715	720
Minorities	10	10	11	11	11	11
Net Equity	301	303	697	701	704	709
Enterprise Value (Eu mn)	2023A	2024A	2025A	2026E	2027E	2028E
Average Mkt Cap	197	248	599	1,581	1,581	1,581
Adjustments (Associate & Minorities)	86	86	86	86	86	86
Net Cash (Debt)	76	90	592	491	341	240
Enterprise Value	35	73	-78	1,005	1,154	1,256
Ratios (%)	2023A	2024A	2025A	2026E	2027E	2028E
EBITDA Adj Margin	8.3%	7.1%	6.4%	5.8%	5.3%	5.7%
EBIT Adj Margin	3.8%	3.1%	2.7%	2.0%	1.8%	2.5%
Gearing - Debt/Equity	-24.5%	-28.8%	-83.5%	-69.0%	-47.7%	-33.3%
Interest Cover on EBIT	nm	5.2	nm	nm	nm	nm
Net Debt/EBITDA Adj	-2.7	-2.9	-17.0	-14.1	-9.5	-5.6
ROACE*	2.3%	3.7%	7.0%	5.9%	3.4%	3.9%
ROE*	4.1%	3.4%	2.5%	1.5%	1.5%	2.1%
EV/CE	0.2	0.3	nm	6.0	3.9	2.9
EV/Sales	0.1	0.2	nm	1.7	1.7	1.7
EV/EBITDA Adj	1.2	2.3	nm	28.8	32.0	29.5
EV/EBIT Adj	2.7	5.2	nm	nm	nm	nm
Free Cash Flow Yield	1.1%	1.5%	8.3%	-6.3%	-9.6%	-6.4%
Growth Rates (%)	2023A	2024A	2025A	2026E	2027E	2028E
Sales	-5.2%	30.4%	22.7%	10.8%	13.0%	10.8%
EBITDA Adj	0.8%	11.7%	11.4%	0.2%	3.4%	17.8%
EBIT Adj	48.0%	8.8%	5.2%	-18.1%	1.5%	53.2%
Net Profit Adj	103.3%	-15.8%	22.4%	-13.7%	-3.2%	43.1%
EPS Adj	103.3%	-15.8%	22.4%	-49.9%	-3.2%	43.1%
DPS	nm	-38.2%	0.0%	-16.1%	-3.5%	48.1%

*Excluding extraordinary items Source: Intermonte SIM estimates

4Q25 Results

Avio – Quarterly results

	1Q24A	2Q24A	3Q24A	4Q24A	2024A	1Q25A	2Q25A	3Q25A	4Q25A	2025A	4Q25E	A vs E
Net Revenues	78.8	101.8	97.3	163.7	441.6	108.0	126.9	116.1	190.7	541.7	171.4	11.3%
YoY Growth	31.8%	4.0%	49.3%	41.3%	30.4%	37.1%	24.6%	19.4%	16.5%	22.7%	4.7%	
EBITDA Adj.	3.4	7.2	5.3	15.4	31.3	4.8	6.6	5.0	18.5	34.9	18.8	-1.9%
% margin	4.3%	7.0%	5.5%	9.4%	7.1%	4.4%	5.2%	4.3%	9.7%	6.4%	11.0%	
EBITDA rep.	1.6	6.5	4.0	13.7	25.8	4.0	6.0	5.2	17.1	32.3	17.0	0.3%
% margin	2.0%	6.4%	4.1%	8.4%	5.8%	3.7%	4.7%	4.5%	8.9%	6.0%	9.9%	
EBIT Adj.	-1.0	3.1	1.0	10.7	13.8	-0.1	1.5	0.0	13.2	14.6	13.8	-4.7%
% margin	-1.2%	3.0%	1.0%	6.6%	3.1%	-0.1%	1.2%	0.0%	6.9%	2.7%	8.1%	
EBIT rep.	-2.8	2.4	-0.3	9.1	8.4	-0.9	0.9	0.2	11.8	12.0	12.0	-2.1%
% margin	-3.6%	2.4%	-0.3%	5.6%	1.9%	-0.8%	0.7%	0.1%	6.2%	2.2%	7.0%	
Financial Charges					-1.6					1.1		
Pre-Tax					6.8					13.1		
Taxes					-0.4					-1.5		
Minorities					-0.3					-1.1		
Net Income					6.1					10.5		
Net Cash/ (Net Debt)	9.6	21.5	-0.1	90.1	90.1	59.0	75.3	47.2	591.7	591.7	481.6	22.9%
Order Intake	97	110	59	539	807	92	89	306	497	984	211	135.0%
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	2.6 x	1.8 x	1.2 x	
Order backlog	1378	1386	1348	1724	1724	1708	1670	1860	2166	2166	1900	14.0%

