

Trevi (BUY):

Feedback from 1Q12 Conference Call

News: The main points arising from the 1Q12 results conference call were the following:

Management gave a 2012 guidance of higher revenue, stable EBITDA and stable net financial position compared to 2011. For 2013 management said revenue should continue to grow and also a recovery in profitability is budgeted. Such indications appear to be consistent with our current group estimates.

As for 2012, management said that the revenue growth should be driven by the ground engineering business for which a double-digit growth (+19% yoy in 1Q12) is expected, also in the remaining part of the year. This indication is above our current estimate of a 10% yoy increase. Management also specified that weak growth by Petreven in the quarter was attributable to the slowdown of activity in Argentina and Colombia and that the situation should normalise in the second half of the year. As for the weak sales registered by Soilmec, management mentioned a negative seasonality but confirmed its expectations of flat yoy sales for the whole year.

In terms of operating profitability management said that the improvement seen in 1Q12 in the services division (EBITDA of 18.5%) was mostly related to the good profitability of some works in the USA and Latin America; yet such a figure should not be considered a proxy for the whole year. Pricing pressure also remains in the mechanical sector, especially for Soilmec, with a negative impact on the division's operating margins.

As for net debt, management confirmed that 2H12 should see a decreasing trend to close the year at the level of end-2011, mainly as a result of a reduction in NWC.

Management also said that the 1Q12 order inflow (EUR 239M) was mainly constituted by small-medium size orders. As for the Mosul dam, management said that in the last few weeks the Iraqi government has appointed an independent consultant to assess the offers presented by Trevi and its competitor Bauer, and a response is expected in the next few quarters. The project award is therefore still pending.

Our view: The announced results were better than expected at the top line and operating profitability. Yet we note that the group quarterly results have been historically very volatile, which is normal considering the company's business. Therefore we believe that the announced results are consistent with our current 2012E-13E forecasts and we are not surprised that management substantially confirmed its previous guidance. We believe that the stock price already factored in the negative 2012 outlook.

Key data			
Sector	Building & Materials		
Target price (EUR)	5.24		
Rating	BUY		
Mkt price (EUR)	3.47		
Mkt cap (EUR M)	243.44		
Ratios (x)	2011A	2012E	2013E
P/E	9.47	8.43	7.83
EV/sales	0.61	0.57	0.56
EV/EBITDA	5.47	5.04	4.84
Performance (%)	1M	3M	12M
Absolute	-13.95	-45.13	-66.91
Rel. to FTSE It All	-7.36	-27.12	-30.70

Source: Intesa Sanpaolo Research estimates and Thomson Reuters

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