

Avio

2Q/1H Results Almost in Line, Good Prospects Confirmed

Avio released broadly in-line 2Q/1H26 results and confirmed its cautious FY26 guidance. The prospects for both space and defence improved further over the last three months. We have adjusted our estimates modestly and believe that they have good upside in the medium term, also depending on the Arianespace and US' DoW moves. We consider Avio's investment case compelling, especially for the 'patient' investors. We confirm our EUR 47 target price and BUY rating on the stock.

2Q/1H 2026 results almost in line

In 2Q26, new orders (EUR 82M, -9% yoy) met our estimates; Avio got an additional EUR 60M production contract for the Vega C at the start of July; revenues (EUR 147M, +16% yoy) were 1.4% below our forecast, and adj. EBITDA (EUR 6.5M, -1.5% yoy) was ~8% below our estimates; in 1H26 the bottom line result (positive at EUR 9.2M vs. EUR -0.2M in 1H25) beat our assumption (EUR 3.2M), reflecting improved financial income and a EUR 3.3M fair value adjustment on investments. The net financial position (positive by EUR 536M from EUR 559M as at the end of 1Q26) beat our EUR 520M estimate despite higher-than-expected capex (EUR 30M in 2Q26).

The confirmed FY26 guidance looks cautious

Avio confirmed its FY26 guidance; we deem the FY26 guidance cautious, because it implies that new orders will go down by 71/55% yoy in 2H26, with revenues and adj. EBITDA recording a -7.4/+2.4% yoy and -28/+6.0% yoy performance. We recall that the company tends to be cautious when setting targets and believe that the FY26 guidance does not make an exception.

The Conference call messages were strong and positive

We find that the conference call messages were positive on virtually all fronts: the Space business has significant growth prospects thanks to Ariane and Vega, and pricing is improving; Avio expects to get substantial financial support when it increases the Ariane booster capacity; on the defence side, the US project is progressing as expected and the plant's capacity increase will be funded with cash provided by Advent via a EUR 110M capital increase expected to be carried out soon.

Avio – Key data

Y/E Dec (EUR M)	2024A	2025A	2026E	2027E	2028E
Revenues	441.6	541.7	612.3	669.2	728.6
EBITDA	25.82	32.26	38.75	38.77	43.93
EBIT	8.38	11.97	17.75	16.37	20.12
Net income	6.09	10.48	20.40	15.54	16.86
Adj. EPS (EUR)	0.37	0.26	0.40	0.37	0.40
Net debt/-cash	-90.09	-591.7	-451.4	-315.6	-193.7
Adj P/E (x)	30.3	99.8	70.5	75.3	69.9
EV/EBITDA (x)	8.9	20.2	22.5	26.0	25.7
EV/EBIT (x)	27.3	54.5	49.1	61.5	56.1
Div ord yield (%)	1.3	0.6	0.5	0.4	0.4
FCF Yield (%)	8.3	10.4	-9.9	-9.4	-8.4

Source: Company data and Intesa Sanpaolo Research estimates. Priced at 10/09/2026

11 September 2026: 16:53 CET

Date and time of production

BUY

Target Price: EUR 47.0

Italy/Aerospace & Defence

Company Results

EXM-STAR

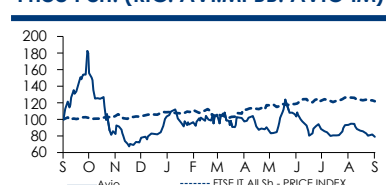
Avio – Key Data

Price date (market close)	10/09/2026
Target price (EUR)	47.0
Target upside (%)	67.80
Market price (EUR)	28.01
Market cap (EUR M)	1,310.6
52Wk range (EUR)	64.6/23.9

EPS – DPS changes

(EUR)	2026E	2027E	2026	2027
	EPS ▼	EPS ▲	chg%	chg%
Curr.	0.397	0.372	-2.81	1.21
Prev.	0.409	0.368	-	-
	DPS ▲	DPS ▲	chg%	chg%
Curr.	0.134	0.102	high	1.36
Prev.	0.000	0.101	-	-

Price Perf. (RIC: AVI.MI BB: AVIO IM)



Source: FactSet and Intesa Sanpaolo Research estimates

Intesa Sanpaolo SpA Research Dept.

Gabriele Gambarova - Research Analyst
+39 02 4127 9743
gabriele.gambarova@intesasnpaolo.com

2Q/1H Results and Conference Call

2Q/1H26 Results: almost in line

Avio released 2Q/1H 2026 results which were virtually in line with our own estimates. In 2Q26, **new orders** (EUR 82M, -9% yoy) met our estimates; we point out that Avio got an additional EUR 60M production contract for Vega C at the start of July. **Revenues** (EUR 147M, +16% yoy) were 1.4% below our forecast, and **adj. EBITDA** (EUR 6.5M, -1.5% yoy) was ~8% below our estimates; in 1H26 the **bottom line result** (positive by EUR 9.2M vs. EUR -0.2M in 1H25) beat our assumption (EUR 3.2M), reflecting improved financial income and a EUR 3.3M fair value adjustment on investments. The **net financial position** (positive by EUR 536M from EUR 559M as at the end of 1Q26) beat our EUR 520M estimate despite higher-than-expected capex (EUR 30M in the quarter).

