BANCA IMI

Equity Company Note

Trevi

Solid 2Q13; Op. Profitability on a Recovery Path

Trevi - Key estimates and data				
Y/E December		2012A	2013E	2014E
Revenues	EUR M	1,115.32	1,191.08	1,261.47
EBITDA	EUR M	112.27	132.50	145.12
EBIT	EUR M	47.46	79.90	91.29
Net income	EUR M	10.80	25.03	33.92
Dividend ord.	EUR	0.13	0.13	0.13
Adj. EPS	EUR	0.15	0.36	0.48
EV/EBITDA	x	7.72	6.87	6.21
Adj. P/E	x	41.52	17.92	13.22

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

- **Results**. Trevi group's 1H13A results were above our estimates, in terms of revenues, operating profitability and bottom line, mainly thanks to the better-than-expected sales performance of the oil-related divisions and the high level of operating margins reached by the Trevi core business of ground engineering services. At the end of June, the group's net debt amounted to EUR 462.1M and showed a substantial stability compared to end-March (EUR 467M). The order backlog at 30 June 2013 amounted to EUR 931M, broadly stable yoy (+0.2%), and down 16% compared to end-March 2013 (EUR 1,109M). The 1H13A order inflow was EUR 524M, compared with EUR 502M in the corresponding period of the previous year.

- **Outlook**. Looking at the overall 2013 outlook, we expect the group's top-line growth to be driven by the oil and gas business: Drillmec should benefit from the orders announced at the beginning of 2013, from the expansion of its presence in the offshore segment and the hefty soft backlog, particularly in Russia, Latin America and Middle East. We expect Petreven to end the year with one or two new active rigs, one of which related to the contract signed with Petra Energia in Brazil. We are more cautious on the development of activities for the construction-related divisions: we believe Soilmec should continue to benefit from the recovery in the US but should suffer from the slowdown of activities in India and China with Europe still in limbo; Trevi, the core business, has quite a good order backlog which at present offers 2013 earnings visibility but a modest growth. We expect the group to be able to return to a normalised profitability level in the mechanical divisions, helped by the top line growth and by entry into the more profitable offshore segment, which should offset the margin compression experimented in the onshore. As for the service business, we expect a lower operating profitability in the second half of the year compared to the high level reached in 1H13, which benefited from a very favourable sales mix and a solid order execution.

- **Estimates and valuation**. Based on recent results and business developments, we slightly increased our 2013E-14E group's operating profitability forecasts. We also factored into our estimates the impact on net debt of a higher-than-expected NWC absorption Our target price is calculated as the arithmetic average between the DCF-based and the 2013E-2014E peers' multiples-based SOP valuations. Based on our current estimates and updated market multiples, we slightly reduce our **target price to EUR 6.69/share** (from EUR 6.85/share) and we confirm our **HOLD rating.**

- **Key risks**. Amongst the investment risks, we highlight that according to our forecasts the group's end-2013E net debt/EBITDA ratio should be around 3.5x, quite a high level that could limit the group's financial flexibility. In addition, we expect the group's markets to remain very competitive in 2013, especially as far as the mechanical divisions are concerned.

13 September 2013

HOLD

Target Price: EUR 6.69 (from EUR 6.85)

Building & Materials Company Update

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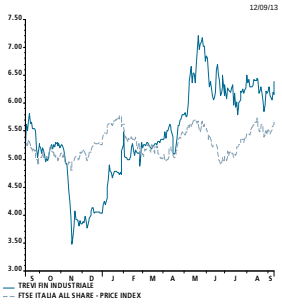
Price performance, -1Y



Source: Thomson Reuters

Data priced on 11.09.2013	
Target price (€)	6.69
Target upside (%)	4.69
Market price (€)	6.39
52-week range (€)	7.2/3.5
Market cap (€ M)	448.54
No. of shares (M)	70.19
Free float (%)	25.6
Major shareholder (%)	Trevisani family, 50.4
Reuters	TFI.MI
Bloomberg	TFI.MI
FTSE It All Shares	18606

