

Company Note

Avio

Solid Mid-Term Strategy and Outlook

Arrival to regime of Avio's new production structure more likely to be reached by 2024-25 rather than by 2023. Nonetheless all of Avio's announced R&D programmes have been confirmed. Focus on Vega return to flight in the next few weeks.

Recent events

FY20 results were at the low end of the company's guidance for the top line and broadly in line with guidance for both the reported and adjusted EBITDA result. The yoy decline in the top line was mainly attributable to the general slowdown of the activity caused by the pandemic along with the postponement to the month of November of the VV17 Vega flight and its failure. Nevertheless, the additional costs of approx. EUR 6M related to the several disruptive events in 2020 were almost entirely offset by fixed costs savings for approx. EUR 5.3M, thus allowing the group to respect its released EBITDA guidance. Net cash at 31 December amounted to EUR 62.6M, with an increase compared to the EUR 57.4M at 31 December 2019, mainly driven by a sharp reduction in NWC, which benefited from customers' advances. Order backlog at end-2020 amounted to EUR 736M vs. EUR 669M at end-2019. Management will propose to increase the maximum dividend pay-out ratio from 50% to 60%. 2020 dividend set at EUR 0.285/share.

Outlook

Based on the recent business development of the last few months, which saw the slowdown in the Vega activity and the postponement to 2022 of the Ariane 6 maiden flight, we believe that 2021 and 2022 could represent transitional years for the group and that the arrival to regime of the company's new production structure, based on the new launchers Ariane 6 and Vega C, is more likely to be reached by 2024-25 rather than by 2023 as previously assumed. We note nonetheless that all Avio's announced R&D programmes have been confirmed. We believe that in the next few days it will be important to monitor the Vega return to flight, which will be a crucial event on the path to normality for the group's activity.

Valuation

Based on our updated 2021-25E forecasts and current market multiples, the arithmetic average between our peers' analysis and DCF model returns a **target price at EUR 15.9/share** (unchanged vs. our previous valuation) and given the positive stock performance of the last few days, **we change our rating to HOLD (from BUY)**. We however signal that in the last few months, also thanks to the growing investors' interest towards the space industry and the limited availability of listed companies, the space sector benefited from market multiples re-rating. Should this trend continue in the future, we believe that Avio would be in the position to benefit from it.

13 April 2021: 7:51 CET
Date and time of production

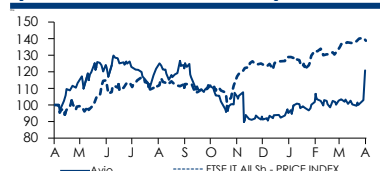
HOLD
(from BUY)

Target Price: EUR 15.9

Italy/Aerospace & Defence
Update

MTA-STAR

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



Avio - Key Data

Price date (market close)	09/04/2021
Target price (EUR)	15.9
Target upside (%)	6.14
Market price (EUR)	14.98
Market cap (EUR M)	394.86
52Wk range (EUR)	15.9/11.0

Price performance %	1M	3M	12M
Absolute	19.8	28.3	22.0
Rel. to FTSE IT All Sh	16.4	19.4	-12.1

Y/E Dec (EUR M)	FY20A	FY21E	FY22E
Revenues	322.0	344.2	355.7
EBITDA	34.98	36.88	38.67
EBIT	15.88	16.33	16.87
Net income	14.12	14.51	15.02
EPS (EUR)	0.54	0.55	0.57
Net debt/-cash	-62.64	-56.29	-53.47
Adj P/E (x)	25.4	27.2	26.3
EV/EBITDA (x)	8.7	9.4	9.1
EV/EBIT (x)	19.2	21.3	20.8
Div ord yield (%)	2.1	1.8	1.9

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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Recent Events

FY20 results

FY20 results were at the low end of the company's guidance for the top line and broadly in line with guidance for both the reported and adjusted EBITDA results. The yoy decline in the top line was mainly attributable to the general slowdown of the activity caused by the pandemic along with the postponement to November of the VV17 Vega flight and its failure. Nevertheless, the additional costs of approx. EUR 6M related to the several disruptive events in 2020 were almost entirely offset by fixed costs savings for approx. EUR 5.3M, thus allowing it to respect its released EBITDA guidance. Below the EBITDA line, we highlight that amortisation turned out to be higher than expected, mainly due to the start of exploitation of the new P120 engine (Ariane 6/Vega C) and Zefiro 40 engine (Vega C) assets, thus negatively impacting EBIT and net income results, which were slightly below our expectations. Net cash at 31 December amounted to EUR 62.6M, with an increase compared to EUR 57.9M at 31 December 2019, mainly driven by a sharp reduction in NWC, which benefited from customers' advances.

