25 March 2014
Target price change

Trevi Group

Italy | Capital goods

Hold (Hold)

Target price **EUR 7.90**

Current price EUR 7.71

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Several opportunities ahead – TP lifted

- **More clarity on the impact of new accounting principles**
- **NWC improvement is a good step: more to come**
- **Backlog still low, but stabilisation in place, opportunities ahead**
- **Improved NFP, EPS 2014-15 up, TP lifted from EUR6.6 to EUR7.9**

TREVI GROUP – FY 2014-15 estimates revision

	2013	2014				2015				
	Actual	New	Old	chg	YOY	New	Old	chg	YOY	2014-15 chg
Revenues	1275.8	1283.3	1218.2	**5%**	1%	1359.1	1289.6	**5%**	6%	**5%**
EBITDA	143.2	143.3	128.2	**12%**	0%	156.0	140.9	**11%**	9%	**11%**
margin	11.2%	11.2%	10.5%			11.5%	10.9%			
EBIT	80.3	76.1	60.4	**26%**	-5%	84.9	67.7	**25%**	12%	**26%**
margin	6.3%	5.9%	5.0%			6.2%	5.2%			
Net Profit	13.8	15.9	15.4	**3%**	15%	22.2	21.4	**4%**	40%	**3%**
NFP	443	408	463	**-12%**	-8%	405	445	**-9%**	-1%	**-10%**
NFP/EBITDA	3.09	2.85	3.61			2.60	3.16			

Source: Kepler Cheuvreux

More clarity on the impact of new accounting principles

The application of the IFRS 10/11 accounting principles (total consolidation of controlled JVs instead of proportional) optically boosted the FY 2012 EBITDA by 18% with negligible impact on net profit (much higher minorities), while improving NFP by 3%. FY 2013 EBITDA was up by 8.8% (guidance: +5-10%) on restated full-year 2012 results.

NWC improvement is a good step: more to come

In our view, a notable achievement was the beat on net debt; cutting guidance twice in 2013, Trevi improved NWC considerably in Q4 2013. We believe destocking at Soilmec was the main driver, which might continue into 2014 in light of recovering demand for special foundation machines.

Backlog still low, but stabilisation in place, opportunities ahead

Backlog was down by 19% YOY (EUR877m) at end-2013, despite benefitting from retroactive consolidation of order intake announced in Q1 (EUR100m out of total EUR300m). Looking ahead, several intake opportunities might drive to some (needed) backlog recovery. We expect further intake at Trevi and Drillmec divisions in the next few months, while after the inflection in Q413, Soilmec should recover mildly in 2014.

Improved NFP. EPS 2014-15 up, TP lifted from EUR6.6 to EUR7.9

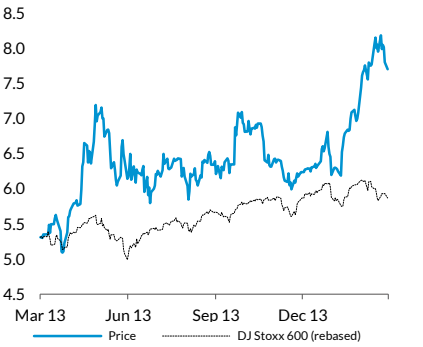
The FY 2014 guidance is likely to be provided on 16 April. At this stage, we lift our FY 2014-15 EBITDA by 18% (largely driven by new accounting principles), with a small (3%) EPS upgrade, as increased minorities will absorb a large slice. We upgrade our TP (DCF) from EUR6.6 to EUR7.9.

Front page

Reuters TFI.MI
Bloomberg TFI IM
Index DJ Stoxx 600

Market data

Market cap (EURm)	541
Free float	51%
No. of shares outstanding (m)	70
Avg. daily trading volume('000)	127
YTD abs performance	22.6%
52-week high (EUR)	8.20
52-week low (EUR)	5.09



FY to 31/12 (EUR)	2013	2014E	2015E
Sales (m)	1,275.8	1,283.3	1,359.1
EBITDA adj (m)	143.2	143.3	156.0
EBIT adj (m)	80.3	76.1	84.9
Net profit adj (m)	13.8	15.9	22.2
Net fin. debt (m)	442.9	408.4	405.4
FCF (m)	-6.8	18.4	20.0
EPS adj. and fully dil.	0.20	0.23	0.32
Consensus EPS	0.23	0.44	0.56
Net dividend	0.13	0.13	0.11

FY to 31/12 (EUR)	2013	2014E	2015E
P/E (x) adj and ful. dil.	30.5	34.1	24.3
EV/EBITDA (x)	6.5	7.3	6.8
EV/EBIT (x)	11.6	13.7	12.4
FCF yield	-1.6%	3.4%	3.7%
Dividend yield	2.2%	1.7%	1.4%
Net debt/EBITDA (x)	3.2	3.0	2.7
Gearing	102.8%	86.2%	81.4%
ROIC	6.4%	5.6%	6.2%
EV/IC (x)	1.1	1.2	1.2

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