Performance %			
Absolute		Rel. to FTSE All Sh	
-1M	1.3	-1M	-0.7
-3M	1.8	-3M	-5.8
-12M	22.4	-12M	13.4

Source: Intesa Sanpaolo Research estimates and Thomson Reuters

See page 13 for full disclosures and analyst certification

2Q13A-1H13A Results

Better than expected 1H13 results

The Trevi group's 1H13A results were above our estimates, in terms of revenues, operating profitability and bottom line, mainly thanks to the better-than-expected sales performance of the oil-related divisions and the high level of operating margins reached by the Trevi core business of ground engineering services. At the end of June, the group's net debt amounted to EUR 462.1M and showed a substantial stability compared to end-March (EUR 467M). The order backlog at 30 June 2013 amounted to EUR 931M, broadly stable yoy (+0.2%), and down 16% compared to end-March 2013 (EUR 1,109M). The 1H13A order inflow was EUR 524M, compared with EUR 502M in the corresponding period of the previous year. Overall, we believe that in the difficult market environment, Trevi continued to leverage on its well-engineered business model based on a wide geographical diversification (90% of revenue in foreign countries), a presence in businesses characterised by diverse growth drivers, and the good quality of its order backlog. We would also highlight that, despite the tough competitive environment in the construction equipment division, in 2Q13 the group's operating margins improved sequentially and year on year showing, in particular, the normalisation of Drillmec's profitability and the good quality of the order backlog of the ground engineering business.

Trevi - 2Q13A-1H13A results

EUR M	2Q13A	2Q13E	vs. est %.	2Q12A	yoy %	1H13A	1H13E	vs. est.%	1H12A	yoy %
Revenues	363.8	300.3	21.1	276.9	31.4	663.5	600.0	10.6	584.7	13.5
EBITDA	42.8	30.4	40.7	24.5	74.8	75.6	63.2	19.6	56.2	34.5
Margin %	11.8	10.1		8.8		11.4	10.5		9.6	
EBIT	26.0	17.0	53.1	9.9	161.8	43.4	34.4	26.2	29.0	49.7
Margin %	7.2	5.7		3.6		6.5	5.7		5.0	
Pre-tax income	14.8	10.8	36.7	9.4	56.9	23.5	19.5	20.3	22.1	6.3
Net Income	8.2	5.1	62.8	3.8	114.5	10.9	7.8	40.8	12.1	-9.3

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

Broad revenue improvement across nearly all divisions

Looking at the single divisions, we note that all of them showed a revenue improvement yoy, with the exception of Soilmec (-22.2% yoy before eliminations) which suffered from the tough competition in the Chinese and Indian markets and from a very unfavourable yoy comparison. In addition, part of the group's mechanical equipment division activity was absorbed by the production of the new models presented at the Bauma fair last April (the event is held every three years), whose benefits are expected in the medium term. Drillmec significantly increased sales (+36.8% yoy before eliminations) also thanks to the advancement in the execution of the off-shore plants orders for Pemsa (Grupo Mexico) and Lukoil, which were acquired at end-2012/beginning 2013. Petreven (+41% yoy before eliminations) continued to provide its drilling services in Venezuela, Peru, Argentina, Chile and Colombia and, since December 2012, has started operations in Brazil for Petra Energia with its fourteenth rig. We highlight that, in February 2012, Petreven reached an agreement with the Brazilian company Petra Energy, which allowed Petreven to enter the Brazilian market and laid the ground for further growth of the drilling services business (1 or 2 new drilling plants should be supplied and operated for Petra by end-2013/beginning-2014). Note that the agreement with Petra has an important strategic value in terms of the growing synergies between Petreven and Drillmec, on the basis of a business model which could be further extended. As for Trevi (+5.1% yoy before eliminations), the ground engineering business, 1H13 revenue benefited from the quite good order backlog at end-2012 (EUR 475M) and registered a significant growth in Europe (ex-Italy), thanks to the Cityringen Metro Project of Copenhagen, in Africa, in Asia and to a lesser extent in the domestic market. These positive performances more than offset the declining level of activity registered in North America and in the Middle East.

