

## Trevi Fin. (Outperform, TP € 9.35)

	Mkt.Cap. €497	€7.77	(Andrea Scauri ext. 496)		
	Turnover	Net Profit	PE	PBV	Yield
2010	942	46	15.7	2.0	1.1
2011E	1,059	42	11.8	1.3	1.7
2012E	1,066	47	10.5	1.2	1.7

### Conversion of the bond. Net debt reduction and EPS dilution already included in our TP. Overhang likely already covered

**Event** The BoD deliberated to exercise the option of redemption by share settlement as provided by the financing contract with Intesa Sanpaolo and included in the terms and conditions of the €70 m indirect exchangeable bond issued on 30/11/2006 by Sanpaolo IMI and convertible into TREVI shares.

The number of new TREVI shares, to be delivered to the bondholders by 30/11/2011 (date of expiry of the indirect convertible bond) is equal to a maximum of 6,194,690.

The value of the new issued shares will be determined by the arithmetic mean of the Official Price of the stock in the 30 days of trading prior to the third last trading day preceding 30/11/2011.

The difference between the total nominal value of the indirect exchangeable bond (€11.30) and the total value of the stocks of new issuance will be settled by cash in the form of cash adjustment paid to the bondholders.

**Comment/Financial** The conversion of the bond and the EPS dilution were already included in our TP of €9.35 (see our latest report and pages 9 and 10 in particular). In details:

- ◆ The number of TFI's issued shares increases to 70.15m from 64.0m (i.e. approx. by 10%);
- ◆ Our 2011 and 2012 EPS were already fully diluted at €0.66 and €0.74 respectively;
- ◆ Assuming an average share price of €8.0 (value of the new issued shares determined by the arithmetic mean of the Official Price of the stock in the 30 days of trading prior to the third last trading day preceding 30/11/2011), the capital increase would amount to approximately €50m;
- ◆ As such, the 2011E net debt would be reduced by the same amount, to €332m (from €382m expected). This would imply a net debt/EBITDA ratio at 2.3x and a gearing of 0.8x;
- ◆ Our TP calculation (based on a SOP) was already including the fully diluted number of shares and the 2011E net debt position adjusted by €50m

**View/Action - Risk of overhang** - We have no evidence about who are the investors holding the bond. We see a limited risk of overhang, given the fact that TFI's management never hid its intention to force the conversion (the strike price of the convertible bond was €11.30).

As such, we do not rule out that the bondholders have already closed their equity position through derivatives in the past few weeks.

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