Porto Aviation Group

Sector: Consumer Goods

Still in the sowing phase, waiting for 4-seats Risen

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Fair Value (€)	**6.00**
Market Price (€)	**3.90**
Market Cap. (€m)	**9.30**

KEY FINANCIALS (€mn)	2023A	2024E	2025E
VALUE OF PRODUCTION	3.8	4.3	6.2
EBITDA	0.6	0.5	1.0
EBIT	0.3	0.2	0.7
NET PROFIT	0.2	0.1	0.4
EQUITY	3.2	3.3	3.7
NET FIN. POS.	0.7	0.2	0.1
EPS ADJ. (€)	0.08	0.04	0.17
DPS (€)	0.00	0.00	0.00

Source: Company (historical figures)
Value Track (2024E-25E estimates)

KEY RATIOS	2023A	2024E	2025E
EBITDA MARGIN (%)	15%	11%	17%
EBIT MARGIN (%)	8%	4%	11%
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / EQUITY (x)	0.0	0.0	0.0
EV/SALES (x)	3.4	2.8	1.9
EV/EBITDA (x)	17.5	19.2	8.7
EV/EBIT (x)	32.1	49.5	14.0
P/E ADJ. (x)	55.6	nm	22.9

Source: Company (historical figures)
Value Track (2024E-25E estimates)

STOCK DATA	
MARKET PRICE (€)	3.9
SHS. OUT. (m)	2.4
MARKET CAP. (€m)	9.3
ENTERPRISE VALUE (€m)	9.1
FREE FLOAT (%)	15.16
AVG. -20D VOL. ('000)	2,950
RIC / BBG	PAG.MI / PAG IM
52 WK RANGE	3.50 – 6.60

Source: Stock Market Data

Porto Aviation Group ("Porto", "PAG") is establishing itself as one of the most innovative players in the design, engineering and manufacturing of high-performance lightweight aircraft and propellers.

1H24: Focus on brand awareness and orders acquisition

In 1H24 PAG focused on: i) brand awareness activities (e.g., trade fairs and the well-known no-stop transoceanic flight), ii) development of PAG's long-awaited 4-seats model; iii) orders acquisition (e.g. the contract with a supplier to the US Navy, for 14 new aircraft). Management focus on brand awareness and on orders acquisition has, on the other side, led to a delay in aircraft deliveries to 2H, thus reducing 1H24 revenue figure. Lower revenues and a weighty upturn in some development costs (which will be capitalized at the end of the year) have, as a consequence, negatively affected PAG's 1H24 financials.

As far as 1H24 financials, we flag the following:

- **VoP ca. -4.2% y/y** (at €1.8mn vs. €1.9mn in 1H23), boasted by the delivery of only three aircrafts (vs. six in 1H23);
- **EBITDA Reported -€430k** (vs. €694k in 1H23), due to the overall increase in costs. Additionally, it's important to stress that in 1H23 the company had posted €550k in grants;
- FCF ca. €-120k leading **Net Cash at ca. €550k**, down from €740k as of FY23.

PAG also disclosed its current **backlog**, now at **20 aircrafts** in processing for a total of ca. €6.4mn – compared to 10 in 1H23 and 14 in FY23.

Fine-tuning of 2024E-onward estimates

1H results are a bit lower than our FY24E forecasts. Thus, we've fine-tuned our FY24E-28E estimates with downward adjustments in the top line, EBITDA-EBIT, and cash flow due to. In 2024E-28E years we now forecast: 1) VoP to get close to €12.0mn (25.6% CAGR23A-28E); 2) EBITDA and EBIT Margin expected respectively at 26.5% and 21.6% by 2028E; 3) NFP to stands substantially at break-even point by 2026E year-end.

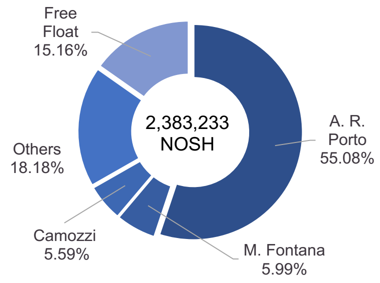
Fair Value p/s at €6.00 (down from €6.50)

Lower projections combined with slightly higher peers' multiples drives downwards **PAG fair value p/s at €6.0**, obtained through Valuation at Maturity method. DCF leads to €5.7-€6.5 p/s. At fair value PAG would trade at 1.6x, 6.0x, 13.7x EV/Sales, EV/EBITDA and P/E 2026E, respectively.

Business Description

Porto Aviation Group is an Italian company that engineers, manufactures, and commercializes high-performance lightweight aircrafts, and propellers. Porto also provides post-sales services, including maintenance / optimization, for aircraft sold up to ca. 5yy prior. With more than 48 aircrafts currently in operation worldwide, the company is known for its nearly full in-house production process and its ambition to rival top sport leisure aircraft manufacturers, attracting an elite clientele. Porto has facilities in Italy (Cremella, Rivanazzano Terme), Serbia (Vršac), and US (Nephi, Utah).

Shareholders Structure



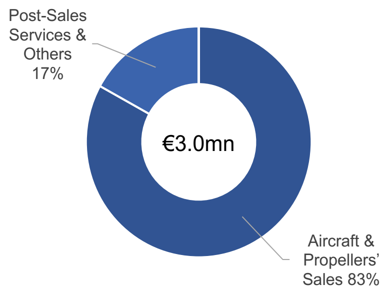
Source: Porto Aviation Group

Key Financials

€mn	2023A	2024E	2025E	2026E
Value of Production	**3.8**	**4.3**	**6.2**	**9.3**
y/y (%)	*59.5%*	*11.4%*	*45.6%*	*50.5%*
EBITDA Reported	**0.6**	**0.5**	**1.0**	**2.4**
EBITDA Reported Margin (%)	*15.3%*	*11.1%*	*16.9%*	*25.5%*
EBITDA of Ordinary Business (*)	0.2	-0.6	0.5	2.4
EBITDA of Ordinary Business Margin (%)	*6.3%*	*nm*	*8.9%*	*25.5%*
EBIT Reported	**0.3**	**0.2**	**0.7**	**1.9**
EBIT Reported Margin (%)	*8.4%*	*4.3%*	*10.5%*	*20.5%*
EBIT of Ordinary Business (*)	0.0	-0.9	0.2	1.9
EBIT of Ordinary Business Margin (%)	*-0.7%*	*-20.4%*	*2.5%*	*20.5%*
Net Profit	**0.2**	**0.1**	**0.4**	**1.0**
y/y (%)	*nm*	*-51.9%*	*nm*	*nm*
Net Fin. Position	**0.7**	**0.2**	**0.1**	**0.0**
Net Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	**-0.5**	**-0.8**	**-0.5**	**-1.0**
OpFCF b.t.	**-0.8**	**-0.5**	**0.5**	**0.8**
OpFCF b.t. as % of EBITDA	*-136.4%*	*-99.4%*	*43.9%*	*32.2%*