Source: Company data & Intermonte SIM Estimates

Change in Estimates

Avio – Change in Estimates

	New estimates					Old estimates					Change				
	26	27	28	29	30	26	27	28	29	30	26	27	28	29	30
Net Revenues	600	678	752	912	1,050	600	678	752	912	1,050	0%	0%	0%	0%	0%
YoY	10.8%	13.0%	10.8%	21.4%	15.0%	14.9%	13.0%	10.8%	21.4%	15.0%					
EBITDA Adj.	35	36	43	71	99	35	36	43	71	99	0%	0%	0%	0%	0%
% margin	5.8%	5.3%	5.7%	7.8%	9.4%	5.8%	5.3%	5.7%	7.8%	9.4%					
EBITDA	33	34	41	69	97	32	33	40	68	96	3%	3%	1%	1%	1%
% margin	5.5%	5.0%	5.4%	7.5%	9.2%	5.3%	4.9%	5.3%	7.5%	9.2%					
D&A	-23	-24	-24	-42	-45	-23	-24	-24	-43	-46					
EBIT Adj.	12	12	19	29	54	12	12	19	28	53	0%	0%	0%	4%	2%
% margin	2.0%	1.8%	2.5%	3.2%	5.1%	2.0%	1.8%	2.5%	3.1%	5.0%					
EBIT	10	10	17	27	52	9	9	16	26	50	11%	11%	3%	7%	3%
% margin	1.7%	1.5%	2.2%	3.0%	5.0%	1.5%	1.3%	2.1%	2.8%	4.8%					
Net Financials	3	2	1	1	1	2	2	1	1	1					
Pre-Tax	13	12	18	28	53	11	11	17	26	51	13%	13%	5%	8%	4%
Taxes	-3	-3	-4	-6	-12	-2	-2	-4	-6	-11					
Minorities	-1	-1	-1	-1	-1	0	0	0	0	0					
Net profit	9	9	13	21	40	8	8	13	20	39	11%	9%	2%	6%	3%
Net profit Adj	11	10	15	23	42	10	10	15	22	41	2%	0%	0%	4%	2%
EPS Adj.	0.2	0.2	0.3	0.5	0.9	0.2	0.2	0.3	0.5	0.9	2%	0%	0%	4%	2%
Net Cash	491	341	240	172	154	418	259	167	132	132	73	82	73	41	22

Source: Intermonte SIM

Avio - Intermonte 2026 estimates vs. company guidance

	2026 Company guidance			Intermonte 2026 Est.	Δ vs Mid-point
	Low-end	Mid-point	High-end		
Backlog	2000	2050	2100	2166	5.7%
Revenues	560	575	590	600	4.4%
EBITDA Adj.	29	33	37	35	5.9%
EBITDA reported	27	31	35	33	6.2%
Net Income	8	10.5	13	9	-12.2%