Figure 1 – Avio – 2Q/1H26 results and estimates

EUR M	2Q25A	1H25A	FY25A	2Q26A	2Q26E	2Q26C	A/E %	A/C %	Δ yoy	1H26A	FY26E	FY26C
New orders	90	180	984	82	82	NA	0.0%	NM	-8.9%	160	459	NA
Order backlog	1,669	1,669		2,048	2,048	NA	0.0%	NM	22.7%	2,048	2,050	NA
						NA		NM				
Revenues	126.9	234.9	542	147.5	149.6	NA	-1.4%	NM	16.2%	276	608	601.2
EBITDA adj.	6.6	11.4	34.8	6.5	7.1	NA	-8.5%	NM	-1.5%	12.2	40.6	NA.
EBITDA adj. margin	5.2%	4.9%	6.4%	4.4%	4.7%	NA		NM		4.4%	6.7%	NM
EBITDA reported	6.0	10.0	32.3	6.7	6.6	NA	1.5%	NM	11.7%	11.9	38.6	35.5
EBITDA reported margin	4.7%	4.3%	6.0%	4.5%	4.4%	NA		NM		4.3%	6.3%	5.9%
EBIT reported	0.9	0.0	12.0	1.3	1.1	NA	18.2%	NM	44.4%	1.2	17.6	13.1
EBIT margin	0.7%	0.0%	2.2%	0.9%	0.7%	NA		NM		0.4%	2.9%	2.2%
Net profit/(loss)	NA	-0.2		NA	NM	NA	NM	NM		9.2	17.6	11.3
Net Cash/(Debt)	75.3	75.3	592	535.7	520	NA	1.1%	NM	460.4	535.7	450	516

NA: not available; NM: not meaningful; A: actual; E: estimates; C: Bloomberg consensus; Source: Company data and Intesa Sanpaolo Research

Avio confirmed the FY26 guidance: Order backlog: EUR 2.0–2.1Bn (EUR 2.166Bn as at the end of 2025); Revenues: EUR 560–590M (+3/+9%); EBITDA adjusted: EUR 29–37M; EBITDA reported: EUR 27–35M; Net profit: EUR 8–13M. **We deem the FY26 guidance cautious**, because it implies new orders to go down by 71/55% yoy in 2H26, with revenues and adj. EBITDA -7.4/+2.4% yoy and -28/+6.0% yoy, respectively.

Figure 2 – Avio – 2H26 KPI performance implied in the FY26 guidance

EUR M	Implied 2H26		FY26 guidance		Δ yoy	
	Low	High	Low	High	Low	High
New orders	234	364	394	524	-70.9%	-54.7%
Order backlog			2,000	2,100		
Revenues	284	314	560	590	-7.4%	2.4%
Δ% yoy	-7.4%	2.4%	NM	NM		
EBITDA adjusted	16.8	24.8	29	37	-28.2%	6.0%
As a % of revenues	5.9%	7.9%	5.2%	6.3%		
EBITDA reported	15.1	23.1	27	35	-32.3%	3.6%
As a % of revenues	5.3%	7.4%	4.8%	5.9%		
Net income	-1.2	3.8	8	13	NM	-63.8%
Net margin	-0.4%	1.2%	1.4%	2.2%		

NM: not meaningful; Source: Company data and Intesa Sanpaolo Research

We recall that the company is always very cautious when setting targets. The FY26 guidance does not make an exception in our understanding; we also point out that Avio had already indicated that 2026, 2027 and 2028 EBITDA would remain almost flat due to the costs for the new US SRM plant.

Conference call takeaways

Avio's management held a conference call on 10 September to review the 2Q/1H26 results; here follow the main takeaways from the call:

- The **cadence of the Ariane 6 launches** is likely to be lifted to 12/year in 2.0/2.5 years; to comply with this growth, Avio will have to supply more boosters than originally expected; in parallel, Avio intends to increase the Vega launch cadence from 3 in 2026 to 6; in our current estimates we are assuming Ariane to reach the rate of 12 launches/year only in 2035 and produce 35 boosters by then; now this prospect looks much closer (around 2029);
- The Ariane booster production ramp-up is to leverage Avio's existing infrastructure in Europe and Guyana, deemed already robust; it should require **additional capex**, but Avio is confident it will benefit from a substantial financial support from ESA members;
- The **US SRM initiative** is proceeding as planned; a ground-breaking ceremony is expected at end-September; the EUR 110M of cash that Avio will get from the private equity Advent via a reserved capital increase is to be used to boost the US plant's capacity and speed up its start of production (expected in 2H28), if possible; the resources will be used also to integrate vertically in the supply chain, which poses major challenges, according to management;
- The recent success of the Spectrum missile developed by the **German ISAR** is not a reason for concern: the missile production could take years to ramp up, and the payload is considerably smaller vs. Vega's (~1/3); in any case, market demand is so strong that there is going to be room for many players;
- **SpaceX** has increased its prices dramatically (it reportedly doubled them, according to Avio's management) and might become a captive launch provider; many clients are addressing Ariane and Avio to get launch services;
- On defence, it is very difficult to predict when the US Tier ones will place **additional production contracts for Solid Rocket Motors** (SRM); Avio is holding talks with Lockheed Martin and may replicate the same blueprint followed with other US clients, starting the development of an SRM and its early production in Italy to then migrate it to the new US plant from 2028.

We find that the conference call messages were positive on virtually all fronts; the Space business has significant growth prospects and pricing is improving; Avio expects to get substantial financial support when it increases the Ariane booster capacity; on the defence side, the US project is progressing as expected and the plant's capacity increase will be funded with cash provided by Advent.

Estimates' Revision

We have adjusted our estimates to factor in the 2Q26 results; we believe that the scenario for both Space and Defence has improved at the margin, and our medium/long-term assumptions have good upside potential. Our estimates for 2026-2030 cumulated revenues, adjusted EBITDA and adjusted net profit grew by 0.3%, 1.1% and 2.7%.