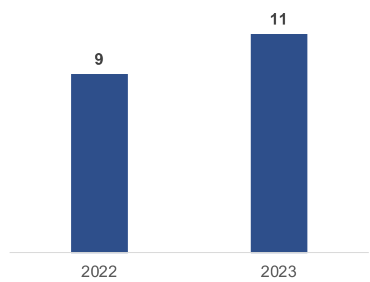
Source: Porto (historical figures), Value Track (estimates), (*) Net of extraord. revenues and costs

FY23's Sales breakdown by BU



Source: Porto Aviation Group

Number of Aircrafts Delivered



Source: Porto Aviation Group

Investment case

Strengths / Opportunities

- Predominantly "self-sufficient" business model
- Highly skilled Top Management with extensive experience
- Ever increasing reference market, expected to grow at double-digit rate

Weaknesses / Risks

- Supply chain rather challenging, i.e., some aircraft's components sourced from the US
- Low level of business industrialization

Stock multiples @ €6.00 Fair Value

	2024E	2025E
EV / SALES (x)	4.4	3.0
EV / EBITDA (x)	29.7	13.5
EV / EBIT (x)	nm	21.6
EV / CAP.EMP. (x)	4.5	4.0
OpFCF Yield (%)	<0	3.1
P / E (x)	nm	35.2
P / BV (x)	4.3	3.9
Div. Yield. (%)	0.0	0.0

Source: Value Track

1H24 Financials

Key Messages

In 1H24 PAG has been devoting a lot of efforts in **brand awareness** activities (e.g., trade fairs and the well-known no-stop transoceanic flight finalized back in June-July) and in the development of its long awaited 4-seats model.

Extremely good results have been also achieved in terms of **orders acquisition**. Indeed, we remind the signing of a contract in July with an American agency, a supplier to the US Navy, for 14 new aircraft.

Management focus on brand awareness and on orders acquisition has, on the other side, led to a delay in aircraft deliveries to 2H, thus reducing 1H24 revenue figure. Lower revenues and a weighty upturn in some development costs (which will be capitalized at the end of the year) have, as a consequence, negatively affected PAG's 1H24 financials.

Alberto Porto, President and CEO of PAG, commented: "*1H24 financial data do not clearly reflect the real positive and healthy progress of the company. I am satisfied with the performance, which, apart from the delay in the production of a couple of aircraft — expected to be recovered by the end of the year — highlights a general growth. Moreover, the efforts made for the new 4-seats model, which is expected to be launched in December, are bearing fruit…*".

Key Financials

More in details, for 1H24 financials, we flag the following:

- **VoP ca. -4.2% y/y** (at €1.8mn vs. €1.9mn in 1H23), driven by the delivery of only three aircrafts (vs. six in 1H23), while the delivery of two additional aircraft has been postponed as the company prioritized trade fairs and events within its medium-to-long-term growth strategy;
- **EBITDA Reported €-430k** (vs. €694k in 1H23), due to the overall increase in costs, including those for services, raw materials, and personnel. Additionally, it's important to stress that in 1H23 the company had posted €550k in grants;
- **EBIT Reported ~€-550k** (vs. €584k in 1H23), with D&A charges roughly in line y/y;
- **FCF €-120k** leading **Net Cash at ca. €550k**, down from €740k as of end of December 2023 and up from €375k of end of June 2023 (due to capital injections in 2H23 of ca. €1.6mn).

PAG also disclosed its current **backlog**, now at **20 aircrafts** in processing for a total of ca. €6.4mn – broadly doubling 1H23 figure of 10 and ca. 40% higher than FY23 ones (at 14) – also thanks to the signing of a contract in July with an American agency, a supplier to the US Navy, for 14 new aircraft.

Porto Aviation Group: Key Financial Items 1H22 – 1H23 – 1H24

(€mn)	1H22	1H23	1H24	y/y (%)
Value of Production	1.4	1.9	1.8	-4.2%
EBITDA Reported	0.3	0.7	-0.4	nm
EBITDA of Ordinary Business (*)	//	//	-0.2	//
EBIT Reported	-0.3	0.6	-0.6	nm
EBIT of Ordinary Business (*)	//	//	-0.3	//
Net Profit	-0.2	0.4	-0.7	nm
Net Fin. Position [Net debt (-) / Cash (+)]	//	0.4	0.5	0.2

Source: Porto Aviation Group, Value Track Analysis, (*) Net of extraordinary revenues and costs

Top line affected by prioritization on long-term growth

1H24 Revenues from Sales came in at €1.4mn, declining -6.9% y/y (vs. €1.5mn), while Value of Production burned by ca. -4.2% y/y, due to a reduced volume of orders (**"only" three aircrafts delivered in 1H24 vs six in 1H23**) and postponement of two aircrafts. Though, we believe that further three - four aircrafts have been delivered since the end of 1H24.

Regarding the other components of VoP, the Company posted i) €60k related to Other Revenues (i.e., zero related to operating grant about the financing provided by the Ministry of Enterprises of Made in Italy, vs. €552k of 1H23), ii) €378k to change in inventories (including WIP, vs. €-210k in 1H23).

Please note that the **4-seats model development is entering its final phase**. Indeed, as of today, all components are ready, with only the assembly remaining, which should allow for the first flights (first takeoffs) by the end of December 2024, thus fully meeting the program financed by the MISE.