Trevi - Quarterly revenue by division (1Q12A-2Q13A)												
EUR M	1Q12A	2Q12A	1H12A	3Q12A	4Q12A	FY12A	1Q13A	2Q13A	yoy %	qoq	1H13A	yoy %
Machines for foundations works	49.4	72.8	122.2	48.9	65.2	236.3	48.8	46.3	-36.4	-5.2	95.1	-22.2
Drilling machinery	125.4	77.8	203.2	56.0	89.7	348.9	107.8	170.1	118.7	57.7	277.9	36.8
Elisions	-0.4	-1.9	-2.3	0.8	-0.5	-2.0	-0.2	-0.2	NM	NM	-0.4	NM
Mechanical Division	**174.3**	**148.6**	**323.0**	**105.7**	**154.5**	**583.2**	**156.4**	**216.2**	**45.5**	**38.2**	**372.7**	**15.4**
Drilling services	22.8	22.2	45.0	28.9	35.2	109.1	27.6	35.8	61.1	29.7	63.4	41.0
Special foundations works	116.9	113.0	229.9	101.5	122.0	453.4	121.7	119.9	6.1	-1.5	241.6	5.1
Elisions	-1.2	-0.1	-1.3	-2.1	-1.0	-4.4	-0.9	-0.9	NM	NM	-1.8	NM
Services Division	**138.4**	**135.2**	**273.6**	**128.3**	**156.2**	**558.1**	**148.4**	**154.8**	**14.6**	**4.3**	**303.2**	**10.8**
Parent Company	3.4	3.5	6.9	3.2	3.3	13.5	3.6	3.7	3.9	2.5	7.3	4.7
Elisions	-8.4	-10.4	-18.8	-3.6	-17.2	-39.5	-8.8	-10.9	NM	NM	-19.7	NM
Consolidated Sales	**307.8**	**276.9**	**584.7**	**233.7**	**296.9**	**1115.3**	**299.7**	**363.8**	**31.4**	**21.4**	**663.5**	**13.5**

NM: not meaningful; A: actual; Source: Company data

In 1H13A, the group showed an increase in the EBITDA margin of 180bps yoy to 11.4%, driven by the recovery in both the Mechanical and the Services divisions. In particular, Drillmec benefited from the significant higher level of activity and from the more favourable sales mix related to the entry into the off-shore market segment, while Soilmec continued to suffer from the low volumes and the competitive pressures especially in China and India. In any case, we believe that the sequential profitability improvement of the mechanical divisions in the second quarter of the year should be read as a confirmation of the gradual normalisation of Drillmec's operating margin. As for the service business, we note that the yoy profitability improvement was driven by Trevi, which benefited from the solid execution of the ongoing works.

High credit write offs impacted the EBIT margin improvement

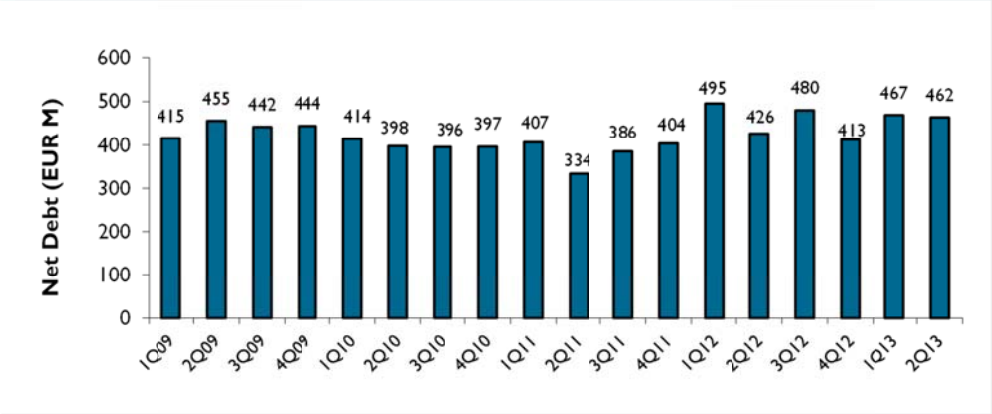
The group's EBIT margin increased by 150bps yoy (less than the EBITDA margin), mainly reflecting the significant increase in credit write-offs (EUR 5.3M vs. EUR 1.3M in 1H12), especially in the Trevi division. Below the EBIT line, we highlight that the group posted a significant increase in net foreign exchange losses (EUR 6.6M vs. a net gain of EUR 2.8M in 1H12), mainly related to the group's exposure to the Venezuelan Bolivar. The 1H13A consolidated tax rate was 42.6% substantially in line with management's full year guidance of 44%.