Figure 3 – 2026-2030 P&L estimates update

EUR m	2025	2026e		2027e		2028e		2029e		2030e	
	Actual	New	Old	New	Old	New	Old	New	Old	New	Old
- Space Propulsion	232	279	279	310	310	349	349	390	390	432	432
Δ% Y/Y	52.7%	20.2%	20.3%	11.2%	11.1%	12.6%	12.6%	11.7%	11.7%	10.9%	10.8%
- Defense Propulsion	82	105	101	131	127	149	144	271	265	382	376
Δ% Y/Y	16.4%	28.4%	23.9%	25.6%	25.7%	13.8%	13.4%	81.0%	84.0%	41.2%	42.1%
- Development	226	226	228	228	231	230	234	232	235	235	238
Δ% Y/Y	3.1%	-0.3%	0.9%	1.0%	1.0%	1.0%	1.3%	1.0%	0.6%	1.0%	1.2%
Eliminations	2	3	0	0	0	0	0	0	0	0	-0
Revenues	541.7	612.3	608.4	669.2	667.6	728.6	726.5	892.8	890.3	1,049	1,046
Δ% Y/Y	22.6%	13.0%	12.3%	9.3%	9.7%	8.9%	8.8%	22.5%	22.5%	17.5%	17.5%
EBITDA adjusted:											
- Space Propulsion	15	19	19	23	23	27	27	31	31	36	36
As a % of revenues	6.7%	7.0%	7.0%	7.3%	7.3%	7.7%	7.7%	8.0%	8.0%	8.3%	8.3%
- Defense Propulsion	9	12	12	16	16	19	18	37	36	54	53
As a % of revenues	10.8%	11.7%	11.7%	12.4%	12.4%	12.7%	12.7%	13.7%	13.7%	14.1%	14.1%
- Development	18	18	18	18	19	19	19	19	19	19	19
As a % of revenues	8.0%	8.0%	8.0%	8.0%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%
Eliminations/(Avio US costs)	-8	-9	-9	-16	-16	-18	-18	-8	-7	-8	-9
EBITDA adjusted	34.8	40.8	40.6	41.3	41.0	46.4	46.1	79.8	79.3	101.1	99.0
As a % of revenues	6.4%	6.7%	6.7%	6.2%	6.1%	6.4%	6.3%	8.9%	8.9%	9.6%	9.5%
Non-recurrent	-2.5	-2.0	-2.0	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5
EBITDA reported	32.3	38.8	38.6	38.8	38.5	43.9	43.6	77.3	76.8	98.6	96.5
As a % of revenues	6.0%	6.3%	6.3%	5.8%	5.8%	6.0%	6.0%	8.7%	8.6%	9.4%	9.2%
D&A	(20.3)	(21.0)	(21.0)	(22.4)	(22.4)	(23.8)	(23.8)	(41.9)	(41.9)	(45.3)	(45.3)
EBIT reported	12.0	17.7	17.6	16.4	16.1	20.1	19.8	35.3	34.9	53.4	51.2
Net financial income	1.1	6.0	6.0	4.8	4.8	2.8	2.9	2.0	2.1	2.3	2.5
Extraordinary items	0.0	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	13.1	27.0	23.6	21.1	20.9	22.9	22.7	37.3	37.0	55.7	53.7
Taxes	(1.5)	-5.4	-4.8	-4.2	-4.2	-4.6	-4.6	-7.5	-7.4	-11.1	-10.8
Tax rate	-11.3%	-20.0%	-20.3%	-20.0%	-20.1%	-20.0%	-20.3%	-20.0%	-20.0%	-20.0%	-20.1%
Net income from cont. op.	11.6	21.6	18.8	16.9	16.7	18.4	18.1	29.9	29.6	44.6	42.9
Minorities	(1.1)	(1.2)	(1.2)	(1.4)	(1.4)	(1.5)	(1.5)	(1.6)	(1.7)	(1.8)	(1.8)
Net profit	10.5	20.4	17.6	15.5	15.3	16.9	16.6	28.2	27.9	42.8	41.1
Adj. net profit	12.4	18.6	19.0	17.4	17.1	18.7	18.4	30.1	29.7	44.6	42.9

E: estimates; Source: Company data and Intesa Sanpaolo Research

Valuation update

We value Avio on the basis of a DCF model and SOTP that attributes value to the existing European operations and the future US SRM ones; the average fair value that we draw is EUR 47, unchanged from our previous valuation. **We keep our EUR 47 target price unchanged and confirm our BUY rating on the stock.**

DCF: Fair Value of EUR ~44 (+6%)

Apart from our modest estimates changes, we updated our assumptions on the Risk-Free Rate (to 3.75%, +25bps) and Market Risk Premium (to 6.00%, +25bps) in consistency with Intesa Sanpaolo assumptions; we lowered the β to 0.90 (-0.1) because we believe that Avio's risk profile has improved: the recent Ariane 6 and Vega C launches were successful and the order backlog offers strong visibility and good diversification; in addition, the EUR 110M capital increase reserved to Advent will strengthen the company's balance sheet further. We point out that the β currently provided by Bloomberg is ~0.8x. Following the above changes, our WACC moves to 9.15% (-10bps).

We stress that the recent newsflow for both space and defence (particularly for the missile component) remained very positive and possibly improved at the margin, substantiating our 3.5% "g" rate assumption.

