

Trevi

Italy/Construction & Materials

Buy

Recommendation unchanged

Share price: EUR 5.00

closing price as of 30/03/2009

Target price: EUR 7.20

vs Target Price: EUR 8.00

Reuters/Bloomberg TFLM/TFIM

Market capitalisation (EURm) 320

Current N° of shares (m) 64

Free float 44%

Daily avg. no. trad. sh. 12 mth 237,859

Daily avg. trad. vol. 12 mth (m) 3

Price high 12 mth (EUR) 17.40

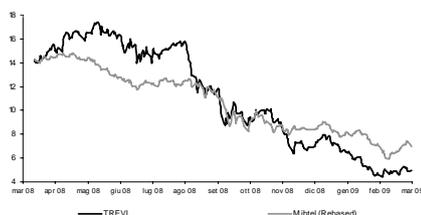
Price low 12 mth (EUR) 4.43

Abs. perf. 1 mth 8.34%

Abs. perf. 3 mth -32.11%

Abs. perf. 12 mth -58.51%

Key financials (EUR)	12/08	12/09e	12/10e
Sales (m)	1,069	1,148	1,181
EBITDA (m)	166	169	173
EBITDA margin	15.6%	14.8%	14.6%
EBIT (m)	128	125	125
EBIT margin	11.9%	10.9%	10.5%
Net Profit (adj.)(m)	75	69	68
ROCE	12.1%	10.4%	17.9%
Net debt/(cash) (m)	323	341	315
Net Debt/Equity	1.4	1.1	0.9
Debt/EBITDA	1.9	2.0	1.8
Int. cover(EBITDA/Fin. int)	8.0	7.7	7.5
EV/Sales	0.8	0.6	0.6
EV/EBITDA	5.3	4.3	4.1
EV/EBITDA (adj.)	5.3	4.3	4.1
EV/EBIT	6.9	5.9	5.7
P/E (adj.)	6.3	4.6	4.7
P/BV	2.1	1.1	0.9
OpFCF yield	-8.8%	21.6%	33.8%
Dividend yield	2.4%	1.3%	1.3%
EPS (adj.)	1.17	1.08	1.06
BVPS	3.54	4.50	5.50
DPS	0.12	0.07	0.07



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Good results and visibility on order backlog for 2009

The facts: BoD approved FY 08 results yesterday.

TREV: FY 08 results

	FY 07a	FY 08	%Chg.	08e Akros est.
Sales	837.1	1,069.2	+27.0%	1,050.5
EBITDA	134.0	166.3	+24.1%	165.5
EBITDA margin	16.0%	15.6%		15.8%

Source: Company Data and BANCA AKROS estimates

- FY 08 sales were slightly higher than our estimates and EBITDA margin was substantially in line with our forecast. These positive results have been reached thanks to a strong growth of the drilling divisions (Drillmec +48.8% Y/Y and Petreven +39.2% Y/Y); a very good performance was also realised by Trevi (foundation service) with +27.5%; while Soilmec (foundation equipment) grew by 13.7%.
- Trevi's order book at the end of the year reached EUR 1,109m and showed a significant increase by 56.4% compared to the end of '07 but -9.7% decrease compared to the end of September '08. This important growth is due to the orders acquired in the second part of 2008 and to the results expected in some growing areas such as some emerging countries in Africa (Algeria, Nigeria, Angola and Ivory Coast).
- Net debt recorded a significant increase: EUR 322.1m at the end of 2008, higher than EUR 142.8m at the end of the previous year and than our estimates of EUR 299.5m. This increase is mainly due to the strong increase in NWC ('08 Debt/EBITDA at 1.94x).

Outlook on 2009: in the press release, the management, based on the good visibility of the order backlog, confirmed its positive view on FY 09 sales and profitability, as already announced last February.

Our analysis: based on the management indications and on the order book, we confirm our FY 09 estimates. Nevertheless, due to the decreasing trend of the order backlog in the last quarter and the current crisis that could make difficult obtaining new contracts for the next year, we prudentially reduce our FY10 estimates: FY 10e sales down from EUR 1,207m to EUR 1,180.6m and FY10e EBITDA down from EUR 178m (EBITDA margin of 14.7%) to EUR 172.6m (EBITDA margin of 14.6%).

Conclusion & Action: we confirm our Buy recommendation and, based on our revised estimates and on the roll over of our model, we reduce our target price from EUR 8.0 to EUR 7.2 per share, while waiting to verify the order book trend in the next months and to have more details from the management during the Result presentation in Milan on April 23rd.

Though, at the current price, we believe the stock remains undervalued considering its growth potential, the present discount on fundamental valuation could narrow only when the current scenario, characterised by an expected significant slowdown in some group's divisions in 2009, starts to show clear recovery signs.

Lastly, we believe that a significant driver for the stock rise could be a recovery in the infrastructural works in USA.