Order backlog at 31 December 2020 amounted to EUR 736M vs. EUR 669M at end-2019. The 2020 order intake was EUR 389M and included among others a contract with the European Space Agency (ESA) for the development of the automated reusable Space Rider transportation system (EUR 55M), an order for the production of the Aster booster for approx. EUR 60M and the first tranche (approx. EUR 135M) of the batch 4 of the Vega C launcher (10 flights for the 2023-26 period), whose total value amounts to approx. EUR 350M. As of today, the group's production order backlog includes the last 8 Ariane 5 flights to be concluded between 2022 and 2023, more than 12 Ariane 6 flights (maiden flight expected in 2022) and 8 Vega/Vega C flights in backlog until 2023-24.

Avio - FY20 results

EUR M	4Q19A	FY19A	4Q20A	4Q20E	4Q A/E %	4Q yoy %	FY20A	FY20E	FY A/E %	FY yoy %
Revenues (net of pass-through)	98.4	368.7	105.9	121.1	-12.5	7.7	322.0	337.2	-4.5	-12.6
EBITDA	19.1	42.6	17.7	17.9	-1.2	-7.4	35.2	35.4	-0.6	-17.4
Margin %	19.4	11.6	16.7	14.8	-	-	10.9	10.5	-	-
Adj. EBITDA	18.6	44.0	20.2	19.3	4.6	8.4	43.3	42.4	2.1	-1.7
Margin %	18.9	11.9	19.0	15.9	-	-	13.4	12.6	-	-
EBIT	14.8	26.5	11.2	14.1	-20.7	-24.6	15.9	18.8	-15.5	-40.1
Margin %	15.1	7.2	10.6	11.6	-	-	4.9	5.6	-	-
Adj. EBIT	14.3	27.9	13.7	15.5	-11.8	-4.5	24.0	25.8	-7.1	-14.1
Margin %	14.6	7.6	12.9	12.8	-	-	7.4	7.7	-	-
Net Income	7.1	26.2	NA	NA	NA	NA	14.1	16.5	-14.4	-46.1

NA: not available; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

New dividend policy and buy-back plan

Management has recently said that in order to increase the flexibility for the eventual return to shareholders part of the liquidity generated by Avio operational performance, it will propose to raise the maximum dividend pay-out ratio from 50% to 60% of net earnings. The BoD will also require the authorisation to a second plan of stocks' buyback (completed the first one in October) for a maximum amount of EUR 9.1M for an 18-month period. As of end-October 2020, Avio held 671,233 own shares, corresponding to 2.55% of the total share capital.

Vega return to flight scheduled by April 2021

On 25 March, the processing began for the launch of the Pléiades Neo 3 satellite through the Vega launcher (VV18). While an official date for the launch has still to be released, according to our understanding, a first tentative date could be in the last week of April. The Pléiades Neo 3 satellite is the first of a constellation that when fully deployed will comprise four identical satellites to provide commercial and institutional customers with high-resolution imaging.

Earnings Outlook

Avio did not release any guidance for 2021, citing the uncertainties related to the pandemic effects and the crucial return to flight for Vega. However, management said that the 2021 order intake should be in line with that of 2020 (EUR 389M), as a result of the completion of the Vega C Production Batch 4 (approximately EUR 200M already signed last March), additional development contracts related to the ESA '19 Ministerial Council (we estimate EUR 100-150M out of approx. EUR 300-350M still to be contractualised in the 2021-22 period), the second part of the Ariane 6 P120 contract and new tactical propulsion contracts. Management also highlighted that: 1) in 2021, the flight activity should concern up to 3-4 flights for Ariane 5, up to 3 flights for Vega in addition to the Vega C maiden flight preparation scheduled at end-2021-beginning 2022; 2) an increase in the P120 engine production up to 50% vs. 2020; 3) an increase in the tactical propulsion production up to 20% vs. 2020; and 4) progress in the Space Rider and Vega E development projects.