Figure 4 – OCF Calculation

CASH FLOW (EUR M)	2025A	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	Norm. year
Net Sales	542	612	669	729	893	1,049	1,208	1,369	1,427	1,496	1,582
% change	22.7%	13.0%	9.3%	8.9%	22.5%	17.5%	15.1%	13.3%	4.3%	4.8%	5.8%
EBITDA	32.3	38.8	38.8	43.9	77.3	98.6	120.3	142.3	156.5	173.1	193.2
% margin	6.0%	6.3%	5.8%	6.0%	8.7%	9.4%	10.0%	10.4%	11.0%	11.6%	12.2%
% change	24.9%	20.1%	0.0%	13.3%	75.8%	27.7%	22.0%	18.3%	10.0%	10.6%	11.6%
Depreciation & other provisions	20	21	22	24	42	45	47	48	49	50	51
EBIT	12.0	17.7	16.4	20.1	35.3	53.4	73.5	94.2	107.3	122.8	141.9
% margin	2.2%	2.9%	2.4%	2.8%	4.0%	5.1%	6.1%	6.9%	7.5%	8.2%	9.0%
Taxes	-1	-5	-4	-5	-7	-11	-15	-19	-21	-25	-28
Normative tax rate	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
NOPLAT	10.5	12.3	12.1	15.5	28.3	42.7	58.8	75.4	85.8	98.2	113.5
Depreciation & other provisions	20	21	22	24	42	45	47	48	49	50	51
% sales	3.7%	3.4%	3.3%	3.3%	4.7%	4.3%	3.9%	3.5%	3.5%	3.4%	3.2%
Gross Operating Cash Flow	30.8	33.3	34.5	39.3	70.2	88.0	105.6	123.5	135.1	148.5	164.8
Capex	-37	-95	-190	-180	-120	-110	-65	-58	-55	-53	-50
% sales	-6.8%	-15.5%	-28.4%	-24.7%	-13.4%	-10.5%	-5.4%	-4.2%	-3.9%	-3.5%	-3.2%
Δ NWC (+=increase; -=decrease)	142	-78	26	27	67	64	65	66	24	28	35
Cash Flow to be discounted	136.1	-139.6	-129.7	-113.8	17.1	41.7	105.3	131.5	103.8	124.1	150.1

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Figure 5 – DCF Valuation

(EUR M)	2025A	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	Norm. year
WACC	9.15%	9.15%	9.15%	9.15%	9.15%	9.15%	9.15%	9.15%	9.15%	9.15%	9.15%
Discount Rate factor	0.00	0.97	0.89	0.82	0.75	0.69	0.63	0.58	0.53	0.48	0.44
Discounted Cash Flow	0	-136	-116	-93	13	29	66	76	55	60	66
Cumulated DCF	0	-136	-252	-345	-332	-303	-237	-161	-107	-47	20

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Figure 6 – WACC & DCF Analysis

Free Risk Rate (FRR)	3.75%	Cumulated DCF	20	Net Cash (2025A)	591.7
Company Risk Factor or Beta (CRF)	0.90			Minorities (book value)	(10.0)
Mkt Risk Premium (MRP)	6.00%	Perpetual Growth Rate (g)	3.5%	Pension underfunding	0.0
Cost of Equity (Ke or COE)	9.15%	Normalised Annual CF	150	Cash-in from warrant exercise	0.0
Cost of Debt (gross)	3.50%	Terminal Value as of 2035	2,750	Dividends	(6.8)
Debt tax rate	27.5%	Disc. Rate of Terminal Value	0.44	Capital increase	0.0
Cost of Debt net (Kd or COD)	2.54%	Discounted Terminal Value	1,217	Government grants (discounted)	140.9
Target gearing (D/E) or % Kd	0.0%			Equity Market Value (EUR M)	2,064
% Ke	100.0%	Financial assets	111	Number of shares (M)	46.8
Normative Tax Rate	20.0%	Enterprise Value (EUR M)	1,348	Fair Value per share (EUR)	44.1
WACC	9.15%			Potential upside/(downside)	47.3%

Source: Company data and Intesa Sanpaolo Research

Figure 7 – DCF Sensitivity analysis (I)

Implied β	WACC 44.1	Perpetual growth rate (g)						
		2.00%	2.50%	3.00%	3.50%	4.00%	4.50%	5.00%
1.15	10.65%	32.2	33.1	34.3	35.5	37.0	38.7	40.7
1.07	10.15%	34.0	35.1	36.4	37.9	39.7	41.8	44.2
0.98	9.65%	36.0	37.4	38.9	40.8	42.9	45.5	48.6
0.90	9.15%	38.3	40.0	41.9	44.1	46.8	50.0	54.0
0.82	8.65%	41.1	43.0	45.4	48.1	51.5	55.7	61.0
0.73	8.15%	44.2	46.7	49.5	53.0	57.4	62.9	70.2
0.65	7.65%	48.0	51.0	54.6	59.1	64.9	72.4	82.9

Source: Company data and Intesa Sanpaolo Research

Figure 8 – DCF Sensitivity analysis (II)

Implied β	WACC 44.1	Long-term EBITA margin						
		9.2%	10.2%	11.2%	12.2%	13.2%	14.2%	15.2%
1.15	10.65%	30.3	32.0	33.8	35.5	37.3	39.0	40.7
1.07	10.15%	32.1	34.1	36.0	37.9	39.9	41.8	43.7
0.98	9.65%	34.3	36.4	38.6	40.8	42.9	45.1	47.2
0.90	9.15%	36.8	39.2	41.7	44.1	46.5	49.0	51.4
0.82	8.65%	39.8	42.6	45.4	48.1	50.9	53.6	56.4
0.73	8.15%	43.5	46.7	49.9	53.0	56.2	59.3	62.5
0.65	7.65%	48.1	51.8	55.5	59.1	62.8	66.5	70.1

Source: Company data and Intesa Sanpaolo Research

SOTP: Fair Value of EUR ~49

Our Sum of The Parts values the European business and the US initiative separately. We value Avio's European operations based on Chemring's EV/Sales 2026E and EV/EBITDA 2026E multiples (2.9x and 14.7x respectively), while we use the multiples of the US peers Rocket Lab, Firefly and Karman Holdings to value the US SRM initiative on the Sales and EBITDA estimates for 2030. Our SOTP gives us a EUR 49.4 fair value.