Source: Intermonte SIM

Financials

Avio – P&L

	2024A	2025A	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Net Revenues	442	542	600	678	752	912	1050	1148	1223	1275	1334	1386
% growth	30.4%	22.7%	10.8%	13.0%	10.8%	21.4%	15.0%	9.3%	6.5%	4.3%	4.7%	3.9%
EBITDA Adjusted	31	35	35	36	43	71	99	125	143	156	166	174
% margin	7.1%	6.4%	5.8%	5.3%	5.7%	7.8%	9.4%	10.9%	11.7%	12.3%	12.4%	12.6%
% YoY growth	11.7%	11.4%	0.2%	3.4%	17.8%	66.4%	39.3%	27.2%	14.0%	9.3%	5.8%	5.2%
EBITDA	26	32	33	34	41	69	97	123	141	154	164	172
% margin	5.8%	6.0%	5.5%	5.0%	5.4%	7.5%	9.2%	10.8%	11.5%	12.1%	12.3%	12.4%
D&A	-17	-20	-23	-24	-24	-42	-45	-45	-45	-45	-45	-45
EBIT Adjusted	14	15	12	12	19	29	54	80	98	111	120	129
% margin	3.1%	2.7%	2.0%	1.8%	2.5%	3.2%	5.1%	7.0%	8.0%	8.7%	9.0%	9.3%
EBIT	8	12	10	10	17	27	52	78	96	109	118	127
% margin	1.9%	2.2%	1.7%	1.5%	2.2%	3.0%	5.0%	6.8%	7.8%	8.6%	8.9%	9.1%
Net financial charges	-2	2	3	2	1	1	1	1	1	1	2	2
Pretax	7	13	13	12	18	28	53	79	97	110	120	128
Taxes	0	-1	-3	-3	-4	-6	-12	-18	-22	-25	-27	-29
tax rate	-6%	-11%	-23%	-23%	-23%	-23%	-23%	-23%	-23%	-23%	-23%	-23%
Minorities	0	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Net Profit	6	10	9	9	13	21	40	60	74	85	92	98
% YoY Growth	-6%	72%	-12%	-4%	50%	59%	90%	50%	23%	14%	8%	7%
Adjusted Net Profit	10	12	11	10	15	23	42	62	76	86	93	100

Source: Company data & Intermonte SIM Estimates

Avio – Balance Sheet

	2024A	2025A	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Fixed Assets	394	422	489	665	801	894	959	979	984	988	993	997
Working Capital	-205	-334	-300	-326	-355	-369	-392	-420	-444	-460	-476	-494
% on sales	-46%	-62%	-50%	-48%	-47%	-40%	-37%	-37%	-36%	-36%	-36%	-36%
Def. tax assets/liab.	88	88	91	94	97	100	103	106	109	112	115	118
Provisions for risks	-44	-49	-49	-50	-53	-59	-71	-85	-94	-102	-107	-113
Employee benefits	-9	-9	-9	-9	-9	-9	-9	-9	-9	-10	-10	-10
Net Invested Capital	223	117	221	374	480	556	589	570	545	529	514	498
Equity	303	697	701	704	709	717	733	756	786	819	855	894
Minorities	10	11	11	11	11	11	11	11	11	11	11	11
Total Equity	313	708	712	715	720	728	744	768	797	830	866	905
Net Cash (Debt)	90	592	491	341	240	172	154	198	252	301	352	407

Source: Company data & Intermonte SIM Estimates

Avio – Cash Flow

	2024A	2025A	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Net profit	6	12	10	9	14	22	41	61	75	85	93	100
D&A	17	20	23	24	24	42	45	45	45	45	45	45
Delta Working Capital	41	129	-34	25	29	15	22	29	23	16	16	18
Change in funds	-1	1	0	0	0	0	0	0	0	0	0	0
Others	-2	0	-3	-3	-3	-3	-3	-3	-3	-3	-3	-3
Operating Cash Flow	63	162	-4	56	64	76	105	133	141	144	152	160
YoY change	15.6%	158.3%	n.m.	-n.m.	14.5%	17.5%	39.1%	26.0%	6.3%	2.5%	5.3%	5.4%
Capex	-40	-37	-90	-200	-160	-135	-110	-65	-50	-50	-50	-50
Acquisitions	0	0	0	0	0	0	0	0	0	0	0	0
Capital												
Increase/Buyback	0	375	0	0	0	0	0	0	0	0	0	0
Dividends	-6	-4	-7	-6	-6	-8	-13	-25	-37	-45	-51	-56
Others	-3	6	0	0	0	0	0	0	0	0	0	0
Cash Flow	14	502	-101	-150	-101	-68	-18	43	54	49	51	55
Net Cash beg. of the year	76	90	592	491	341	240	172	154	198	252	301	352
Cash Flow	14	502	-101	-150	-101	-68	-18	43	54	49	51	55
Net Cash at year end	90	592	491	341	240	172	154	198	252	301	352	407

