

Trevi Finanziaria Industriale S.p.A.

Mid cap: construction (full coverage)



Roadshow feedback: the worst is behind.

Topic – Company roadshow in the Netherlands with CFO Mr. Forti and Mrs. Trevisani, company IR. US and Middle East to offset the weak Italian market.

US orders to be awarded shortly – At least one new dam to be restructured and the restructuring project of the embankment in Louisiana are the main public works that the US Corps of Engineering is expected to shortly award. Trevi, thanks to **1) a long-lasting track record** in terms of maritime works (two works on dams awarded in the US only last year, more than 30, globally, in the last five years) and **2) a historical strong relationship with the US Corps of Engineering**, looks well poised to win both public tenders.

Middle East: A weak Dubai balanced by the other countries – Even though Dubai is suffering from a general slowdown in terms of orders related to foundations services/equipment, other countries such as **Qatar, Oman, Saudi Arabia and Egypt** look to be poised to fuel the order intake from the Middle Eastern region, also supported by the current level of the **oil price at around \$ 70 per barrel**. Particularly in Saudi Arabia, where Trevi has recently announced a small but important acquisition, the group could be shortly awarded with some important orders in both the Drilling (already rumoured in the past) and the Foundation Services division.

Italy still on stand-by, to restart in 2010 – Italy remains one of the weakest countries for Trevi. A potential recovery of the order intake is forecast to start not earlier than 2010, as a consequence of the implementation of the stimulus plan related to infrastructures (mostly urban mass-transit networks and Messina Bridge).

Drilling and Foundation Services divisions to drive order intake – Even though the difficulties of the Foundation Equipment division does not look to be over (still decreasing order intake, increasing receivables and increasing inventories), **momentum on the order backlog could shortly turn positive** as a consequence of the big opportunities that the company could exploit in the Foundation Services and Drilling divisions. In addition to the foregoing potential orders in the US and the Middle East there are **further big tenders that could be awarded shortly**, such as the Bridge on the Tago river or second Panama canal, which could turn positive the sales performance estimated for 2010.

Buy unchanged, PT at € 10.4 (2010 CFRoEV) – NFP forecast to improve from Q3 09 and inventories seen to decrease from Q4 are two good reasons to forecast that Trevi will be back to cash generation from the next year. Numbers untouched, PT as well at € 10.4.

| Y/E 31.12., EUR m | 2007 | 2008 | 2009e | 2010e | 2011e |
|-------------------------|--------|--------|--------|--------|--------|
| Sales | 837 | 1,069 | 1,189 | 1,059 | 1,120 |
| EBITDA | 126 | 160 | 175 | 143 | 151 |
| EBIT | 99 | 128 | 139 | 102 | 107 |
| Net profit | 56 | 75 | 73 | 51 | 56 |
| Y/E net debt (net cash) | 143 | 323 | 332 | 272 | 246 |
| EPS reported (1) | 0.79 | 1.06 | 1.03 | 0.73 | 0.80 |
| EPS recurring (2) | 0.87 | 1.17 | 1.13 | 0.80 | 0.88 |
| CPS | 1.19 | 1.56 | 1.58 | 1.34 | 1.44 |
| DPS | 0.10 | 0.12 | 0.13 | 0.13 | 0.14 |
| Gross margin | 29.6 % | 28.7 % | 28.6 % | 28.6 % | 28.4 % |
| EBITDA margin | 15.0 % | 15.0 % | 14.7 % | 13.5 % | 13.4 % |
| EBIT margin | 11.9 % | 11.9 % | 11.6 % | 9.6 % | 9.6 % |
| Dividend yield | 1.4 % | 1.6 % | 1.7 % | 1.8 % | 1.8 % |
| ROCE | 23.9 % | 23.5 % | 20.8 % | 15.6 % | 15.5 % |
| EV/sales | 0.8 | 0.8 | 0.7 | 0.7 | 0.2 |
| EV/EBITDA | 5.0 | 5.1 | 4.7 | 5.3 | 1.8 |
| EV/EBIT | 6.4 | 6.4 | 5.9 | 7.5 | 2.5 |
| PER | 9.7 | 7.3 | 7.5 | 10.6 | 9.7 |
| Cash flow RoEV | 10.4 % | 10.7 % | 11.0 % | 9.3 % | 30.6 % |

Note: 1) before goodwill amortisation; 2) after goodwill amortisation, adj. for non recurring items;
Source: Company data, Berenberg Bank

Price: EUR 9.02

10/06/2009 Milan Close

Buy

Price target: EUR 10.40

Hurdle rate (after tax): 7.4%

Reuters TFI - Bloomberg TFI IM

Share data

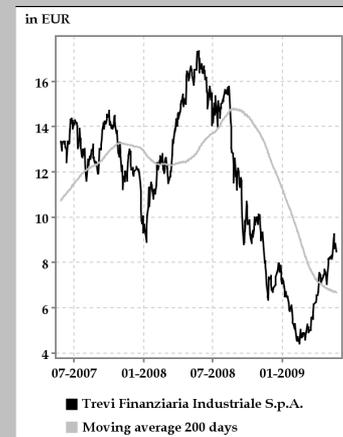
| | |
|-----------------------------------|-------------|
| Shares outstanding (mill.) | 64.0 |
| Market capitalisation (mill. EUR) | 468 |
| Enterprise value (mill. EUR) | 821 |
| Free float | 44.0% |
| Ø daily trading volume (pcs.) | 250,000 |
| Authorised capital (mill. pcs.) | - |
| Company agenda | Q2 28.08.09 |

Performance data

| | |
|-------------------------|----------|
| High 52 weeks (EUR) | 17.3 |
| Low 52 weeks (EUR) | 4.4 |
| Relative performance to | FTSE All |
| 1 month | 12.2 % |
| 3 months | 26.1 % |
| 12 months | -15.2 % |

Key data

| | |
|------------------------|---------|
| Price/book value | 1.8 |
| Net gearing | 113.9 % |
| CAGR sales 2007 - 2011 | 7.5 % |
| CAGR EPS 2007 - 2011 | 0.2 % |



| Change | 2009e | | 2010e | | 2011e | |
|--------|-------|---|-------|---|-------|---|
| | old | Δ | old | Δ | old | Δ |
| Sales | 1189 | - | 1059 | - | 1120 | - |
| EBIT | 139 | - | 102 | - | 107 | - |
| EPS | 1.03 | - | 0.73 | - | 0.80 | - |

Business activities:

Foundation construction and equipment (77% of sales); drilling services and equipment (23% of sales)

Major shareholders:

Trevisani Davide 56%
JP Morgan 5.0%

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