Figure 9 – SOTP based on the 2026 estimates (2030 for US initiative)

	Sales 2026E	EBITDA 2026E	EV/Sales 2026C	EV/EBITDA 2026C	Enterprise Value	EV /Share	Valuation Method
- EU operations	612	40.8	2.9	14.7	1,188	25.4	EV/Sales-EV/EBITDA Chemring
- US operations (2030E)	181	28	6.0	25.5	898	19.2	EV/Sales-EV/EBITDA RKL, FLY, KRMN
Enterprise Value					2,086	44.6	
- Financial/tax assets					111.0	2.4	Actual Datum
- Net Cash Position as @ 31/12/2025A					591.7	12.6	Actual Datum
- Investment on the US plant (residual)					(600.0)	-12.8	Investments for the new SRM plant
- Dividends paid					(6.8)	-0.1	Paid on 20/05/2026
- Minority interests					(10.0)	-0.2	Book Value
- US Federal/State grants					140.9	3.0	Estimated value, discounted
Equity Value					2,313	49.4	
Current price						30.0	
Up/(Down)side potential						65.1%	
Number of shares out						46.8	

A: actual; E: estimates; C: Bloomberg consensus; Source: Company data and Intesa Sanpaolo Research

We show also a SOTP based on our 2027 estimates for the European operations, while the valuation of the US SRM initiative remains the same; in this case we draw a EUR 46.1 fair value.

Figure 10 - SOTP based on the 2027 estimates (2030 for US initiative)

	Sales 2026E	EBITDA 2026E	EV/Sales 2026C	EV/EBITDA 2026C	Enterprise Value	EV /Share	Valuation Method
- EU operations	669	41.3	2.5	12.3	1,106	23.6	EV/Sales-EV/EBITDA Chemring
- US operations (2030E)	181	28	6.0	25.5	898	19.2	EV/Sales-EV/EBITDA RKL, FLY, KRMN
Enterprise Value					2,004	42.8	
- Financial/tax assets					99.9	2.1	Estimate for 2026
- Net Cash Position as @ 31/12/2025A					451.0	9.6	Estimate for 2026
- Investment on the US plant (residual)					(540.0)	-11.5	Investments for the new SRM plant
- Dividends paid					0.0	0.0	To be paid in May 2027
- Minority interests					(10.0)	-0.2	Book Value
- US Federal/State grants					153.8	3.3	Estimated value, discounted
Equity Value					2,158	46.1	
Current price						30.0	
Up/(Down)side potential						54.0%	
Number of shares out						46.8	

A: actual; E: estimates; C: Bloomberg consensus; Source: Company data and Intesa Sanpaolo Research

Valuation and Key Risks

Valuation basis

We value Avio based on the average between a SOTP and a DCF; when dealing with the DCF, we use a ~9.25% WACC and a 3.5% "g" rate to factor in the strong growth momentum of the addressable market; we assume that Avio will reach an EBITDA margin of 12.2% from 2032 onwards thanks to higher volumes, better economies of scale and likely lower competitive pressure vis-à-vis the past, considering the current geopolitical scenario of de-globalization; we look at industry multiples to check the DCF valuation.

Key Risks

Company specific risks:

- Launch failures and price competition for both Ariane and Vega, especially for commercial launches
- Lower geopolitical tensions may impact the defence industry's multiples
- On the positive: the current geopolitical scenario is pushing tactical propulsion
- On the positive: Avio's Space business is recovering from a historical low touched in 2022/2024

Sector generic risks:

- New entrants, also with alternative solutions
- Alternative technologies (reusable rockets, direct energy weapons)
- On the positive: in the current geopolitical scenario Europe is clearly supportive of domestic launchers

Company Snapshot

Company Description

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

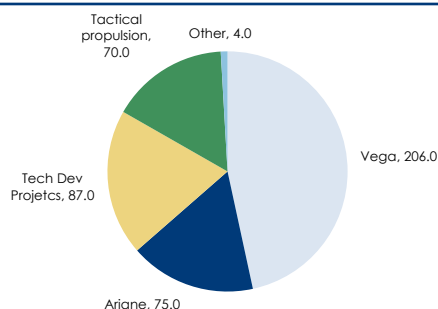
Key data

Mkt price (EUR)	28.01	Free float (%)	NA
No. of shares	46.79	Major shr	Leonardo SpA
52Wk range (EUR)	64.6/23.9	(%)	29.6
Reuters	AVI.MI	Bloomberg	AVIO IM
Performance (%)	Absolute	Rel. FTSE IT All Sh	
-1M	-15.4	-1M	-12.4
-3M	-23.6	-3M	-26.0
-12M	-21.0	-12M	-35.2