Trevi - Quarterly Op. profitability by division (1Q11A-2Q13A)									
EUR M	1Q12A	2Q12A	1H12A	3Q12A	4Q12A	FY12A	1Q13A	2Q13A	1H13A
Services									
Added Value	62.3	58.1	120.4	53.7	62.7	236.8	66.0	66.5	132.5
%	45.0	43.0	44.0	41.8	40.1	42.4	44.5	43.0	43.7
EBITDA	25.6	19.2	44.8	15.8	20.0	80.6	27.9	27.1	55.0
%	18.5	14.2	16.4	12.3	12.8	14.4	18.8	17.5	18.1
EBIT	16.6	8.6	25.2	4.8	1.2	31.1	16.0	14.9	31.0
%	12.0	6.3	9.2	3.7	0.8	5.6	10.8	9.7	10.2
Mechanicals									
Added Value	20.2	24.3	44.5	12.5	36.2	93.2	21.6	34.5	56.1
%	11.6	16.4	13.8	11.8	23.4	16.0	13.8	16.0	15.1
EBITDA	5.9	7.9	13.8	-1.3	19.2	31.7	5.1	16.7	21.8
%	3.4	5.3	4.3	-1.2	12.4	5.4	3.3	7.7	5.9
EBIT	2.3	4.1	6.4	-4.8	14.9	16.5	1.7	12.0	13.7
%	1.3	2.8	2.0	-4.5	9.6	2.8	1.1	5.6	3.7

A: actual; Source: Company data

At end-June 2013, the group's net debt was EUR 462.1M, slightly lower vs. the EUR 467M at end-March 2013 and up vs. end-2012 (EUR 412.8M). In 1H13, the group's gross cash flow was not sufficient to entirely finance the net capital expenditure (EUR 35.9M), which also included the completion of the acquisition of Seismotekhnica and the net working capital absorption (EUR 63.7M) driven by the increase in clients' receivables. According to management, the need to maintain a quite high stock level should not allow the group to significantly reduce the consolidated net debt level by year-end.

Trevi - Quarterly net debt (2009A-1H13A)



Source: Company data

Order backlog

Order backlog stable yoy

At 30 June 2013, the group's order backlog was EUR 931M, substantially stable yoy (+0.2%), and down 16% compared to end-March 2013 (EUR 1,109M). According to the company, approximately 52% of the backlog should be executed by year-end. Looking at the divisional breakdown, Petreven maintained a good backlog level also thanks to the contract renewals which were signed during 2012 and at the beginning of 2013 with YPF in Argentina; Soilmec showed a normal backlog level corresponding to approximately 2-3 months of sales; Drillmec suffered from the strong production acceleration of the second quarter but, according to management, should finalise important orders by year-end, as should Trevi which is waiting for the outcome of some important bids, especially in North America. The 1H13 order inflow amounted to EUR 524M, slightly up compared to EUR 502M in 1H12, in our opinion confirming the group's ability to compete in the international arena and the importance to the group of being present in different business segments.

