Trevi (ADD): **3Q/9M10A Results**

News: Trevi's 9M10 results, showed a top line and EBITDA result slightly lower than forecasts, mainly due to the lower than expected revenue for the ground engineering division. We highlight that: 1) the other group's business units performed as expected; 2) Drillmec in particular, after suffering in 2Q10, showed an expected revenue recovery in 3Q10 and therefore appears in line with our whole year top line forecast; 3) the group's 9M10 EBITDA margin was 15.4%, slightly above our 15.3% estimate and in 3Q10 (15.8%) rebounded significantly compared to the previous quarter (13.8%). The consolidated EBIT result was significantly lower than forecast mainly due to slightly higher than expected depreciation and EUR 5.1M provisions (compared to our forecast of EUR 2M), whose nature was not disclosed. The group's 9M10A bottom line declined 50.5% yoy, worse than forecast, due to both the lower than expected EBIT result and a slightly higher than estimated tax rate. As at 30 September the group's net financial position slightly improved compared to end-June 2010 (EUR 395M vs. EUR 398M at 30 June), in spite of the dividend payment (EUR 8.3M), thanks to a strict capex control (EUR 25.6M in 9M10 vs. EUR 54.8M in 9M09) and a good NWC management. At 30 September, the order backlog amounted to EUR 759.4M slightly better than expected compared to the EUR 716M at end-June 2010 and EUR 783.5M at 30 September 2009, implying an order inflow of EUR 279.4M in 3Q10 (EUR 388.8M in 1H10).

Our view: Based on the announced results, we are reviewing our 2010E-11E forecasts slightly, mainly to account for the lower than expected performance by the Trevi business unit. Yet we believe that the group showed a higher than expected resilience in the order backlog and a positive net debt trend. In addition the 4Q10E outlook should improve for both sequential and yoy comparison, while negotiations for important orders are still alive. **We confirm our ADD rating with target price Under Review.**

Trevi - 3Q10A-9M10A results

EUR M	3Q10A	3Q10E	vs. est.	3Q09A	% yoy	9M10A	9M10E	vs. est.	9M09A	% yoy
Revenues	236.4	249.1	-5.1%	264.9	-10.8	689.1	701.9	-1.8%	836.4	-17.6
EBITDA	37.2	38.6	-3.6%	45.6	-18.3	106.1	107.5	-1.3%	161.3	-34.2
Margin (%)	15.8	15.5		17.2		15.4	15.3		19.3	
EBIT	22.3	29.0	-23.3%	31.9	-30.2	65.8	72.6	-9.3%	109.7	-40.0
Margin (%)	9.4	11.7		12.1		9.5	10.3		13.1	
Pre-tax income	17.0	22.7	-25.2%	27.9	-39.3	54.7	60.4	-9.5%	97.5	-43.9
Net Income	11.4	15.0	-24.1%	18.8	-39.4	34.8	38.3	-9.3%	70.1	-50.4

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

Key data

Sector			Construction
Target price (EUR)	11.90		UR
Rating			ADD
Mkt price (EUR)			9.50
Mkt cap (EUR M)			608.00
Ratios (x)	**2009A**	**2010E**	**2011E**
P/E	7.40	9.25	7.71
EV/sales	1.03	0.98	0.88
EV/EBITDA	5.84	6.23	5.40
Performance (%)	**1M**	**3M**	**12M**
Absolute	1.28	-20.37	-22.13
Rel. to FTSE It. All	0.90	-22.31	-12.80

Source: Intesa Sanpaolo Research estimates and Thomson Reuters

Bruno Permutti
Equity Research
+39 02 7261 5772
bruno.permutti@intesasanpaolo.com

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TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
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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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