Based on the announced results and the business development of the last few months, which saw the slowdown in the Vega activity and the postponement to 2022 of the Ariane 6 maiden flight, we believe that 2021 and 2022 could represent transitional years for the group and that the arrival to regime of the company's new production structure, based on the new launchers Ariane 6 and Vega C, is more likely to be reached by 2024-25 rather than by 2023 as previously assumed. We note nonetheless that all Avio's announced R&D programmes have been confirmed and that the medium-term business development outlook thus remains robust. Based on such considerations, we revise our 2021-23E P&L forecasts as follows:

Avio – Estimates revision (2021E-25E)

	2021E			2022E			2023E			2024E		2025E
	New	Old	chg %	New	Old	chg %	New	Old	chg %	New	New	
Sales	344.2	378.9	-9.2	355.7	408.0	-12.8	371.9	436.1	-14.7	391.8	432.7	
EBITDA	36.9	40.2	-8.2	38.7	47.1	-18.0	42.5	51.8	-17.9	46.5	52.0	
% margin	10.7	10.6		10.9	11.6		11.4	11.9		11.9	12.0	
Adj. EBITDA	42.5	43.7	-2.6	41.7	48.1	-13.4	44.5	52.8	-15.7	47.5	52.0	
% margin	12.4	11.5		11.7	11.8		12.0	12.1		12.1	12.0	
EBIT	16.3	22.7	-28.0	16.9	28.7	-41.2	19.6	32.5	-39.7	22.5	27.0	
% margin	4.7	6.0		4.7	7.0		5.3	7.5		5.7	6.2	
PBT	15.7	21.8	-28.1	16.2	27.8	-41.7	18.9	31.6	-40.1	21.9	26.4	
Net Income	14.5	20.2	-28.2	15.0	26.0	-42.2	17.6	29.6	-40.5	20.2	24.6	

Source: Intesa Sanpaolo Research estimates

We highlight that management confirmed the very positive medium long-term scenario for the launch service demand with the world total mass at launch expected to show a 6% CAGR over the 2021-29 period. A particularly positive outlook is expected for mass of satellites at launch in low earth orbits, which is estimated to show a 12% CAGR over the same period (source: Avio estimate on Euroconsult data), driven by a growing demand for earth observation and connectivity services. In this positive market scenario, the company confirmed its product standardization strategy aiming at gradually improving the consolidated EBITDA margin and all the ongoing development projects for the European Space Agency, such as Vega C Light, Space Rider, Vega C+, Vega E and Ariane 6 EVO.

Valuation

We believe that a peers' comparison, mainly based on EV/EBITDA, EV/EBIT and P/E multiples, is an appropriate valuation approach for Avio. However, we note that given the long-term projects pertaining to the space industry and the company's growing disclosure on its medium-term plans and targets, a DCF model should allow us to factor into our valuation the expected outcome of the strategic actions that management said it was looking to implement in 2021-25.

We therefore set our target price based on both a market multiples analysis and a DCF model. We also highlight that in calculating our target price, we use a fully-diluted number of Avio's ordinary shares (27.2M) as the 800,000 Sponsor Warrants appear to be 'in the money' based on our company valuation. Avio's Sponsor Warrants are not listed, as they have been assigned to Space Holding and can be exercised at a price of EUR 13/share and at a ratio of 1:1.

Peers' comparison

The valuation of space companies is not an easy task, as most of them are not listed. In addition, space operations usually only represent a portion of the activities operated by the main aerospace and defence players, or alternatively are run in joint venture between different players. Due to the scarcity of listed, pure space industry players, we select our peers' sample, including both space propulsion specialists, such as Aerojet Rocketdyne, and diversified players operating in the Aerospace & Defence industry, which nonetheless are exposed to the space sector. In the table below, we show Avio's peers' market multiples.