Porto Aviation Group: Backlog and Aircrafts Delivered

(#)	FY21-22	1H23	2H23	1H24	2H24E
Aircraft Delivered	9	6	5	3	8
Backlog (Aircraft)	//	10	14	20	//

Source: Porto Aviation Group, Value Track Analysis

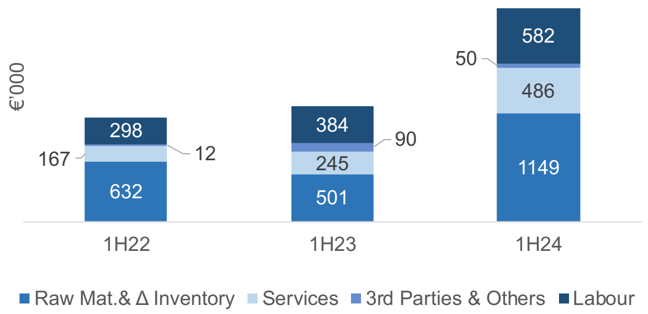
EBITDA drained by some costs not merely related to 1H24

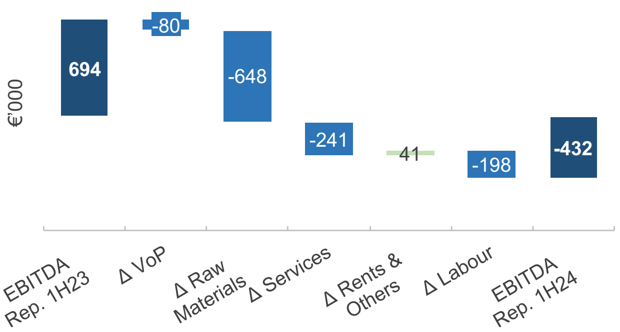
EBITDA Reported declined to ca. €-430k after Total Opex of €2.3mn (vs. €1.2mn in 1H23, +85.7% y/y). However, we note the presence of:

- €250k/€300k non-recurring development costs related to 4-seats model that should be capitalized at the end of the year;
- some one-off costs related to trade fairs in Germany (€20k) and the USA (€30k/€40k) to maximize brand awareness and secure new orders. Indeed, as a scale-up, PAG is strategically **focusing on medium-to-long-term growth** over immediate returns.

Thus, net of the extraordinary revenues and costs, EBITDA of Ordinary Business experienced ca. €-160k. Below EBITDA Reported, with D&A charges at €125k (vs. ca. €110k in 1H23), EBIT Reported stands at €-556k and Net Profit Reported at €-665k (vs. €368k in 1H23).

Porto Aviation Group: Costs Structure and EBITDA Bridge 1H23-1H24





Source: Porto Aviation Group, Value Track Analysis

Porto Aviation Group: P&L 1H22 – 1H23 – 1H24

(€, mn)	1H22	1H23	1H24	y/y
Revenues from Sales	**1.3**	**1.5**	**1.4**	***-6.9%***
Δ WIP and Finished Goods	0.0	-0.2	0.4	*nm*
Other Revenues	0.0	0.6	0.1	*-90.3%*
Value of Production	**1.4**	**1.9**	**1.8**	***-4.2%***
Raw Materials Costs	-0.5	-0.8	-1.3	*68.9%*
Δ Inventory (Raw Materials)	-0.1	0.3	0.1	*-48.1%*
Gross Profit	**0.7**	**1.4**	**0.7**	***-51.5%***
Gross Margin (%)	*53.6%*	*73.8%*	*37.4%*	*nm*
Costs of Services	-0.2	-0.2	-0.5	*98.0%*
Costs of Rent & Others	0.0	-0.1	0.0	*-45.0%*
Labour Costs	-0.3	-0.4	-0.6	*51.5%*
EBITDA Reported	**0.3**	**0.7**	**-0.4**	***nm***
EBITDA Reported Margin (%)	*18.7%*	*36.2%*	*-23.5%*	*nm*
EBITDA of Ordinary Business (*)	//	//	-0.2	//
EBITDA of Ordinary Business *Margin (%)*	//	//	*-9.1%*	//
D&A (excl. Goodwill)	-0.1	-0.1	-0.1	*27.9%*
Provisions	-0.5	0.0	0.0	*nm*
EBIT Reported	**-0.3**	**0.6**	**-0.6**	***nm***
EBIT Reported Margin (%)	*-23.3%*	*30.5%*	*-30.3%*	*nm*
EBIT of Ordinary Business (*)	//	//	-0.3	//
EBIT of Ordinary Business *Margin (%)*	//	//	*-15.9%*	//
Interest Expenses / Other Non-Op. Items	0.0	0.0	0.0	*-326.7%*
Pre-Tax Profit	-0.3	0.6	-0.5	*nm*
Taxes	0.1	-0.2	-0.1	*-40.6%*
Net Profit	**-0.2**	**0.4**	**-0.7**	***nm***
Net Profit Margin (%)	*-15.3%*	*19.2%*	*-36.2%*	*nm*

Source: Porto Aviation Group, Value Track Analysis, (*) Net of extraordinary revenues and costs

Burning cash due to development efforts

As for the Balance Sheet / Cash Flow Statement, we note:

- Tangible and intangible investments nearly zero (€8k in 1H24 vs. ~150k in 1H23), due to the decision to not capitalize development costs related to 4-seats model at this stage, but only at the end of FY24E;
- Net Working Capital at €797k (21.7% of VoP, annualized VoP, vs. €317k un 1H23), burdened by an inventory increase, (from €1.6mn in FY23 to €2.1mn in 1H24) due to the delivery delay of two aircraft as well as the purchase of materials to advance in the production of the 4-seats model.

Thus, **OpFCF b.t.** (defined as EBITDA Adj.- Tangible and Intangible Capex ± ΔNWC ± Δ Provisions) **stood slightly below the break-even point**, in spite of positive ΔNWC for ca. €340k. As regards **Net Cash Position**, it got worse to **€550k** vs. €375k and €740k recorded in 1H23 and FY23, respectively, driven by the previously mentioned factors.

Note that PAG holds cash available at €1.1mn, to be likely devoted to support business operations.

