

COMPANY HIGHLIGHTS

16 May 2012

TREVI

Sector:

TITLE: **FEEDBACK FROM THE CONFERENCE CALL**

MARKET PRICE (EUR): **3.47**

MARKET CAP (EURM): **243.4**

TARGET PRICE (EUR): **3.92**

RATING: **HOLD**

Event - Trevi held a conference call commenting 1Q12 results which saw a strong sales growth (+42%) but a decline in EBITDA margin (at 10.3% vs. 14.8% in 1Q11) and a higher than expected net debt rose (EUR495 million vs. EUR404 million at Dec-11).

Analysis - Main points emerged from the conference call:

1. Trevi (foundation services) is strongly benefiting from the good trend in the US sustained by the dam revamping projects, and the company expects sales at least up 15% this year (+19% in 1Q12) with growing margins;
2. Drillmec, which more than doubled its revenues in the first quarter, reported a poor operating margin in 1Q12, mostly due to mounting price pressure. We believe the company is trying to increase its market share lowering prices, with the consequent negative impact on profitability. However, the management is confident to increase margins in the coming quarters;
3. After a very weak January and February, Soilmec saw a rebound of sales in March and April. Still, higher competition should continue to put pressure on price and margins;
4. Altogether, Trevi confirmed its guidance for a revenues increase but with a flat EBITDA, meaning that EBITDA margin should decline this year (we have 10.7% vs. 11.2% in 2011). Net debt should be stable compared with Dec-11, thus implying a gradual reduction from the Mar-12 figure;
5. On the Mosul dam, the management commented that the bid is still pending. The client has engaged an international and well reputed consultant to evaluate the proposals, and therefore the company is still in the game.

Conclusion & Action -1Q12 results were encouraging although EBITDA margin remained low, even in front of a strong sales growth and net debt is increasing. To see a sharp rebound of the share the market would need to see some margin recovery and a lower net debt. Hold reiterated.

Key figures

KEY FINANCIALS

EUR million	2011	2012E	2013E	2014E
Revenues	1,061.4	1,137.8	1,171.2	1,222.5
EBITDA	119.0	122.3	146.0	167.0
EBIT	69.3	70.7	94.7	113.8
Net Profit	25.7	26.0	40.8	52.7
Net Debt	403.9	389.6	366.3	345.2
Shareholders Equity	425.8	434.9	444.6	471.8

EV/VALUATION RATIO

	2011	2012E	2013E	2014E
EV/EBITDA (x)	8.89	5.41	4.38	3.70
EV/EBIT (x)	15.26	9.37	6.75	5.43
EV/Sales (x)	1.00	0.58	0.55	0.51

PER SHARE/VALUATION RATIO

	2011	2012E	2013E	2014E
EPS (EUR)	0.37	0.37	0.58	0.75
P/E (x)	24.05	9.38	5.96	4.62
DPS (EUR)	0.13	0.13	0.18	0.20
Dividend Yield (%)	1.5%	3.7%	5.2%	5.8%
P/CF (x)	8.30	3.28	2.71	2.37
P/BV (x)	1.45	0.56	0.55	0.52

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