Avio vs. peers – multiples comparison

(x)	Price	Curr	Mkt cap (M)	EV/EBITDA		EV/EBIT		P/E	
				2021E	2022E	2021E	2022E	2021E	2022E
Northrop Grum.	336.1	USD	54,103	12.8	12.6	17.0	16.6	14.2	13.3
Aerojet Rocket.	47.7	USD	3,819	10.3	10.1	11.2	11.1	24.1	23.3
Boeing	255.0	USD	148,799	31.2	20.5	54.4	27.1	499.9	42.8
Lockheed	386.0	USD	107,588	10.8	10.1	12.4	11.6	14.7	13.8
Moog	85.8	USD	2,760	11.2	9.9	14.3	12.1	18.9	16.0
Airbus	100.8	Euro	80,536	14.2	9.5	28.6	15.7	49.2	24.7
Safran	120.7	Euro	51,285	17.8	13.8	28.6	19.6	39.9	28.2
Thales	87.0	Euro	18,422	8.4	7.3	12.0	10.0	15.2	12.9
Leonardo	7.1	Euro	4,120	4.6	4.1	7.7	6.2	7.2	5.9
Avio*	14.8	Euro	403	8.4	8.6	16.2	18.1	27.8	26.8
Median ex-Avio				11.2	10.1	14.3	12.1	18.9	16.0
Prem/-disc %				-25	-15	13	49	47	68

NA: not available; Priced at market close on 08/04/2020; Source: FactSet and *Intesa Sanpaolo Research estimates

In the table above, we report the current 2020 and 2022 peers sample market multiples. To set a fair value for the company, we apply the median 2021E-22E EV/EBITDA, EV/EBIT and P/E peers' multiples to our estimates for Avio and we obtain a fair value of EUR 14.6/share (vs. EUR 14.9/share previously), as the arithmetic average of the obtained values. The valuation is little changed compared to our previous report as the impact of our downwards revision of our 2021E-22E Avio forecasts was almost entirely offset by the market multiples' re-rating of the last few months.

DCF model

We base our DCF model on our detailed estimates over 2021E-25E, we increase the perpetuity growth factor to 1.5% (vs. 0.5% previously) from 2026E to reflect the growing interest of the European countries and institutions towards the development of the space industry, which could smooth the possible cyclicalities of the production process. In addition, compared with our previous valuation, in our periodic revision, we change our risk-free rate to 0.75% (from 1%) and we decrease the market risk premium to 6.5% (7.25% previously). Based on the above-specified assumptions and a fully-diluted number of shares, our DCF model returns a fair value for Avio at EUR 17.2/share (EUR 17.0/share previously), mainly reflecting our 2021E-25E estimates downwards revision, partly offset by the lower WACC (5.87% vs. 6.1% previously) and the higher g.

Avio - DCF valuation

EUR M	
PV of FOpCF 21E-25E	36.1
Perpetual growth rate %	1.5
Terminal Value	468.2
PV of terminal value	357.7
EV	394
Net debt(+)/cash(-) (at 31 Dec. 20)	-62.6
Equity value	456.4
Number of shares fully diluted (M)	27.2
Capital Increase from Warrant Exercise(M)	10.6
Equity value post warrant exercise	467.0
Fair value/share (EUR)	17.2
Vs. market price (%)	15.9

Source: Intesa Sanpaolo Research estimates

Conclusion

Based on our updated 2021-25E forecasts and current market multiples, the arithmetic average between our peers' comparison and DCF valuations returns a **target price at EUR 15.9/share** (unchanged from previous valuation) and given the positive stock performance of the last few days, **we change our rating to HOLD (from BUY)**. We however signal that in the last few months, also thanks to the growing investors' interest towards the space industry and the limited availability of listed companies, the space sector benefited from a market multiples re-rating. Should this trend continue in the future, we believe that Avio would be in the position to benefit from it.