Trevi - Quarterly order backlog and inflow (2009A-1H13A)

Source: Company data

Trevi - Order backlog by division

EUR M	1H11A	FY11A	1H12A	FY12A	1Q13A	1H13A	yoy %	vs. 1Q13A %
Machines for foundations works(Soilmec)	75	61	56	32	44	47	-16.5	5.0
Drilling machinery(Drillmec)	310	223	167	310	322	177	5.8	-45.0
Mechanical Divisions	**385**	**284**	**223**	**342**	**366**	**223**	**0.2**	**-38.9**
Drilling services(Petreven)	141	152	186	253	310	317	70.3	2.0
Special foundations works(Trevi)	414	577	520	475	432	391	-24.8	-9.6
Services Divisions	**555**	**729**	**706**	**728**	**743**	**708**	**0.2**	**-4.7**
Group Total	**940**	**1013**	**929**	**1070**	**1109**	**931**	**0.2**	**-16.0**

A: actual; Source: Company data

Earnings Outlook

2013 outlook

The key points, in our view, to emerge during the 1H13A results' conference call were:

- Management confirmed its previous guidance for a 5-10% yoy growth for top line and EBITDA. The company worsened the end-2013 net debt guidance by approximately EUR 50M, to a level similar to end-June 2013 (EUR 462M), mainly due to higher NWC to support the production activity primarily for Drillmec. Total capex guidance was maintained unchanged at EUR 50-60M;
- Management highlighted that the 2H13 profitability performance is expected to be less resilient compared to 1H13, which benefited from favourable conditions for Petreven and for the execution of the Trevi projects. In 2H13, Trevi is expected to reduce op. profitability vs. 1H13 while the mechanical division should be able to confirm the EBITDA margin reached in 2Q13 (7.7%);
- The 2013 tax rate was confirmed at 40-45% (our current assumption is 44%);
- As for the order backlog, the company highlighted that there are several negotiations underway in both the infrastructure business (Trevi), particularly in the USA, and in the drilling equipment (Drillmec) business. By year-end, management expects new contracts to offer good visibility on Drillmec's 2014 growth. As regard Soilmec, the market scenario remains extremely competitive, especially in China and India, while Europe should give some very early signs of improvement.

Slight upwards revision in 2013-14 top-line and op. profitability

Based on the announced results and on the abovementioned points, we revised slightly upward our 2013E-14E forecasts for the consolidated top line and operating profitability. Looking at the overall 2013 outlook, we expect the group's top line growth to be driven by the oil and gas business: we believe Drillmec should benefit from the important orders announced at the beginning of 2013, from the positive effect of the "relocation" of the plants whose delivery was suspended in 2012, from the expansion of its presence in the offshore segment and the hefty soft backlog, particularly in Russia, Latin America and the Middle East. Petreven should end the year with one or two new active rigs, one of which related to the contract signed with Petra Energia in Brazil. We are more cautious on the development of activities for the construction-related divisions: we believe Soilmec should continue to benefit from the recovery in the US but suffer from the slowdown of activities in India and China, with Europe still in limbo; Trevi, the core business, has quite a good order backlog which at present offers 2013 earnings visibility but a modest growth. We expect the group to be able to return to a normalised profitability level in the mechanical divisions, helped by the top line growth and by entry into the more profitable offshore segment, which should offset the margin compression experimented in the onshore segment. As for the service business, we expect a lower operating profitability in the second half of the year compared to the high level reached in 1H13, which benefited from a very favourable sales mix and a solid order execution.

Raising our 2013-14 net debt forecasts

We also increased our 2013E-14E net debt forecasts at respectively EUR 456.8M (EUR 403.1M previous estimate) and EUR 448.6M (EUR 399.2M previous estimate) consistently with the new 2013 management guidance. We believe that management will continue to focus on NWC control and capex containment but we included in our forecasts the effect of the entry of the group into the offshore market segment, which we believe could increase Drillmec's stock level and the clients receivables.

Based on the abovementioned points and the recent business developments, we substantially confirmed our 2013E-14E top line forecasts while slightly increasing the operating margins, mainly as a result of an increase in the Trevi division profitability. Note also that in 2013E we included in our bottom-line estimate the net foreign exchange losses posted in the first half of the year. Our estimates revisions are shown in the table below:

Trevi - 2013E-14E estimates revision

	FY13E			FY14E		
EUR M	New	Old	chg %.	New	Old	chg %.
Revenues	1,191.1	1,196.3	-0.4	1,261.5	1,267.4	-0.5
EBITDA	132.5	126.8	4.5	145.1	139.1	4.3
Margin %	11.1	10.6		11.5	11.0	
EBIT	79.9	74.2	7.7	91.3	85.3	7.0
Margin %	6.7	6.2		7.2	6.7	
Pre-tax income	47.6	50.0	-4.9	64.5	61.5	4.8
Net Income	25.0	26.3	-4.9	33.9	32.4	4.8

E: estimates; Source: Intesa Sanpaolo Research

Trevi – 2012A-14E divisional sales and profitability

Revenue per B.U. EUR M	2012A/E	yoy %	% on sales	2013E	yoy %	% on sales	2014E	yoy %	% on sales
Special foundations works	461.7	13.0	41	470.9	2.0	40	492.1	4.5	41
Drilling services	109.1	10.7	10	115.4	5.8	10	130.4	13.0	10
Machines for foundations works	210.0	3.9	19	210.0	0.0	18	220.5	5.0	17
Drilling machinery	334.5	-5.0	30	394.7	18.0	33	418.4	6.0	33
Group Revenue	**1115.3**	**5.1**		**1191.1**	**6.8**		**1261.5**	**5.9**	

EBITDA per B.U. EUR M	2012E	yoy %	% on EBITDA	2013E	yoy	% on EBITDA	2014E	yoy %	% on EBITDA
Special foundations works	60.9	20.7	54	70.5	15.7	53	73.7	4.5	56
Margin %	13.2			15.0			15.0		
Drilling services	19.6	-7.4	17	20.8	5.8	16	23.5	13.0	18
Margin %	18.0			18.0			18.0		
Machines for foundations works	9.7	3.9	9	9.7	0.0	7	12.3	27.8	9
Margin %	4.6			4.6			5.6		
Drilling machinery	22.0	-45.6	20	31.6	43.3	24	35.6	12.6	27
Margin %	6.6			8.0			8.5		
Group EBITDA	**112.3**	**-7.6**		**132.5**	**18.0**		**145.0**	**9.5**	
Margin %	**10.1**			**11.1**			**11.5**		

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research (our assumptions on divisional breakdown)

Valuation

DCF-based sum-of-the-parts valuation

DCF-based SOP valuation of EUR 7.06/share

Our updated sum-of-the-parts valuation is based on a DCF model of the drilling and construction businesses, **which points to a fair value of EUR 7.06/share.**

Trevi - SOP valuation based on DCF		
Company Division	Valuation Method	EUR M
EV Construction related business	DCF model	632
EV Drilling related business	DCF model	277
Total EV		909
Net Debt as at Dec.31,2012		413
SOP Value		496
n° of shares (mn)		70
Fair Value/sh. (EUR)		7.06
Current Share Price (EUR)		6.39
Upside(+)/Downside(-) potential %		10.5

Source: Intesa Sanpaolo Research estimates

Peers comparison-based sum-of-the-parts valuation

Peers comparison-based SOP valuation of EUR 6.31/share on 2013E-2014E

We also value the Trevi Group with a SOP valuation based on a 2013E-14E EV/EBITDA peers comparison analysis. We split the drilling division into drilling services (Petreven) and oil services equipment (Drillmec), and the foundation division into special foundation works (Trevi) and machines for foundation works (Soilmec). We highlight that in the Trevi and Soilmec enterprise value calculations included in our group sum-of-the-parts model, we use the 2013E-2014E EV/EBITDA multiples of Bauer, which we consider as the most similar peer based on its size and perimeter of activity.