Porto Aviation Group: Cash Flow Structure 1H23 – 1H24

(€, mn)	1H23	1H24
EBITDA Reported	0.7 (*)	-0.4
Δ NWC / Δ Provisions	0.0	0.4
Capex (excl. Financial Investments)	-0.2	0.0
OpFCF b.t.	**0.5**	**-0.1**
As a % of EBITDA Reported	*70.7%*	*nm*
Cash Taxes	-0.2	-0.1
OpFCF a.t.	**0.3**	**-0.2**
Other (incl. Financial Inv.)	0.0	0.0
Net Financial income (Charges)	0.0	0.0
Δ Net Financial Position	**0.3**	**-0.2**

Source: Porto Aviation Group, Value Track Analysis, (*) €625k obtained from grants

Porto Aviation Group: Balance Sheet FY22 – 1H23 – FY23 – 1H24

(€ mn)	FY22	1H23	FY23	1H24
Inventories	1.4	1.5	1.6	2.1
Trade Receivables	0.1	0.4	0.3	0.4
Other Current Assets	0.4	0.4	0.5	0.3
Trade Payables	0.3	0.4	0.3	0.5
Other Payables	1.4	1.4	1.0	1.6
o/w Down Payments	*1.3*	*1.3*	*0.7*	*1.1*
Others	*0.1*	*0.1*	*0.2*	*0.5*
Net Working Capital	**0.3**	**0.3**	**1.1**	**0.8**
Goodwill	0.0	0.0	0.0	0.0
Tangibles & Intangibles (ex-Goodwill)	1.2	1.2	1.4	1.3
Financial assets	0.1	0.1	0.1	0.1
Net Fixed Assets	**1.3**	**1.3**	**1.5**	**1.4**
Provisions	0.2	0.2	0.2	0.2
Total Capital Employed	**1.3**	**1.4**	**2.5**	**2.0**
Group Net Equity	**1.4**	**1.8**	**3.2**	**2.5**
Net Fin. Position [Net debt (-) / Cash (+)]	**0.1**	**0.4**	**0.7**	**0.5**

Source: Porto Aviation Group, Value Track Analysis

Porto Aviation Group: Net Financial Position Structure FY22 – 1H23 – FY23 – 1H24

(€ mn)	FY22	1H23	FY23	1H24
Cash and deposits (+)	0.5	1.6	0.8	1.1
Debt to Banks within 12 months (-)	-0.1	-0.1	-0.0	-0.0
Current Net Financial Position	**0.5**	**1.5**	**0.7**	**1.0**
Long term financial credits, i.e., BTP (+)	0.0	0.0	1.0	0.5
Debt to Banks over 12 months (-)	-0.3	-0.3	-0.1	-0.1
Debt to Parent Co. / Other Sh.holders (-)	0.0	-0.9	-0.9	-0.9
Non-Current Financial Position	**-0.4**	**-1.2**	**0.0**	**-0.5**
Net Fin. Position [Net debt (-) / Cash (+)]	**0.1**	**0.4**	**0.7**	**0.5**

Source: Porto Aviation Group, Value Track Analysis

Forecasted Financials 2024E-28E

1H results are not properly consistent with our FY24E forecasts as far as profitability and cash absorption are concerned, while a bit lower on Top Line growth.

As a result, we're fine tuning our 2024E-28E estimates. Particularly, we flag:

- Minor top line downward revision (~10% per annum), with two 2-seats aircraft cut in FY24E and FY25E, and a mix change in FY26E, encompassing one less 4-seats and two additional 2-seats. Though, note that the drop in FY25E is mitigated by an extra ~€500k grants provided by MISE;
- Lowering revision of EBITDA-EBIT owing to lower revenues (essentially a 6-months delay in deliveries) coupled with fixed costs;
- Strong Cash Flow falling adjustments driven by minor profitability (ca. €750k in FY24E and ~€150k in FY25E-26E).

Porto Aviation Group: New vs. Old estimates

	2024E			2025E			2026E		
(€ mn)	**Old**	**New**	**Change**	**Old**	**New**	**Change**	**Old**	**New**	**Change**
Aircrafts Delivered	**13**	**11**		**18**	**16**		**23**	**24**	
o/w 2-seats Risen	*13*	*11*	*-15.4%*	*18*	*16*	*-11.1%*	*19*	*21*	*10.5%*
4-seats Risen	*0*	*0*	*nm*	*0*	*0*	*nm*	*4*	*3*	*-25.0%*
Value of Production	**4.9**	**4.3**	**-13.3%**	**6.3**	**6.2**	**-1.3%**	**9.9**	**9.3**	**-6.1%**
EBITDA Reported	**1.1**	**0.5**	**-56.5%**	**1.4**	**1.0**	**-23.3%**	**2.7**	**2.4**	**-11.3%**
EBITDA of Ordinary Business	0.0	-0.6	nm	1.4	0.5	-59.8%	2.7	2.4	-11.3%
D&A	-0.3	-0.3	nm	-0.4	-0.4	11.7%	-0.4	-0.5	10.0%
EBIT Reported	**0.8**	**0.2**	**-77.0%**	**1.0**	**0.7**	**-35.5%**	**2.3**	**1.9**	**-15.3%**
EBIT of Ordinary Business	-0.3	-0.9	nm	1.0	0.2	-84.8%	2.3	1.9	-15.3%
Pre tax profit	**0.8**	**0.1**	**-81.0%**	**1.0**	**0.6**	**-37.3%**	**1.9**	**1.6**	**-16.6%**
Net profit	**0.5**	**0.1**	**-81.0%**	**0.6**	**0.4**	**-37.3%**	**1.3**	**1.0**	**-19.5%**
Net Financial Position	**0.9**	**0.2**	**-0.8**	**1.3**	**0.1**	**-1.1**	**1.2**	**0.0**	**-1.2**
OpFCF a.t.	**0.2**	**-0.5**	**nm**	**0.4**	**0.3**	**-32.9%**	**0.4**	**0.2**	**-43.0%**

Source: Value Track Analysis

Our new 2024E-28E forecasts can be summarized as follows:

- Value of Production expected to move from €4.3mn in 2024E to ca. €12.0mn at the end of the forecasted period (ca. 25% CAGR23A-28E);
- Operating profitability increasing over the next three years with EBITDA and EBIT Margin expected respectively at 26.5% and 21.6% by 2028E;
- Almost flattering Working Capital dynamics, implying a great operating cash conversion with OpFCF b.t. / EBITDA ratio on average at ~50% over the FY25E-28E period;
- Net Financial Position to stands substantially at break-even point by 2026E year-end.

