Trevi

Italy/Construction & Materials

Accumulate

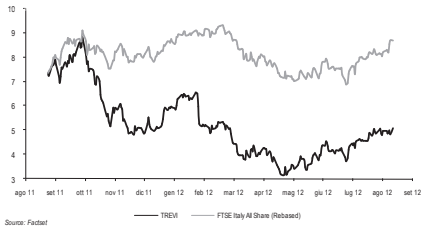
from Hold

Share price: EUR	**5.07**
closing price as of 10/09/2012	
Target price: EUR	**6.00**
from Target Price: EUR	**5.30**

Reuters/Bloomberg TFI.MI/TFI IM

Market capitalisation (EURm)	356
Current N° of shares (m)	70
Free float	50%
Daily avg. no. trad. sh. 12 mth	402,637
Daily avg. trad. vol. 12 mth (m)	2
Price high 12 mth (EUR)	8.83
Price low 12 mth (EUR)	3.17
Abs. perf. 1 mth	10.75%
Abs. perf. 3 mth	32.38%
Abs. perf. 12 mth	-31.53%

Key financials (EUR)	12/11	12/12e	12/13e
Sales (m)	1,061	1,151	1,305
EBITDA (m)	119	119	157
EBITDA margin	*11.2%*	*10.4%*	*12.0%*
EBIT (m)	69	66	102
EBIT margin	*6.5%*	*5.7%*	*7.8%*
Net Profit (adj.)(m)	26	23	44
ROCE	8.1%	7.5%	11.0%
Net debt/(cash) (m)	404	410	409
Net Debt/Equity	*0.9*	*0.9*	*0.8*
Debt/EBITDA	3.4	3.4	2.6
Int. cover(EBITDA/Fin. int)	6.2	4.9	5.6
EV/Sales	0.8	0.7	0.7
EV/EBITDA	7.1	7.2	5.5
EV/EBITDA (adj.)	7.1	7.2	5.5
EV/EBIT	12.2	13.0	8.5
P/E (adj.)	12.8	15.2	8.0
P/BV	0.8	0.8	0.7
OpFCF yield	*0.9%*	*22.0%*	*15.9%*
Dividend yield	*2.6%*	*2.6%*	*2.6%*
EPS (adj.)	0.38	0.33	0.63
BVPS	6.07	6.27	6.77
DPS	0.13	0.13	0.13



Shareholders: Trevi family 50%;

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Trevi is outside the storm

The facts: during yesterday presentation, the management confirmed that the scenario remains difficult; nevertheless the business activities in the group's reference sectors are normalizing with positive perspectives for the coming months.

SOILMEC (foundation equipment) - the visibility on the order backlog remains low (2 months), but there is a steady sales recovery and the profitability, which is still below the historical average, is improving and operative margins should revert to normal as from the end of 2013;

TREVI (foundation service) – sales growth trend and stable margins showed in H1 12 are expected to continue in H2, especially driven by small/mid-sized orders;

PETREVEN (oil & gas service) – the several current contracts are proceeding regularly;

DRILLMEC (oil & gas equipment) – given the steady improvement in the contractual conditions in the last few months (better profitability and sounder financial situation), we reckon that the group could sign new important contracts for drilling equipment in the coming weeks.

Still prudent view on FY 12, but FY 13e estimates revised upward: we slightly reduced our FY 12e EBITDA margin (from 10.8% to 10.4%) because, the growing Drillmec's profitability in H2 will insufficient to completely offset the operating margin below the average recorded in H1.

On the contrary, based on the foregoing indications, we increase our FY 13e sales (+13.7% vs previous +6.9%, because we factor in the potential benefits from an estimated new order expected in the oil & gas equipment) and we confirm our forecast for a recovery in profitability (we forecast EBITDA margin to grow from 10.4% in 2012e to 12.0% in 2013e).

Conclusion & Action: *in our opinion, at the current price, the stock does not factor in the strong potential growth due to the current important negotiations for new contracts in the drilling sector.*

Therefore we move our recommendation from Hold to Accumulate and increase our TP from EUR 5.3 to 6.0 per share (DCF Model - WACC 8.2% and 1.5% perpetual growth rate)