Construction works and equipment peers' multiples		
x	EV/EBITDA 2013E	EV/EBITDA 2014E
Skanska	8.1	8.0
Hochtief AG	3.0	2.8
Bilfinger & Berger AG	6.0	5.5
Fomento Const y Contr (Fcc)	9.8	8.6
Vinci	6.9	6.5
Keller	7.9	6.8
Bauer	5.4	5.0
Median	6.9	6.5

Source: FactSet and Intesa Sanpaolo Research estimates

Drilling equipment peers' multiples		
x	EV/EBITDA 2013E	EV/EBITDA 2014E
National Oilwell Varco	8.4	7.0
Cooper Cameron Corp	9.6	7.0
Fmc Technologies Inc	14.8	10.7
Dril Quip	16.1	12.5
Saipem	16.2	6.5
Technip	8.4	6.7
Median	12.2	7.0

Source: FactSet and Intesa Sanpaolo Research estimates

Drilling services peers' multiples		
x	EV/EBITDA 2013E	EV/EBITDA 2014E
Transocean Ltd.	7.1	5.9
Noble Corp.	8.2	6.0
Diamond Offshore Drilling Inc.	7.9	6.4
ENSCO PLC ADS	7.3	6.4
Hercules Offshore Inc.	7.4	4.3
Median	7.4	6.0

Source: FactSet and Intesa Sanpaolo Research estimates

Trevi - SOP valuation based on 2013E peers' multiples		
Company Division	Valuation Method	EUR M
EV Special Foundation Works	Peers Comparison	381
EV Drilling Equipment	Peers Comparison	386
EV Drilling Services	Peers Comparison	154
EV Special Foundation Machines	Peers Comparison	52
Total EV		972
Net Debt December 2013E		457
SOP Value		515
n° of shares (mn)		70
Fair Value/sh. (EUR)		7.34
Current Share Price (EUR)		6.39
Upside(+)/Downside(-) potential %		14.9

Source: FactSet and Intesa Sanpaolo Research estimates

Trevi - SOP valuation based on 2014E peers' multiples		
Company Division	Valuation Method	EUR M
EV Special Foundation Works	Peers Comparison	368
EV Drilling Equipment	Peers Comparison	249
EV Drilling Services	Peers Comparison	140
EV Special Foundation Machines	Peers Comparison	62
Total EV		819
Net Debt December 2014E		449
SOP Value		370
n° of shares (mn)		70
Fair Value/sh. (EUR)		5.28
Current Share Price (EUR)		6.39
Upside(+)/Downside(-) potential %		-17.3

Source: FactSet and Intesa Sanpaolo Research estimates

Our sum-of-the-parts model, based on 2013E-14E peers' multiples, points to a Trevi group average valuation (50% 2013E and 50% 2014E) **of EUR 6.31/share.**

Conclusion

DCF and SOP-based valuations points to EUR 6.69/share

We believe the group valuation should be the arithmetic average between the DCF-based and the 2013E-14E peers' multiples-based SOP valuations. In our opinion, the first method provides a medium-term view and a more objective indication of the group's possible value, while the latter puts our valuation into the current market context. Based on our current estimates and updated market multiples, we slightly reduce our **target price to EUR 6.69/share** (EUR 6.85/share previously) and confirm our **HOLD rating.**

Key risks

Amongst the investment risks, we highlight that, according to our forecasts, the group's end-2013E net debt/EBITDA ratio should be around 3.5x, quite a high level that we believe could limit the group's financial flexibility. In addition, we expect the group's markets to remain very competitive in 2013, especially as far as the mechanical divisions are concerned.