Porto Aviation Group: 2023A-28E P&L Forecasts

(€mn)	2023A	2024E	2025E	2026E	2027E	2028E
Value of Production	**3.8**	**4.3**	**6.2**	**9.3**	**10.9**	**12.0**
Raw Materials, Δ Inventory (Raw Materials)	-1.4	-1.6	-2.3	-3.7	-4.0	-4.6
Costs of Services	-0.8	-0.9	-1.1	-1.1	-1.4	-1.4
Costs of Rent & Others	-0.2	-0.2	-0.4	-0.5	-0.7	-0.7
Labour Costs	-0.8	-1.1	-1.4	-1.7	-1.9	-2.1
EBITDA Reported	**0.6**	**0.5**	**1.0**	**2.4**	**2.9**	**3.2**
EBITDA Reported Margin (%)	*15.3%*	*11.1%*	*16.9%*	*25.5%*	*26.3%*	*26.5%*
EBITDA Ordinary Business	**0.2**	**-0.6**	**0.5**	**2.4**	**2.9**	**3.2**
D&A and Provisions	-0.3	-0.3	-0.4	-0.5	-0.6	-0.6
EBIT Reported	**0.3**	**0.2**	**0.7**	**1.9**	**2.3**	**2.6**
EBIT Reported Margin (%)	*8.4%*	*4.3%*	*10.5%*	*20.5%*	*21.2%*	*21.6%*
EBIT Ordinary Business	0.0	-0.9	0.2	1.9	2.3	2.6
Interest Expenses	0.0	0.0	0.0	-0.3	-0.4	-0.3
Other Non-Operating Income/Expenses	0.0	0.0	0.0	0.0	0.0	0.0
Pre-Tax Profit	**0.3**	**0.1**	**0.6**	**1.6**	**2.0**	**2.2**
Taxes	-0.1	0.0	-0.2	-0.5	-0.7	-0.8
Net Profit	**0.2**	**0.1**	**0.4**	**1.0**	**1.3**	**1.5**

Source: Porto Aviation Group, Value Track Analysis

Porto Aviation Group: 2023A-28E Balance Sheet

(€mn)	2023A	2024E	2025E	2026E	2027E	2028E
Net Fixed Assets	1.5	2.0	2.4	2.9	3.1	3.3
Net Working Capital	1.1	1.3	1.4	2.1	2.3	2.5
Provisions	0.2	0.2	0.3	0.3	0.3	0.4
Total Capital Employed	**2.5**	**3.1**	**3.6**	**4.7**	**5.1**	**5.4**
Group Net Equity	**3.2**	**3.3**	**3.7**	**4.7**	**6.0**	**7.5**
Net Fin. Pos. [Net Debt (-) Cash (+)]	**0.7**	**0.2**	**0.1**	**0.0**	**0.9**	**2.1**

Source: Porto Aviation Group, Value Track Analysis

Porto Aviation Group: 2023A-28E Cash Flow Statement

(€mn)	2023A	2024E	2025E	2026E	2027E	2028E
EBITDA Reported	0.6	0.5	1.0	2.4	2.9	3.2
Δ NWC	-0.9	-0.2	-0.1	-0.6	-0.3	-0.1
Capex	-0.5	-0.8	-0.5	-1.0	-0.8	-0.8
Δ Provisions	0.0	0.0	0.0	0.0	0.0	0.0
OpFCF b.t.	**-0.8**	**-0.5**	**0.5**	**0.8**	**1.9**	**2.3**
As a % of EBITDA Reported	*-136.4%*	*-99.4%*	*43.9%*	*32.2%*	*65.4%*	*72.6%*
Cash Taxes	-0.1	0.0	-0.2	-0.5	-0.7	-0.8
Others (incl. Financial Inv.)	0.0	0.0	-0.3	0.0	0.0	0.0
Capital Injections	1.6	0.0	0.0	0.0	0.0	0.0
Net Financial Charges	0.0	0.0	0.0	-0.3	-0.4	-0.3
Δ Net Financial Position	**0.6**	**-0.6**	**0.0**	**-0.1**	**0.9**	**1.2**

Source: Porto Aviation Group, Value Track Analysis

Valuation

PAG's Fair Equity Value at €6.0 p/s

We fine tune PAG's **Fair Equity Value** at **€6.0 per share (down from €6.50 p/s)**, which would imply a **ca. €14.3mn market capitalization** and a 50% upside with respect to the current stock market price, based on **Valuation at Maturity** methodology.

Additionally, we have resolved to verify the consistency of our fair value assessments through a process of cross-checking by:

- **DCF**, providing a value range of €5.70-€6.50 p/s, also considering different capital structures, with **€6.10 p/s** average;
- **IRR Analysis,** assuming an 8.7x EV/EBITDA multiple, Porto's stock could reach €8.72 p/s in 2026E, yielding an annualized **IRR of about 38%** over 2.5 years.

At €6.0 p/s, Porto would trade at **6.0x EV/EBITDA 2026E**. Rather than multiples however, we would underline the **strategic value** that the company boasts in the aviation value chain. We imagine that many international giant players might find more attractive to "partner" with PAG rather than rolling out in-house their competences / technologies in the field.

The table below show the sensitivity of key multiples to different fair values p/s.

Porto Aviation Group: Multiples Sensitivity at Various Stock Price Levels

Fair Equity Value p/s (€)	EV/EBITDA (x)			EV/EBIT (x)			P/E Adj. (x)		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
€ 10.7 mn	22.2	10.1	4.5	57.3	16.2	5.6	>50	26.4	10.3
€ 11.9 mn	24.7	11.2	5.0	63.7	18.0	6.2	>50	29.3	11.4
€ 13.1 mn	27.2	12.3	5.5	70.2	19.8	6.8	>50	32.2	12.5
€ 14.3 mn	**29.7**	**13.5**	**6.0**	**76.7**	**21.6**	**7.5**	**>50**	**35.2**	**13.7**
€ 15.5 mn	32.2	14.6	6.5	83.2	23.5	8.1	>50	38.1	14.8
€ 16.7 mn	34.8	15.8	7.0	89.6	25.3	8.7	>50	41.0	15.9
€ 17.9 mn	37.3	16.9	7.5	96.1	27.1	9.3	>50	44.0	17.1

Source: Value Track Analysis

Valuation at Maturity

Stock Market Multiples Benchmark

The whole panel of peers is trading at median **8.7x EV/EBITDA, 12.7x EV/EBIT, 15.0x P/E Adj. 2024E**, with Porto trading at ca. **25%-40% discount** on FY26E multiples.