Avio – Key Data

Rating HOLD	Target price (EUR/sh) Ord 15.9	Mkt price (EUR/sh) Ord 14.98			Sector Aerospace & Defence
Values per share (EUR)	2019A	2020A	2021E	2022E	2023E
No. ordinary shares (M)	26.36	26.36	26.36	26.36	26.36
Total no. of shares (M)	26.36	26.36	26.36	26.36	26.36
Market cap (EUR M)	330.02	358.99	394.86	394.86	394.86
Adj. EPS	0.99	0.54	0.55	0.57	0.67
CFPS	1.6	1.3	1.4	1.4	1.6
BVPS	11.2	11.5	11.8	12.1	12.5
Dividend ord	0	0.29	0.28	0.28	0.33
Income statement (EUR M)	2019A	2020A	2021E	2022E	2023E
Revenues	368.7	322.0	344.2	355.7	371.9
EBITDA	42.59	34.98	36.88	38.67	42.51
EBIT	26.52	15.88	16.33	16.87	19.59
Pre-tax income	26.97	15.41	15.70	16.23	18.94
Net income	26.19	14.12	14.51	15.02	17.63
Adj. net income	26.19	14.12	14.51	15.02	17.63
Cash flow (EUR M)	2019A	2020A	2021E	2022E	2023E
Net income before minorities	27.0	14.9	15.1	15.6	18.2
Depreciation and provisions	16.1	19.1	20.5	21.8	24.6
Others/Uses of funds	-2.5	-12.3	5.0	5.0	0
Change in working capital	9.6	17.7	-4.5	-8.0	-10.5
Operating cash flow	50.1	39.3	36.2	34.4	32.3
Capital expenditure	-29.8	-34.6	-35.0	-30.0	-27.5
Financial investments	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0
Free cash flow	20.4	4.7	1.2	4.4	4.8
Dividends	-11.6	0	-7.5	-7.3	-7.5
Equity changes & Other non-operating items	0	0	0	0	0
Net cash flow	8.8	4.7	-6.3	-2.8	-2.7
Balance sheet (EUR M)	2019A	2020A	2021E	2022E	2023E
Net capital employed	245.9	249.4	265.5	278.9	291.2
of which associates	0	0	0	0	0
Net debt/-cash	-57.9	-62.6	-56.3	-53.5	-49.1
Minorities	7.8	8.5	9.1	9.7	10.3
Net equity	296.1	303.5	310.5	318.2	328.4
Minorities value	7.8	8.5	9.1	9.7	10.3
Enterprise value	279.9	304.9	347.7	351.1	356.1
Stock market ratios (x)	2019A	2020A	2021E	2022E	2023E
Adj. P/E	12.6	25.4	27.2	26.3	22.4
P/CFPS	7.7	10.6	11.1	10.6	9.2
P/BVPS	1.1	1.2	1.3	1.2	1.2
Payout (%)	0	53	50	50	50
Dividend yield (% ord)	0	2.1	1.8	1.9	2.2
FCF yield (%)	6.2	1.3	0.3	1.1	1.2
EV/sales	0.76	0.95	1.0	0.99	0.96
EV/EBITDA	6.6	8.7	9.4	9.1	8.4
EV/EBIT	10.6	19.2	21.3	20.8	18.2
EV/CE	1.1	1.2	1.3	1.3	1.2
D/EBITDA	Neg.	Neg.	Neg.	Neg.	Neg.
D/EBIT	Neg.	Neg.	Neg.	Neg.	Neg.
Profitability & financial ratios (%)	2019A	2020A	2021E	2022E	2023E
EBITDA margin	11.6	10.9	10.7	10.9	11.4
EBIT margin	7.2	4.9	4.7	4.7	5.3
Tax rate	NM	3.5	3.7	3.8	3.8
Net income margin	7.1	4.4	4.2	4.2	4.7
ROCE	10.8	6.4	6.2	6.0	6.7
ROE	9.0	4.7	4.7	4.8	5.5
Interest cover	-58.7	33.6	25.7	26.1	30.1
Debt/equity ratio	Neg.	Neg.	Neg.	Neg.	Neg.
Growth (%)		2020A	2021E	2022E	2023E
Sales		-12.6	6.9	3.3	4.6
EBITDA		-17.9	5.4	4.9	9.9
EBIT		-40.1	2.8	3.3	16.1
Pre-tax income		-42.9	1.9	3.4	16.7
Net income		-46.1	2.8	3.5	17.4
Adj. net income		-46.1	2.8	3.5	17.4

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Company Snapshot

Company Description

Avio is a leading international group engaged in the construction and development of space launchers and solid and liquid propulsion systems for space travel. The experience and know-how built up over more than 50 years puts Avio at the cutting-edge of the space launcher sector, solid, liquid and cryogenic propulsion and tactical propulsion. Avio operates in Italy, France and France Guyana with 5 facilities, employing approx. 850 highly-qualified personnel, of which approx. 30% involved in research and development. Avio is a prime contractor for the Vega programme and a sub-contractor for the Ariane programme, both financed by the European Space Agency ("ESA"), placing Italy among the limited number of countries capable of producing a complete spacecraft.