Source: Company data & Intermonte SIM Estimates

Valuation

Valuation Summary

Our target price is the average of the outcomes stemming from DCF and SOP valuations, an approach we have adopted 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 (€52/share vs. €32/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 €42/share, higher than the previous €34/share, mainly to reflect the sectorial re-rating following the start of the war in Iran.

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

Avio – Valuation summary

Method		Weight
DCF (WACC 8.9%, G 3%)	1487 Eu mn	50%
SOP 2030	2421 Eu mn	50%
Weighted Equity value	1954 Eu mn	
NOSH post aucap	46.8 mn	
Target Price	42 Eu ps	

Source: Intermonte SIM

Avio – Multiples @ current price

@ current price	2024A	2025A	2026 E	2027 E	2028 E	2029 E	2030 E	2031 E	2032 E	2033 E	2034 E	2035 E
EV/SALES	3.2 x	1.7 x	1.7 x	1.7 x	1.7 x	1.5 x	1.3 x	1.1 x	1.0 x	0.9 x	0.9 x	0.8 x
EV/EBITDA	44.9 x	25.9 x	28.8 x	32.0 x	29.5 x	18.7 x	13.6 x	10.3 x	8.7 x	7.6 x	6.9 x	6.3 x
EV/EBIT	101.5 x	62.1 x	84.2 x	95.3 x	67.7 x	45.3 x	24.8 x	16.2 x	12.7 x	10.8 x	9.5 x	8.5 x
PE	156.1 x	127.5 x	147.9 x	152.8 x	106.8 x	69.7 x	37.9 x	25.6 x	20.9 x	18.4 x	17.0 x	15.8 x
PE ex-cash	147.2 x	79.8 x	102.0 x	119.8 x	90.6 x	62.1 x	34.2 x	22.4 x	17.6 x	14.9 x	13.2 x	11.8 x
FCF yield	1.5%	7.9%	-5.9%	-9.1%	-6.0%	-3.8%	-0.3%	4.3%	5.8%	6.0%	6.5%	7.0%

Source: Intermonte SIM

Avio – Multiples @ target price

@ target price	2024A	2025A	2026 E	2027 E	2028 E	2029 E	2030 E	2031 E	2032 E	2033 E	2034 E	2035 E
EV/SALES	4.1 x	2.4 x	2.3 x	2.3 x	2.2 x	1.9 x	1.6 x	1.5 x	1.3 x	1.2 x	1.1 x	1.1 x
EV/EBITDA	57.2 x	36.9 x	39.7 x	42.6 x	38.5 x	24.1 x	17.5 x	13.4 x	11.4 x	10.1 x	9.2 x	8.5 x
EV/EBIT	129.2 x	88.4 x	116.4 x	127.0 x	88.3 x	58.4 x	31.9 x	21.0 x	16.7 x	14.2 x	12.7 x	11.4 x
PE	194.0 x	158.5 x	183.7 x	189.8 x	132.7 x	86.6 x	47.1 x	31.8 x	26.0 x	22.8 x	21.1 x	19.7 x
PE ex-cash	185.1 x	110.8 x	137.8 x	156.9 x	116.5 x	79.0 x	43.4 x	28.6 x	22.7 x	19.3 x	17.3 x	15.6 x
FCF yield	1.2%	6.3%	-4.8%	-7.3%	-4.9%	-3.0%	-0.2%	3.4%	4.6%	4.8%	5.2%	5.6%