Trevi - Key figures

				Ordinary	Rating
Sector	Building & Materials	Mkt price EUR/Share		6.39	**HOLD**
REUTERS CODE	TFI.MI	Target price EUR/Share		6.69	
Values per share (EUR)		2011A	2012A	2013E	2014E
No. ordinary shares (M)		70.19	70.19	70.19	70.19
No. NC saving/preferred shares (M)		-	-	-	-
Total no. of shares (M)		70.19	70.19	70.19	70.19
Adj. EPS		0.37	0.15	0.36	0.48
CFPS		1.03	0.85	1.06	1.21
BVPS		6.07	5.97	6.20	6.55
Dividend Ord		0.13	0.13	0.13	0.13
Dividend SAV Nc		-	-	-	-
Income statement (EUR M)		2011A	2012A	2013E	2014E
Sales		1,061.4	1,115.3	1,191.1	1,261.5
EBITDA		119.0	112.3	132.5	145.1
EBIT		69.3	47.5	79.9	91.3
Pre-tax income		51.3	21.0	47.6	64.5
Net income		25.7	10.8	25.0	33.9
Adj. net income		25.7	10.8	25.0	33.9
Cash flow (EUR M)		2011A	2012A	2013E	2014E
Net income before minorities		27.1	11.5	26.6	36.1
Depreciation and provisions		46.3	49.2	49.6	50.8
Change in working capital		-71.9	5.0	-51.1	-9.5
Operating cash flow		1.5	65.7	25.1	77.4
Capital expenditure		-72.4	-73.2	-60.0	-60.0
Other (uses of Funds)		27.1	7.9	0.0	0.0
Free cash flow		-43.8	0.4	-34.9	17.4
Dividends and equity changes		-8.3	-9.5	-9.1	-9.1
Net cash flow		-52.1	-9.0	-44.0	8.3
Balance sheet (EUR M)		2011A	2012A	2013E	2014E
Net capital employed		841.7	844.7	906.2	925.0
of which associates		-	-	-	-
Net debt/-cash		403.8	412.8	456.8	448.6
Minorities		12.1	12.5	14.2	16.3
Net equity		425.8	419.3	435.2	460.0
Market cap		448.5	448.5	448.5	448.5
Minorities value		5.1	5.1	4.9	4.7
Enterprise value (*)		857.4	866.5	910.3	901.8
Stock market ratios (x)		2011A	2012A	2013E	2014E
Adj. P/E		17.5	41.5	17.9	13.2
P/CEPS		6.2	7.5	6.0	5.3
P/BVPS		1.1	1.1	1.0	1.0
Dividend yield (% ord)		2.0	2.0	2.0	2.0
Dividend yield (% sav)		-	-	-	-
EV/sales		0.8	0.8	0.76	0.71
EV/EBITDA		7.2	7.7	6.87	6.21
EV/EBIT		12.4	18.3	11.39	9.88
EV/CE		1.0	1.0	1.00	0.97
D/EBITDA		3.4	3.7	3.45	3.09
D/EBIT		5.8	8.7	5.72	4.91
Profitability & financial ratios (%)		2011A	2012A	2013E	2014E
EBITDA margin		11.2	10.1	11.1	11.5
EBIT margin		6.5	4.3	6.7	7.2
Tax rate		47.2	45.2	44.0	44.0
Net income margin		2.4	1.0	2.1	2.7
ROE		6.0	2.6	5.8	7.4
Debt/equity ratio		0.9	1.0	1.0	0.9
Growth (%)			2012A	2013E	2014E
Sales			5.1	6.8	5.9
EBITDA			-5.6	18.0	9.5
EBIT			-31.5	68.3	14.3
Pre-tax income			-59.1	126.7	35.5
Net income			-58.0	131.7	35.5
Adj. net income			-58.0	131.7	35.5

(*) EV = Mkt cap+ Net Debt + Minorities Value - Associates A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

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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
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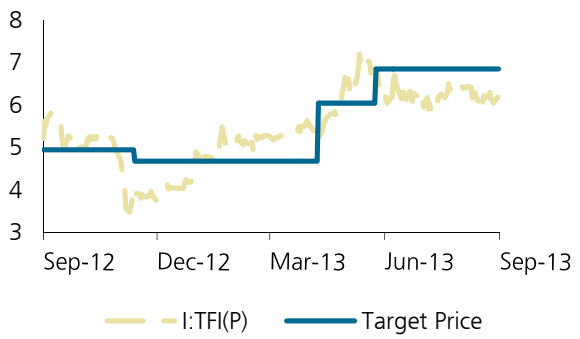
Target price and market price trend (-1Y)



Historical recommendations and target price trend (-1Y)

Date	Rating	TP	Mkt Price
10-Sep-12	HOLD	4.95	4.99
13-Nov-12	HOLD	4.95	4.91
15-Nov-12	HOLD	U/R	4.23
23-Nov-12	ADD	4.68	4.06
5-Mar-13	ADD	U/R	5.27
22-Mar-13	ADD	4.68	5.28
19-Apr-13	ADD	6.05	5.09
4-Jun-13	HOLD	6.85	7.01

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

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