- **Aircraft Manufacturers** stocks continues showing the most demanding multiples;
- **Yacht Builders** comparables trade at discount vs. all the other clusters, at a median 4.4x EV/EBITDA 2025E vs. 9.7x of Aircraft Manufacturers stocks;
- **Luxury Cars Manufacturers** peers trade at ca. 5.9x EV/EBITDA 2025E, but with data being scattered from Aston Martina Lagonda Global at 4.6x.

Porto Aviation Group: Peers Trading Multiples

Peers	EV/EBITDA (x)			EV/EBIT (x)			P/E Adj. (x)		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Aircraft Manufacturers									
Boeing	>30	17.2	11.6	nm	22.7	14.7	nm	26.9	16.3
Textron	10.6	9.7	9.1	14.3	12.5	11.9	15.5	13.9	13.1
Airbus	11.8	8.8	7.3	17.3	11.8	9.6	26.0	18.1	15.9
Average	**27.5**	**11.9**	**9.4**	**15.8**	**15.7**	**12.1**	**20.7**	**19.6**	**15.1**
Median	**11.8**	**9.7**	**9.1**	**15.8**	**12.5**	**11.9**	**20.7**	**18.1**	**15.9**
Yacht Builders									
Sanlorenzo	6.2	5.6	5.1	7.8	6.9	6.2	12.5	11.4	10.6
The Italian Sea Group	5.6	4.4	3.8	6.6	4.9	4.2	9.3	7.7	7.2
Ferretti	3.1	2.4	1.7	4.8	3.5	2.5	9.4	8.3	7.5
Bellini Nautica	12.9	5.1	3.4	22.4	7.0	4.3	29.0	19.3	14.0
Average	**7.0**	**4.4**	**3.5**	**10.4**	**5.6**	**4.3**	**15.0**	**11.7**	**9.8**
Median	**5.9**	**4.7**	**3.6**	**7.2**	**5.9**	**4.3**	**10.9**	**9.9**	**9.1**
Luxury Car Manufacturers									
Ferrari	30.7	28.0	25.5	42.0	38.1	34.5	52.5	49.0	44.8
Porsche	6.8	5.9	5.6	11.1	9.1	8.4	14.4	11.9	11.0
Aston Martin Lagonda Global	6.3	4.6	3.7	nm	21.8	10.6	nm	nm	18.5
Average	**14.6**	**12.8**	**11.6**	**26.6**	**23.0**	**17.8**	**33.5**	**30.4**	**24.7**
Median	**6.8**	**5.9**	**5.6**	**26.6**	**21.8**	**10.6**	**33.5**	**30.4**	**18.5**
Total Average	**15.4**	**9.2**	**7.7**	**15.8**	**13.8**	**10.7**	**21.1**	**18.5**	**15.9**
Total Median	**8.7**	**5.7**	**5.4**	**12.7**	**10.5**	**9.0**	**15.0**	**13.9**	**13.5**
Porto Aviation Group	**19.2**	**8.7**	**3.9**	**nm**	**14.0**	**4.8**	**nm**	**22.9**	**8.9**
Discount vs. Total Median (%)	*121%*	*52%*	*-28%*	*nm*	*34%*	*-46%*	*nm*	*65%*	*-34%*

Source: Market Consensus, Value Track Analysis

Valuation

Our Valuation at Maturity returns a **Fair Equity Value of €6.0 p/s**, obtained by:

- Applying Peers' EV/EBITDA 2024E total median (8.7x) to PAG's 2026E EBITDA;
- Performing the Venture Capital Method on **Porto**. We considered the high execution risk of very early-stage businesses that still need to prove their scalability by applying a 18.5% discount rate.

Porto Aviation Group: Valuation at Maturity in 2026E

Fair Enterprise Value (€mn)	2026E
Fair EV/BITDA @ Maturity (x)	8.7x
EBITDA	2.4
Fair Enterprise Value @ Maturity	**20.9**
Net Fin. Position [i.e., Net Debt (-) Cash (+)]	0.0
Fair Equity Value @ Maturity	**20.9**
Fair Equity Value Today (discounted w/IRR @ 18.5%)	**14.2**
Number of Shares (mn)	2.8
Fair Equity Value p/s	**6.0**

Source: Value Track Analysis

Cross-Check #1: Discounted Cash Flow

Our DCF analysis results in an **Equity Value of €6.1 per share**, within a range of €5.7 to €6.5 p/s, contingent upon the capital structure mix.

WACC Assumptions

Our model derives an **11.7% Rolling WACC** from the Capital Asset Pricing Model approach, relying on the assumptions below and assuming the current capital structure (unlevered); while based on a **target capital structure** (20% D/D+E) our WACC comes at **10.7%.**

The key assumptions for our DCF models are:

- 2.0% Risk-free rate in line with medium term inflation target, 0.9x unlevered beta (as European Air Transport companies), 5.19% Italian ERP (source: *Damodaran*), 5.0% Company specific Risk Premium (small cap + low liquidity) and additional 1.5% small-cap market risk premium;
- Explicit financial statements projections from 2024E up to 2030E and Terminal Value at 2030E, obtained applying a 2.0% Perpetuity Growth Rate (PGR).

DCF Model

That said as for our DCF assumptions, the results of our models are reported in the tables below, with Fair Equity Value p/s at **€5.7** supposing the current unlevered capital structure, with unlevered Beta and Rolling WACC, and **€6.5** Fair Equity Value p/s on a target marginally levered capital structure.