Source: Intermonte SIM

DCF

Our DCF valuation (with WACC assumptions unchanged) yields an equity value of €1,487mn. 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

		WACC				
		7.9%	8.4%	8.9%	9.4%	9.9%
	Eu mn					
Discounted Free cash flows 26-35	-81					
Terminal value	891	2.0%	1,446	1,380	1,323	1,274
Total EV	809	2.5%	1,547	1,466	1,398	1,340
Net Cash (YE25)	592	3.0%	1,668	1,569	1,487	1,417
Capital Increase (net of costs)	0	3.5%	1,817	1,693	1,591	1,507
Sponsor warrant exercise	0	4.0%	2,005	1,844	1,717	1,613
Financial assets	18					
Tax assets	88					
Employee benefits	-9					
Minorities & Adjustments	-11					
Total EQUITY	1,487					
<hr/>						
WACC	8.9%					
<i>Terminal growth</i>	3.0%					

Source: Intermonte SIM

SOP

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 the lion's share 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 €2,421mn.

Avio – Sum of the Parts (2030)

	Sales '30	Multiple	EV	Note
Space business	621	3.3 x	2,049	Space peers multiples
Defence business	429	2.6 x	1,115	Defence peers multiples
Total EV			3,164	
Net Cash 2030			154	
Associates			18	
Tax Assets			88	
Others			-20	Minorities/Employee benefits
Equity Value			3,404	
Discount factor			0.7	9% actualization rate
Discounted Equity Value			2,421	

Source: Intermonte SIM

Multiples

Avio – Peer comparison, Defence Business

Company name	Country	Mkt cap (Eu mn)	EV/Sales			EV/EBITDA			PE		
			2026	2027	2028	2026	2027	2028	2026	2027	2028
Leonardo	IT	34,943	1.8 x	1.6 x	1.5 x	13.7 x	12.0 x	10.4 x	28.1 x	23.6 x	19.9 x
BAE Systems	GB	77,378	2.2 x	2.0 x	1.8 x	15.9 x	14.5 x	13.2 x	27.3 x	24.2 x	21.6 x
Thales	FR	50,971	2.2 x	2.0 x	1.8 x	14.0 x	12.3 x	10.9 x	24.0 x	21.0 x	18.6 x
Rheinmetall	DE	70,729	4.9 x	3.5 x	2.6 x	21.5 x	14.8 x	10.8 x	39.1 x	26.2 x	19.6 x
Northrop Grumman	US	89,962	2.6 x	2.4 x	2.3 x	18.1 x	17.0 x	16.1 x	26.2 x	24.3 x	22.7 x
Lockheed Martin	US	129,192	2.1 x	2.0 x	1.9 x	14.5 x	13.9 x	13.4 x	21.7 x	20.4 x	19.4 x
Saab	SE	33,218	3.8 x	3.2 x	2.7 x	27.0 x	21.8 x	18.5 x	47.5 x	37.6 x	31.5 x
L3Harris Tech.	US	58,821	3.3 x	3.0 x	2.7 x	17.9 x	16.4 x	14.8 x	30.8 x	26.6 x	23.3 x
Kongsberg Gruppen	NO	30,966	5.2 x	4.0 x	3.3 x	29.6 x	22.2 x	17.9 x	43.4 x	32.2 x	25.4 x
Median Defense			2.6 x	2.4 x	2.3 x	17.9 x	14.8 x	13.4 x	28.1 x	24.3 x	21.6 x