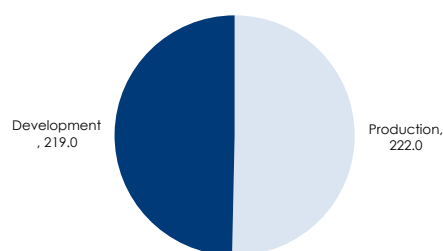
Estimates vs. consensus

EUR M (Y/E Dec)	2025A	2026E	2026C	2027E	2027C	2028E	2028C
Sales	541.7	612.3	598.5	669.2	638.0	728.6	718.0
EBITDA	32.26	38.75	36.15	38.77	37.30	43.93	45.80
EBIT	11.97	17.75	14.85	16.37	14.00	20.12	17.70
Pre-tax income	13.08	27.04	20.35	21.12	16.20	22.94	17.50
Net income	10.48	20.40	15.14	15.54	12.00	16.86	14.66
Adj. EPS (EUR)	0.26	0.40	0.41	0.37	0.34	0.40	0.36

Sales breakdown by product (%)



Sales breakdown by activity (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 10/09/2026)

Avio – Key Data

Rating BUY	Target price (EUR/sh) Ord 47.0		Mkt price (EUR/sh) Ord 28.01		Sector Aerospace & Defence	
Values per share (EUR)	2023A	2024A	2025A	2026E	2027E	2028E
No. ordinary shares (M)	26.36	27.16	46.79	46.79	46.79	46.79
Total no. of shares (M)	26.36	27.16	46.79	46.79	46.79	46.79
Market cap (EUR M)	238	309	1,233	1,311	1,311	1,311
Adj. EPS	0.46	0.37	0.26	0.40	0.37	0.40
BVPS	11.4	11.1	14.9	15.2	15.4	15.7
Dividend ord	0.24	0.15	0.15	0.13	0.10	0.11
Income statement (EUR M)	2023A	2024A	2025A	2026E	2027E	2028E
Revenues	338.7	441.6	541.7	612.3	669.2	728.6
EBITDA	20.5	25.8	32.3	38.8	38.8	43.9
EBIT	5.2	8.4	12.0	17.7	16.4	20.1
Pre-tax income	6.6	6.8	13.1	27.0	21.1	22.9
Net income	6.5	6.1	10.5	20.4	15.5	16.9
Adj. net income	12.1	10.2	12.4	18.6	17.4	18.7
Cash flow (EUR M)	2023A	2024A	2025A	2026E	2027E	2028E
Net income before minorities	6.6	6.4	11.6	21.6	16.9	18.4
Depreciation and provisions	15.3	17.4	20.3	21.0	22.4	23.8
Others/Uses of funds	-10.2	-1.0	-9.4	1.1	1.1	1.1
Change in working capital	29.8	42.4	142.3	-78.0	25.8	26.9
Operating cash flow	41.5	65.2	164.8	-34.3	66.2	70.1
Capital expenditure	-38.4	-39.5	-37.0	-95.0	-190.0	-180.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions and disposals	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow	3.1	25.7	127.8	-129.3	-123.8	-109.9
Dividends	0.0	-6.0	-3.9	-6.8	-6.1	-4.7
Share buyback	0.0	0.0	0.0	0.0	0.0	0.0
Equity changes & Other items	-1.4	-5.8	377.7	-4.2	-5.8	-7.4
Net cash flow	1.7	14.0	501.6	-140.3	-135.8	-121.9
Balance sheet (EUR M)	2023A	2024A	2025A	2026E	2027E	2028E
Net capital employed	234.2	222.8	116.8	271.1	416.7	551.3
of which associates	0.0	0.0	0.0	0.0	0.0	0.0
Net debt/-cash	-76.1	-90.1	-591.7	-451.4	-315.6	-193.7
Minorities	9.7	10.0	11.2	11.5	11.9	12.4
Net equity	300.6	302.8	697.3	710.9	720.4	732.6
Minorities value	9.7	10.0	11.2	11.5	11.9	12.4
Enterprise value	171.3	228.9	652.1	870.7	1,006.9	1,129.3
Stock market ratios (x)	2023A	2024A	2025A	2026E	2027E	2028E
Adj. P/E	19.6	30.3	99.8	70.5	75.3	69.9
P/CFPS	10.8	13.0	38.7	30.7	33.4	31.1
P/BVPS	0.79	1.0	1.8	1.8	1.8	1.8
Payout (%)	52	40	56	34	27	28
Dividend yield (% ord)	2.6	1.3	0.6	0.5	0.4	0.4
FCF yield (%)	1.3	8.3	10.4	-9.9	-9.4	-8.4
EV/sales	0.51	0.52	1.2	1.4	1.5	1.5
EV/EBITDA	8.3	8.9	20.2	22.5	26.0	25.7
EV/EBIT	32.8	27.3	54.5	49.1	61.5	56.1
EV/CE	0.73	1.0	5.6	3.2	2.4	2.0
D/EBITDA	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
D/EBIT	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
Profitability & financial ratios (%)	2023A	2024A	2025A	2026E	2027E	2028E
EBITDA margin	6.1	5.8	6.0	6.3	5.8	6.0
EBIT margin	1.5	1.9	2.2	2.9	2.4	2.8
Tax rate	0.3	5.6	11.3	20.0	20.0	20.0
Net income margin	1.9	1.4	1.9	3.3	2.3	2.3
ROCE	2.2	3.8	10.2	6.5	3.9	3.7
ROE	2.2	2.0	2.1	2.9	2.2	2.3
Interest cover	-3.7	5.2	-10.8	-3.0	-3.4	-7.1
Debt/equity ratio	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
Growth (%)	2023A	2024A	2025A	2026E	2027E	2028E
Sales		30.4	22.7	13.0	9.3	8.9
EBITDA		25.9	24.9	20.1	0.0	13.3
EBIT		60.4	42.7	48.3	-7.8	23.0
Pre-tax income		1.8	93.4	NM	-21.9	8.6
Net income		-6.2	72.1	94.8	-23.8	8.5
Adj. net income		-16.0	21.3	50.4	-6.3	7.6

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

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A stock's coverage cluster is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector or other classification. The list of all stocks in each coverage cluster is available on request.