Porto Aviation Group: Group DCF Model with Rolling WACC and @ Target Capital Structure

(€mn, g = 2.0%)	Rolling	Target
PV of Future Cash-Flows 2025E-2030E	3.6	3.8
PV of Terminal Value 2030E	9.9	11.5
Fair Enterprise Value	**13.5**	**15.3**
Net Financial Position 2024E	0.2	0.2
Fair Equity Value	**13.6**	**15.5**
Number of Shares (mn)	2.4	2.4
Fair Equity Value p/s	**5.7**	**6.5**

Source: Value Track Analysis

Porto Aviation Group: Sensitivity of DCF Model @ Target Capital Structure

Fair Equity Value p/s (€mn)		Perpetuity Growth (%)				
		1.50%	1.75%	2.00%	2.25%	2.50%
WACC (%)	9.7%	7.1	7.3	7.5	7.7	7.9
	10.2%	6.6	6.8	7.0	**7.2**	7.3
	10.7%	6.2	6.3	**6.5**	6.6	6.8
	11.2%	5.8	**5.9**	6.1	6.2	6.3
	11.7%	5.5	5.6	5.7	5.8	5.9

Source: Value Track Analysis

Cross-Check #2: IRR Analysis

If Porto would have current median peers 8.7x EV/EBITDA 2024E multiple up to 2026E, its stock could go up to €8.72 p/s. Thus, an investor entering PAG share capital today at market price and exiting in 2026E at the same multiple would get exposure to an **annualized IRR** (gross of tax) of **ca. 38% in a 2.5-year period**.

Porto Aviation Group: IRR Valuation

IRR Valuation (€)	2026E
EBITDA (€mn)	2.4
Exit EV/EBITDA (x) on 31/12/2026	8.7
Fair Enterprise Value (€mn)	**20.7**
Net Financial Position (€mn)	0.0
Fair Equity Value	**20.7**
NOSH (mn)	2.8
Fair Equity Value p/s (€)	**8.7**
IRR Annualized (%)	***38%***

Source: Value Track Analysis

Porto Aviation Group: IRR Sensitivity Analysis

IRR Annualized (%)		Exit (Year)				
		2024E	2025E	2026E	2027E	2028E
Exit EV/EBITDA (x)	7.7	<0	<0	31%	30%	26%
	8.2	<0	<0	35%	32%	28%
	8.7	<0	0%	**38%**	34%	29%
	9.2	<0	4%	41%	36%	31%
	9.7	<0	7%	44%	38%	32%

Source: Value Track Analysis

Appendix

Porto Aviation Group at a glance

With **2023A Value of Production and EBITDA at ca. €3.8mn and €0.6mn** respectively, Porto Aviation Group (or "the Company" or "Porto") is an innovative **high-end Italian manufacturer specializing in high-performance lightweight aircrafts and propellers**.

Its current portfolio includes two models of ultralight single-engine aircraft, *Risen912iS* and *Risen SV Turbo 915 / 916*, as well as the *Idrovario* propellers, but the ambitious plan is to launch a new *4-seats Risen* model at the beginning of 2026 that would be a game changer product in the GA segment.

As ancillary activities, Porto also offers: i) manufacturing aircraft parts or auxiliary equipment (such as landing gear, motorized canopy for unrestricted views, avionics, and customized engine power), development and manufacturing of prototypes of aircraft parts and ii) maintenance / optimization services for previously sold aircraft.

Porto traces its roots back to **1994**, originally named Alisport as a glider manufacturer. In 2017, Alisport merged with Aerotec Innovation, founded in 2016 by the current Executive Chairman and CEO, Alberto Rodolfo Porto, who has over 20 years of aviation experience, rebranding as "Porto Aviation Group" in 2019.

Porto's vision is to rival (and overcome) the foremost manufacturers of sport leisure aircraft. Indeed, Porto's brand is synonymous with prestige, exclusivity, and high-performance, attracting an elite clientele that seeks not only superior functionality but also a strong symbol of social status and personal success. Somehow, we could think at Porto as a kind of "**Ferrari of the skies**".

With a workforce of ~30 employees, Porto locates in:

- **Cremella** (Lecco): where the production and assembly of aircraft and propellers take place;
- **Rivanazzano Terme Airport** (Pavia): where all airport and flight operations with clients are carried out (i.e., test flights, adaptation flights with clients, as well as deliveries, maintenance, and repairs), equipped with a hangar for the parking and storage of aircraft;
- **Vršac** (Serbia): facility dedicated to the production of carbon fuselages, managed through the full-controlled Serbian subsidiary, Aerotec Composites;
- **Nephi, Utah** (USA), home to a facility specifically dedicated to flight test and final assembly.

Since August 2023, the Company has been listed on the Italian Stock Exchange (EGM, ticker "PAG"), successfully raising approximately €1.6mn.

Porto Aviation Group: Geographical Footprint

Source: Value Track Analysis

Key points of Porto investment case

Porto embodies a highly ambitious goal to deeply innovate not only the Light Sport Aircraft (LSA) market, but also the General Aviation (GA) one, relying on several key competitive features:

 # 1 – High-performing products with strong competitive positioning;

 # 2 – "Nearly full" in-house business model;

 # 3 – Highly supportive Reference Markets;

 # 4 – Highly skilled Top Management with long-lasting experience;

#1 – High-performing products with strong competitive positioning

Products and Services

Porto's product portfolio embodies a decade-long engineering endeavor that has established a new benchmark in its category. Now fully proven and mature, the Risen is a safe, efficient and highly performing aircraft with over 48 units flying globally. It features high energy efficiency and advanced aerodynamics, and has granted with numerous awards, industry accolades, and international recognitions. Also, Porto provides a comprehensive suite of services, ensuring thorough and professional support for its clientele.

Hence, we can cluster two different families of business lines:

- The sale of the **Risen aircrafts** (exclusively on a one-time basis) **and Idrovario propellers**, which constitutes the most significant revenue-generating operation, ~83% of Revenue from Sales in FY23, for a business fully order driven.

