

COMPANY HIGHLIGHTS

31 August 2012

TREVI

Sector:

TITLE: **FEEDBACK FROM THE CONFERENCE CALL**

MARKET PRICE (EUR): **4.81**

MARKET CAP (EURM): **337.6**

TARGET PRICE (EUR): **3.92**

RATING: **HOLD**

Event - Trevi held a conference call commenting 2Q12 results which saw a further sales growth (+7.5%) but a decline in EBITDA margin (at 8.9% vs. 12.7% in 2Q11).

Analysis - Main points emerged from the conference call:

1. 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) and implying a slight margin improvement in the second half (around 11.5% vs. 9.2% reported in 2H11 and 9.6% in 1H12), mostly coming from the Mechanical division (4.3% margin in the first half) while Services division should remain broadly flat (16.5% in 1H12). Net debt should be stable compared with Dec-11, thus implying a gradual reduction from the June-12 figure (EUR426 million);
2. Drillmec, which increased its revenues by 36% in the first half, is suffering from a poor operating margin due to the company strategy of giving up margins in order to enter new markets and gain larger contracts while the pick of production in 1H12 obliged the company to increase the outsourcing. This long term strategy should allow gaining market share and increasing the customer base and further significant opportunities could come in the near future. The management is confident to increase margins in future, but we believe it would take some quarters before seeing a sharp profitability recovery;
3. Petreven is currently operating 13 rigs and a new one is expected by the end of the year or in the first part of 2013. The visibility remains high thanks to the renewal of existing contracts;
4. Forex gains, which reached EUR2.8 million in 1H12 should continue in the second half if USD would remain at current level. The increase of USD also pushed up net equity which increase by nearly EUR100 million in the past 12 months;
5. On the Mosul dam, the management commented that the bid is still pending but the timing is uncertain.

Conclusion & Action - We remain neutral on the share: consensus is now aligned with Trevi's guidance, the share is trading at a modest discount to peers (around 7%) and we do not see any significant trigger in the short term. Next event is an analyst meeting scheduled for Monday September 10.

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	6.22	5.05	4.29
EV/EBIT (x)	15.26	10.76	7.79	6.30
EV/Sales (x)	1.00	0.67	0.63	0.59

PER SHARE/VALUATION RATIO

	2011	2012E	2013E	2014E
EPS (EUR)	0.37	0.37	0.58	0.75
P/E (x)	24.05	13.01	8.27	6.40
DPS (EUR)	0.13	0.13	0.18	0.20
Dividend Yield (%)	1.5%	2.7%	3.7%	4.2%

P/CF (x)	8.30	4.55	3.75	3.28
P/BV (x)	1.45	0.78	0.76	0.72

ANALYST

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