Equity Rating Key (long-term horizon: 12M)

Long-term rating	Definition
BUY	BUY stocks are expected to have a total return of at least 10% and are considered the most attractive stocks in the analyst's/analyst's team cluster in a 12M period.
NEUTRAL	NEUTRAL stocks are expected to have a total return of at least 0% and are less attractive stocks than BUY rated stocks in the analyst's/analyst's team cluster in a 12M period.
UNDERPERFORM	UNDERPERFORM stocks are the least attractive in a coverage cluster in a 12M period.
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TENDER SHARES (TS)	We advise investors to tender the shares to the offer.
TARGET PRICE	The market price that the analyst believes the share may reach within a 12M time horizon.
MARKET PRICE	Closing price on day prior to issue date of the report, as indicated on the first page, except where otherwise indicated.
Note	Intesa Sanpaolo SpA assigns ratings to stocks as outlined above on a 12M horizon based on a number of fundamental drivers including among others, updates to earnings and valuation models. Exceptions to the bands above may occur during specific periods of market, sector or stock volatility or in special situations. Short-term price movements alone do not imply a reassessment of the rating by the analyst.

Important Note: The current rating system has been in place since 22 November 2024. On 7 April 2025, the rating names were subsequently updated to BUY (previously BUY), NEUTRAL (previously HOLD) and UNDERPERFORM (previously SELL) on an unchanged rating methodology. Please refer to the ISP Equity Rating informative note of 22 November, subsequently updated on 7 April 2025, for further details at the following link:

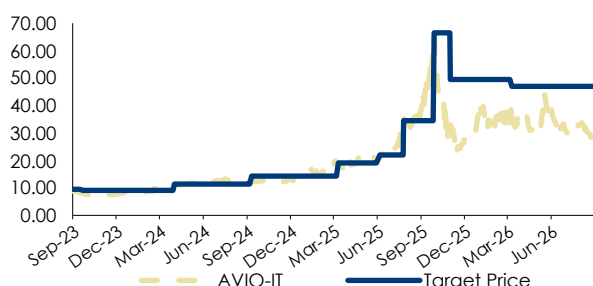
<https://group.intesasanpaolo.com/it/research/equity—credit-research>. Intesa Sanpaolo SpA had previously used an absolute rating system based on the following ratings: BUY (if the target price is 10% higher than the market price), HOLD (if the target price is in the range 10% below or 10% above the market price), SELL (if the target price is 10% lower than the market price). After 22 November 2024, analysts review and assign ratings on their coverage according to the rating system presented above. For additional details about the old rating system, please access research reports dated prior to 22 November at <https://cardea.intesasanpaolo.com/homepage/#/public> or contact the Research Department.

Historical recommendations and target price trends (long-term horizon: 3Y)

The 3Y rating and target price history chart(s) for the companies currently under our coverage can also be found at the Intesa Sanpaolo SpA website/Research/Regulatory disclosures: <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/tp-and-rating-history—12-months->.

Avio:

Target price and market price trend (-3Y)



Historical recommendations and target price trend (-3Y)

Date	Rating	TP (EUR)	Mkt Price (EUR)
20-Mar-26	BUY	47.0	35.0
11-Nov-25	BUY	49.5	32.9
08-Oct-25	BUY	66.5	64.6
05-Aug-25	BUY	34.5	33.9
16-Jun-25	BUY	22.0	21.2
21-Mar-25	NEUTRAL	19.1	17.5
20-Sep-24	BUY	14.3	12.3
11-Apr-24	HOLD	11.4	10.0
29-Sep-23	HOLD	9.1	8.1

Important Note: On 7 April 2025, Intesa Sanpaolo SpA renamed the following terms of its rating key: BUY (previously BUY); NEUTRAL (previously HOLD) and UNDERPERFORM (previously SELL); the rating key methodology behind the ratings assigned remains unchanged (see section above).

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

Intesa Sanpaolo SpA Research Dept. Rating Distribution (at July 2026)

Number of companies considered: 184

	BUY	NEUTRAL (PREV. HOLD)	UNDERPERFORM (PREV. SELL)
Total Equity Research Coverage relating to last rating (%)*	63	34	3
of which Intesa Sanpaolo SpA Clients (%)**	56	49	17

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

Equity Research Publications in Last 12M

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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 eligible for listing have revenues below EUR 1,500M based on Intesa Sanpaolo SpA 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 of around EUR 1Bn.

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Intesa Sanpaolo SpA Research Dept.