Source: FactSet

Avio – Peer comparison, Space Business

Company name	Country	Mkt cap (Eu mn)	EV/Sales			EV/EBITDA			PE		
			2026	2027	2028	2026	2027	2028	2026	2027	2028
Rocket Lab	US	35,303	46.2 x	33.5 x	25.7 x	n.m.	247.3 x	134.8 x	n.m.	1,040.8 x	252.5 x
Firefly Aerospace	US	2,836	5.5 x	2.8 x	n.a.	n.m.	34.4 x	n.a.	n.m.	n.m.	n.m.
Iridium Comm.	US	2,250	4.5 x	4.1 x	3.6 x	8.3 x	7.4 x	6.5 x	18.4 x	16.7 x	16.1 x
Eutelsat Comm.	FR	2,463	3.3 x	3.3 x	3.2 x	6.3 x	6.1 x	5.7 x	n.m.	n.m.	n.m.
Moog	US	8,622	2.5 x	2.3 x	2.1 x	17.2 x	15.4 x	14.3 x	30.9 x	27.4 x	25.5 x
ViaSat	US	5,448	2.3 x	2.1 x	1.8 x	6.8 x	6.1 x	5.6 x	38.4 x	54.8 x	46.4 x
Redwire	US	1,570	3.9 x	3.3 x	n.a.	351.7 x	53.1 x	n.a.	n.m.	n.m.	n.m.
Chemring	GB	1,696	3.0 x	2.7 x	2.3 x	15.6 x	13.3 x	11.3 x	27.5 x	22.2 x	18.5 x
Magellan Aerospace	CA	892	1.4 x	1.3 x	n.a.	10.4 x	9.0 x	n.a.	20.2 x	15.5 x	n.a.
Astroscale Holdings	JP	758	12.5 x	6.5 x	n.a.	n.m.	331.8 x	n.a.	n.m.	n.m.	n.m.
Satrec Initiative	KR	1,231	9.5 x	8.5 x	n.a.	70.8 x	67.4 x	n.a.	126.3 x	114.8 x	n.a.
Ducommun	US	1,674	2.5 x	2.3 x	2.2 x	14.4 x	12.5 x	11.6 x	30.1 x	24.6 x	21.6 x
Hexcel	US	5,551	3.5 x	3.1 x	2.8 x	18.2 x	15.0 x	13.2 x	37.9 x	27.4 x	22.7 x
MDA Space	CA	3,649	3.3 x	2.9 x	2.5 x	17.2 x	14.9 x	12.7 x	30.0 x	26.3 x	23.5 x
SES	LU	2,327	2.1 x	2.0 x	2.1 x	5.0 x	4.6 x	4.6 x	144.6 x	56.9 x	44.7 x
Median Space			3.3 x	2.9 x	2.4 x	15.0 x	14.9 x	11.5 x	30.5 x	27.4 x	23.5 x

Source: FactSet

Avio in Brief

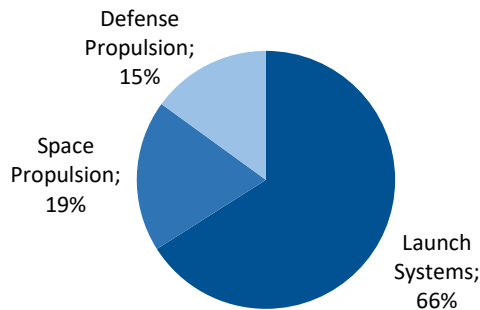
Company description

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

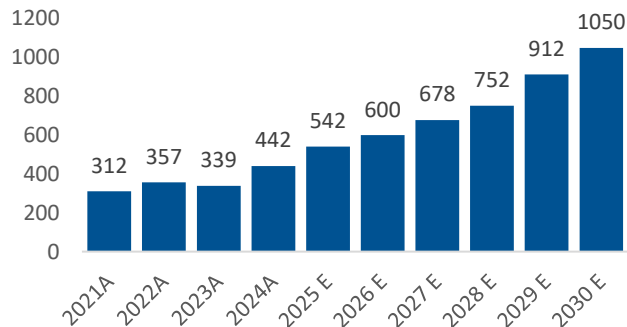
- A leading company operating in a sector with extremely high technological entry barriers
- High visibility thanks to solid backlog
- Exposure to the fast-growing LEO market
- Solid balance sheet able to support future growth
- Launch of new products
- Exploitation of important economies of scale

Figure 1: Revenue Breakdown by Business (2025)