Key data

Mkt price (EUR)	14.98	Free float (%)	58.5
No. of shares	26.36	Major shr	Leonardo
52Wk range (EUR)	15.9/11.0	(%)	25.9
Reuters	AVI.MI	Bloomberg	AVIO IM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	19.8	-1M	16.4
-3M	28.3	-3M	19.4
-12M	22.0	-12M	-12.1

Key Risks

Company specific risks:

- Rising pricing pressure competition from main competitors, both in the Ariane and Vega programmes in the long run;
- Potential changes in European Space policy;
- New COVID related lockdowns

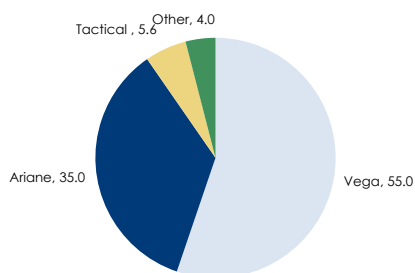
Sector generic risks:

- Potential disruption to revenue prospects related to launch failures;
- A potential progressive reduction of advance payment systems in the industry

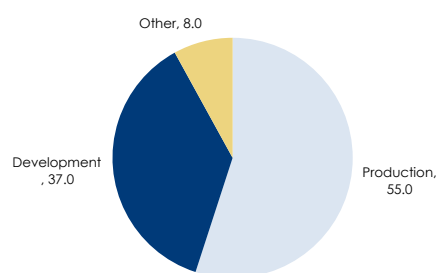
Estimates vs. consensus

EUR M (Y/E Dec)	2020A	2021E	2021C	2022E	2022C	2023E	2023C
Sales	322.0	344.2	353.1	355.7	385.5	371.9	379.5
EBITDA	34.98	36.88	38.67	38.67	44.58	42.51	44.64
EBIT	15.88	16.33	19.44	16.87	23.87	19.59	22.10
Pre-tax income	15.41	15.70	15.35	16.23	21.91	18.94	21.55
Net income	14.12	14.51	14.19	15.02	20.67	17.63	19.90
EPS (€)	0.54	0.55	0.71	0.57	0.90	0.67	0.77

Sales breakdown by product (%)



Sales breakdown by activity (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 09/04/2021)

Our Mid Corporate Definition

Italy is characterised by a large number of non-listed and listed micro, small and medium-sized companies. Looking at the revenues of these Italian companies, around 5,000 companies have revenues ranging from EUR 50M-EUR 1,500M based on Intesa Sanpaolo elaborations. We define these companies as 'Mid Corporate'. Looking more specifically at Italian listed companies, we include in our Mid Corporate segment all STAR companies and those with a market capitalisation below EUR 1Bn.

Disclaimer

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<https://group.intesasnpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest0>

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

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Long-term rating	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% lower than the market price
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock.
NO RATING	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances.
TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated

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

The 12M rating and target price history chart(s) for the companies currently under our coverage can also be found at Intesa Sanpaolo's website/Research/Regulatory disclosures: <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/tp-and-rating-history-12-months->

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

Date	Rating	TP (EUR)	Mkt Price (EUR)
17-Nov-20	Under Review	Under Review	11.0
14-Oct-20	BUY	15.9	13.2
15-Sep-20	Under Review	Under Review	14.5
24-Apr-20	BUY	16.2	13.4

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at April 2021)**

Number of companies considered: 109	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%) (*)	47	29	24	0	0
of which Intesa Sanpaolo's Clients (%) (**)	82	81	62	0	0

(*) Last rating refers to rating as at end of the previous quarter; (**) Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and investment banking services in the last 12 months; percentage of clients in each rating category

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Equity rating key (short-term horizon: 3M)

Short-term rating	Definition
LONG	Stock price expected to rise or outperform within three months from the time the rating was assigned due to a specific catalyst or event
SHORT	Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event

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