

## Trevi Finanziaria Industriale S.p.A.

Mid cap: construction (full coverage)



### Company call: H2 expected to accelerate, Buy confirmed

**Topic – A company call with CFO, Mr. Forti, confirmed that Trevi is set to report a strong H2'08, accelerating in terms of profitability, with an expected order backlog above € 1bn.**

**Company call with CFO confirmed 2008 Berenberg estimates – CFO of the company, Mr. Forti, confirmed during a conference call last week that 1) Berenberg estimates on 2008 are easily achievable both in terms of sales and margin, with H2 results that are expected to accelerate compared to H1 and 2) Order backlog is expected to move above € 1bn by the end of the year, giving a good visibility also on 2009.**

- **Sales:** The expected **27% growth rate**, mainly driven by both **drilling machines (+50%) and equipment for special foundations (+30%)**, has been substantially confirmed by H1 trend. Actually, drilling rigs increased by 70% and **special foundation equipments** by 14%: for the latter, **considering the increasing level of the inventories**, expected to be sold in Q3/Q4 (traditionally the strongest quarters for this division) the sales **growth rate** of H1'08 would have been at **33%**.
- **Profitability:** The margins, at 15.5% in H1'08 at **EBITDA level**, are expected to move at **16.7% on a full year basis**, improving in **H2'08 at 17.7%** from 16.5% of H2'07 (from 14.1% in H1'07 to 15.5% in H1'08). The second part of the year traditionally has a **better profitability** (compared to H1) in light of the **higher weight of the equipment division sales** (the level of inventories is expected to decrease, improving margins). Moreover, Trevi is expected to report a **better profitability also in the foundation services division**, affected by both high fixed costs in H1'08 and the weak trend of the Italian market which suffered from the general elections.
- **Backlog:** After reporting an order-intake of € 399m in Q2'08, reaching the peak of € 973m in terms of backlog, Trevi is expected to exceed € 1bn by the end of the year (one important contract in the Middle-East of about \$ 30m is expected to be shortly announced, still pending the credit letter), assuring a 50% of 2009 sales.

**Repsol contract is the main short-term catalyst – The contract with Repsol, regarding the management of around 10 drilling rigs, for a total value higher than \$ 200m** (according to Berenberg expectations), is the main short-term catalyst. Trevi is expected to announce this new contract by the end of the year, probably starting to operate already in Q4'08.

**Buy on the stock is confirmed, as well as PT at € 20.7 ('08-'09 CFRoEV), implying a potential upside at 60%. The recent drop of the stock price is clear opportunity to Buy.**

Y/E 31.12., EUR m	2005	2006	2007	2008e	2009e	2010e
Sales	497	642	837	1,066	1,276	1,429
EBITDA	49	82	126	174	211	237
EBIT	29	58	99	141	173	195
Net profit	13	27	56	81	101	118
Y/E net debt (net cash)	126	176	143	156	123	63
EPS reported (1)	0.20	0.42	0.79	1.14	1.44	1.67
EPS recurring (2)	0.20	0.42	0.87	1.26	1.58	1.84
CPS	0.50	0.76	1.19	1.66	2.03	2.32
DPS	0.03	0.05	0.10	0.14	0.15	0.15
Gross margin	57.7 %	56.2 %	53.8 %	53.4 %	53.2 %	52.9 %
EBITDA margin	9.9 %	12.8 %	15.0 %	16.4 %	16.5 %	16.6 %
EBIT margin	5.8 %	9.0 %	11.9 %	13.2 %	13.5 %	13.6 %
Dividend yield	0.2 %	0.3 %	0.6 %	0.9 %	0.9 %	1.0 %
ROCE	10.6 %	16.2 %	23.9 %	32.1 %	35.3 %	35.9 %
EV/sales	2.3	1.9	1.4	1.1	0.9	0.8
EV/EBITDA	23.6	14.7	9.3	6.8	5.5	4.6
EV/EBIT	40.4	20.8	11.8	8.4	6.7	5.6
PER	64.2	30.8	14.8	10.2	8.1	7.0
Cash flow RoEV	2.4 %	5.0 %	8.4 %	11.8 %	14.7 %	17.4 %

Note: 1) before goodwill amortisation; 2) after goodwill amortisation, adj. for non recurring items.

Source: Company data, Berenberg Bank

Price: EUR 12.87

05/09/2008 Milan Close

**Buy**

Price target: EUR 20.70

Reuters TFI - Bloomberg TFI IM

Share data

Shares outstanding (mill.)	64.0
Market capitalisation (mill. EUR)	1,011
Enterprise value (mill. EUR)	1,187
Free float	44.0%
Ø daily trading volume (pcs.)	225,000
Authorised capital (mill. pcs.)	-

Company agenda

Performance data

High 52 weeks (EUR)	17.3
Low 52 weeks (EUR)	8.9
Relative performance to	MIBTEL
1 month	-9.6 %
3 months	-11.9 %
12 months	32.8 %

Key data

Price/book value	4.8
Net gearing	67.5 %
CAGR sales 2005 - 2010	23.5 %
CAGR EPS 2005 - 2010	55.8 %



Change	2008e	2009e	2010e			
	old	Δ	old	Δ	old	Δ
Sales	1066	-	1276	-	1429	-
EBIT	141	-	173	-	195	-
EPS	1.26	-9.3%	1.58	-9.3%	1.84	-9.3%

**Business activities:**

Foundation construction and equipment (77% of sales); drilling services and equipment (23% of sales)

**Major shareholders:**

Trevisani Davide 56%  
JP Morgan 5.0%

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