  Particularly, as for aircrafts, Porto offers two customizable models and one "ongoing", all engineered by Alberto Rodolfo Porto:

  1. **Risen 912iS**, i.e., particularly suitable for short hauls journeys**;**
  2. **Risen SV Turbo 915 / 916,** i.e., the pinnacle of excellence within the series (an evolution of the Risen 912iS model) for cruising and comfort;
  3. **Next to come,** i.e., the 4-seats Risen (detailed information not yet released) facilitating its expansion into the General Aviation market;

- **After-Sales Services**, ~17% of Revenue from Sales in FY23, including the maintenance and/or optimization of aircrafts previously sold by the Company for a subsequent period of 5 to 10 years following the sale.

… thus, strong competitive positioning

Porto focuses on very high-performance LSA, with this segment primarily crowded by international and local manufacturers offering a limited range of light sport aircraft models, mainly for tourism and training, while rarely larger operators provide a broader range, including both light sport and 4-seats planes.

Compared to its competitors, Porto excels with **superior flight dynamics metrics like speed and fuel efficiency**, setting a high industry benchmark. Such features allow Porto to apply **higher prices** than its peers, even if we have to reckon that in the long-term Porto's aircraft are more economical due to lower operating costs and better value retention.

Indeed, the higher speed and fuel efficiency lead to lower gasoline expenses for the same distance traveled and fewer flight hours, which delays maintenance costs.

As Porto develops the new 4-seats Risen, it is crucial to consider potential future competitors producing both GA and LSA.

2 – "Nearly full" in-house business model

Porto **internally covers almost all the steps of the value chain**, from R&D / feasibility study to after-sales services. Such a vertically integrated and "nearly full" in-house business model is made possible by the long-lasting expertise Porto and its management have accrued over the years.

As a result, Porto is capable to engineers, manufactures, and assemble all components of its light aircraft and propellers internally. This allows the Company to maintain complete control over its production chain, from raw materials to finished products and – in the after-sale phase – it also provides maintenance and optimization services for previously sold aircrafts.

More in details, the main **phases** of Porto's business model can be summarized as:

Phase # 1: R&D, Feasibility Study, Engineering and Preliminary Activities;

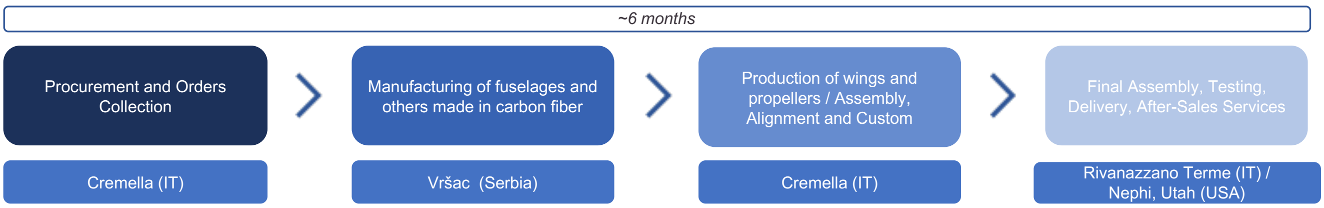
Phase # 2: Order acquisition;

Phase # 3: Order execution;

Phase # 4: Test & Certification and final delivery.

It should be noted that the time required to produce an aircraft is ca. six months, with longer periods for delivery, up to a maximum of one year.

Porto Aviation Group: Value Chain



Source: Porto Aviation Group

3 – Highly supportive Reference Markets

Porto boasts an ideal positioning in terms of reference markets exposure.

Global Light Sport Aircraft Market

In recent years, the use of lightweight aircraft for sport, recreational activities, and training purposes has seen substantial growth. Despite a temporary slowdown in aircraft deliveries caused by the COVID-19 pandemic, the war in Ukraine, and the ongoing trade tensions between the US and China, which collectively disrupted ultralight activities and related development projects, this demand interruption is now over.

Market projections from the research company *Markets and Markets* suggest substantial growth potential, with the global LSA market valued approx. $9.3bn in 2023 and projected to **reach $18.4bn by 2028E**, with a **CAGR$_{23-28E}$ of ~14.4%,** driven by:

- Increasing number of HNWI globally;
- Lower operational and maintenance costs;
- Further massive technological progress;
- Growing expanding applications.

Entering the General Aviation Market

The overall FY23 **General Aviation** – analyzed in light of Porto's recent decision to penetrate this sector – shipments and billings, when compared to 2022, saw increases for all aircraft segments in shipments and preliminary aircraft deliveries **were valued at $28.3bn** (split by 82.6% airplanes and the remaining helicopters), an increase of 3.3% (Source: *GAMA*).

The General Aviation market is **expected to reach over $46.3bn by 2033E**, growing at a **$CAGR_{24E\text{-}30E}$ of ca. 4.8%** (Source: *Global Insights Services*).

4 – Highly skilled Top Management with long-lasting experience

Porto's top management includes highly skilled professionals such as:

- **Alberto Rodolfo Porto – Executive Chairman and CEO.** Graduated in Aeronautical Engineering from La Plata University (Argentina) in 1991. He has extensive experience in aerodynamics, piloting, and aircraft development. Founded Swiss Excellence Airplanes S.A. in 2014 and Aerotec Innovation (now PAG) in 2016, serving as CEO since then;
- **Massimiliano Fontana – Advisor.** Graduated in Aerospace Engineering from the Polytechnic University of Milan. He has extensive experience in aeronautical consultancy, working with companies like Pilatus Aircraft and Leonardo, and sectors including nautical and automotive. Contributed to the Risen aircraft's development and certification;
- **Filippo Puglisi – Chief Financial Officer.** Holds a bachelor's degree in economics from the State University of New York at Stony Brook. He has held various executive roles in finance, consulting, and industry, with expertise in private equity and financial markets. Appointed CFO at PAG in June 2023;

Worthy to note, Mr. Porto and Mr. Fontana control more than 60% of share capital and are directly committed in Porto business dynamics.

Challenges: Business Industrialization and penetration of the US market

We see two main challenges to be addressed by the company in the near future:

- The necessity to industrialize the business model in order to increase the output capacity thus coping with the rising demand from customers. Attracting / maintaining personnel and rationalizing the industrial facilities is thus paramount;
- Successfully penetrating the largest world's market, i.e. the US one.

Porto Aviation Group: Zoom on the Risen






Source: Porto Aviation Group

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