Gregorio De Felice - Head of Research Equity & Credit Research	+39 02 8796 2012	gregorio.defelice@intesasnpaolo.com
Alberto Cordara Giampaolo Trasi Equity Research	+39 02 4127 8647 +39 02 8794 9803	alberto.cordara@intesasnpaolo.com giampaolo.trasi@intesasnpaolo.com
Monica Bosio (Head)	+39 02 4127 9010	monica.bosio@intesasnpaolo.com
Alberto Artoni	+39 02 4127 9011	alberto.artoni@intesasnpaolo.com
Luca Bacoccoli	+39 02 4127 9012	luca.bacoccoli@intesasnpaolo.com
Davide Candela	+39 02 4127 9013	davide.candela@intesasnpaolo.com
Oriana Cardani	+39 02 4127 9014	oriana.cardani@intesasnpaolo.com
Marco Cristofori	+39 02 4127 9015	marco.cristofori@intesasnpaolo.com
Andrea Devita	+39 02 4127 9016	andrea.devita@intesasnpaolo.com
Antonella Frongillo	+39 02 4127 9017	antonella.frongillo@intesasnpaolo.com
Gabriele Gambarova	+39 02 4127 9743	gabriele.gambarova@intesasnpaolo.com
Renato Gargiulo	+39 02 4127 9018	renato.gargiulo@intesasnpaolo.com
Fernando Gil De Santivanes d'Ornellas	+39 02 4127 9694	fernando.gildesantivanes@intesasnpaolo.com
Emanuele Musio	+39 02 4127 9773	emanuele.musio@intesasnpaolo.com
Elena Perini	+39 02 4127 9020	elena.perini@intesasnpaolo.com
Bruno Permutti	+39 02 4127 9021	bruno.permutti@intesasnpaolo.com
Corporate Broking Research		
Alberto Francese (Head)	+39 02 4127 9022	alberto.francese@intesasnpaolo.com
Gabriele Berti	+39 02 4127 9023	gabriele.berti@intesasnpaolo.com
Giada Cabrino	+39 02 4127 9024	giada.cabrino@intesasnpaolo.com
Davide Rimini	+39 02 4127 9025	davide.rimini@intesasnpaolo.com
Arianna Terazzi	+39 02 4127 9026	arianna.terazzi@intesasnpaolo.com
Credit Research		
Manuela Meroni (Head)	+39 02 4127 9019	manuela.meroni@intesasnpaolo.com
Alessandro Chiodini	+39 02 4127 9027	alessandro.chiodini@intesasnpaolo.com
Dario Fasani	+39 02 4127 9028	dario.fasani@intesasnpaolo.com
Melanie Gavin	+39 02 4127 9029	melanie.gavin@intesasnpaolo.com
Maria Gabriella Tronconi	+39 02 4127 9030	maria.tronconi@intesasnpaolo.com
Barbara Pizzarelli (Research Support)		barbara.pizzarelli@intesasnpaolo.com
Technical Analysis		
Corrado Binda		corrado.binda@intesasnpaolo.com
Sergio Mingolla		antonio.mingolla@intesasnpaolo.com
Clearing & Data Processing		
Anna Whatley (Head)	+39 02 4127 9031	anna.whatley@intesasnpaolo.com
Stefano Breviglieri		stefano.breviglieri@intesasnpaolo.com
Maria Ermakova		maria.ermakova@intesasnpaolo.com
Annita Ricci		annita.ricci@intesasnpaolo.com
Wendy Ruggeri		wendy.ruggeri@intesasnpaolo.com
Elisabetta Bugliesi (IT support)		elisabetta.bugliesi@intesasnpaolo.com
Intesa Sanpaolo SpA – IMI Corporate & Investment Banking Division		
Bernardo Bailo - Head of Global Markets Sales	+39 02 7261 2308	bernardo.bailo@intesasnpaolo.com
Emanuele Pozzi - Head of Global Markets Flow Sales Equity Sales	+39 02 7261 7175	emanuele.pozzi@intesasnpaolo.com
Giorgio Pozzobon Institutional Sales	+39 02 7261 5616	giorgio.pozzobon@intesasnpaolo.com
Catherine d'Aragon	+39 02 7261 5929	catherine.daragon@intesasnpaolo.com
Francesca Bonacina		fancesca.bonacina1@intesasnpaolo.com
Laurent Kieffer	+44 20 7651 3653	laurent.kieffer@intesasnpaolo.com
Roberta Pupeschi	+39 02 7261 6363	roberta.pupeschi@intesasnpaolo.com
Federica Repetto	+39 02 7261 5517	federica.repetto@intesasnpaolo.com
Fabrizio Tito	+39 02 7261 7152	fabrizio.tito@intesasnpaolo.com
Mark Wilson	+39 02 7261 2758	mark.wilson@intesasnpaolo.com
Paola Parenti (Corporate Broking)	+39 02 7265 6530	paola.parenti@intesasnpaolo.com
Francesco Riccardi (Corporate Broking)	+39 02 7261 5966	francesco.riccardi@intesasnpaolo.com
Laura Spinella (Corporate Broking)	+39 02 7261 5782	laura.spinella@intesasnpaolo.com
Alessandro Bevacqua	+39 02 7261 5114	alessandro.bevacqua@intesasnpaolo.com
Lorenzo Pennati (Sales Trading)	+39 02 7261 5647	lorenzo.pennati@intesasnpaolo.com
Equity Derivatives Institutional Sales		
Emanuele Manini	+39 02 7261 5936	emanuele.manini@intesasnpaolo.com
Enrico Ferrari	+39 02 7261 2806	enrico.ferrari@intesasnpaolo.com
Edward Lythe	+44 20 7894 2456	edward.lythe@intesasnpaolo.com
Gherardo Lenti Capoduri – Head of Market Hub Intesa Sanpaolo IMI Securities Corp.	+39 02 7261 2051	gherardo.lenticapoduri@intesasnpaolo.com
Fabio Martirani (Equity Institutional Sales)	+1 212 326 1230	fabio.martirani@intesasnpaolo.com
Greg Principe (Equity Institutional Sales)	+1 212 326 1233	greg.principe@intesasnpaolo.com