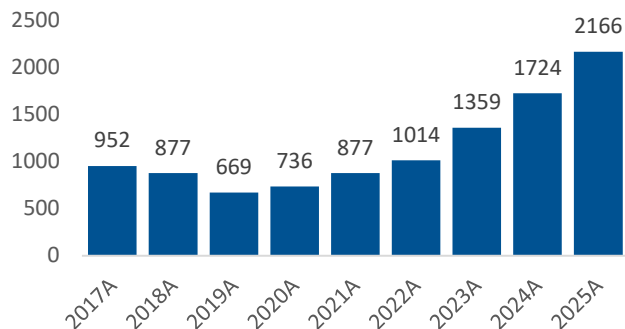
Source: Intermonte SIM

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

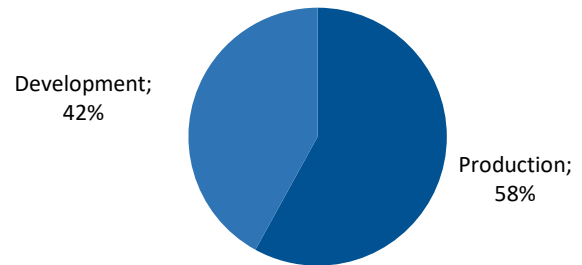
Shareholders

Leonardo	19.0%
Barclays	4.9%
WCM Inv. Management	5.59%
DWS Investments	4.92%
Delfin	3.73%
Plenisfer	3.77%
InOrbit	1.04%
Treasury Shares	2.11%
Floating	54.94%

Weaknesses/Threats

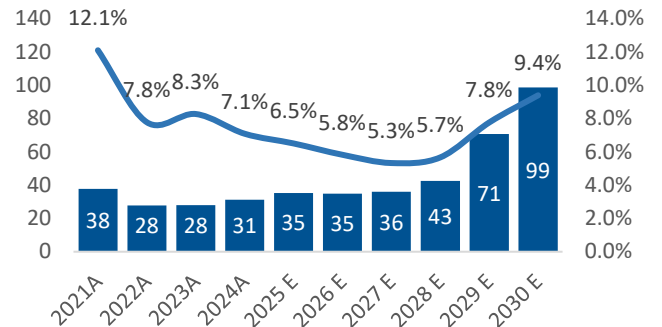
- Products more expensive than those of competitors
- Highly concentrated client base
- Increasing competition
- Deterioration of the macroeconomic environment leading to reduced budget allocations for space programmes
- Launch failures
- Delay in the development of new solutions

Figure 2: Revenue Breakdown by Activity (2025)



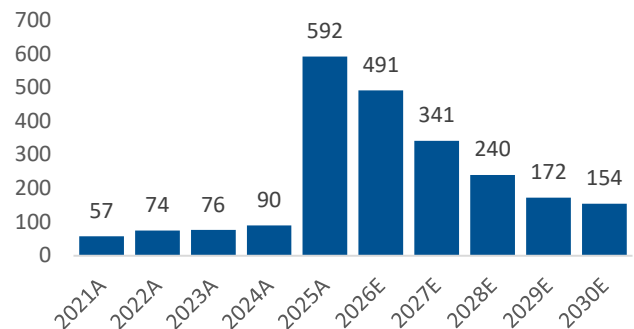
Source: Intermonte SIM

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:	OUTPERFORM
Current Target (Eu):	42.00	Previous Target (Eu):	34.00
Current Price (Eu):	33.80	Previous Price (Eu):	24.10
Date of report:	13/03/2026	Date of last report:	04/12/2025

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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.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: the prices reported in the research refer to the price at the close of the previous day of trading

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As at 13 March 2026 Intermonte's Research Department covered 131 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	31.30%
OUTPERFORM:	38.17%
NEUTRAL:	30.53%
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 (75 in total) is as follows:

BUY:	52.00%
OUTPERFORM:	29.33%
NEUTRAL:	17.34%
UNDERPERFORM:	01.33%
SELL:	00.00%

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Intermonte SIM is acting as financial advisor to TIM in relation to the company's saving shares conversion.

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