

# Trevi

Italy/Construction & Materials

## Buy

Recommendation unchanged

**Share price: EUR 7.76**

closing price as of 07/07/2009

**Target price: EUR 12.00**

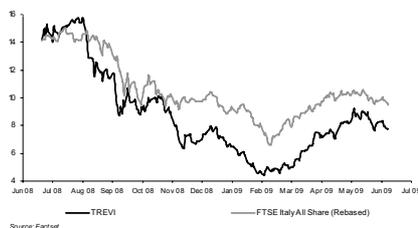
vs Target Price: EUR **11.60**

Reuters/Bloomberg

TFLMVTFI.M

Market capitalisation (EUR m)	497
Current N° of shares (m)	64
Free float	44%
Daily avg. no. trad. sh. 12 mth	244,609
Daily avg. trad. vol. 12 mth (m)	2
Price high 12 mth (EUR)	15.97
Price low 12 mth (EUR)	4.43
A bs. perf. 1 mth	-12.22%
A bs. perf. 3 mth	41.09%
A bs. perf. 12 mth	-50.42%

Key financials (EUR)	12/08	12/09e	12/10e
Sales (m)	1,069	1,154	1,269
EBITDA (m)	166	163	182
EBITDA margin	15.6%	14.1%	14.3%
EBIT (m)	128	120	138
EBIT margin	11.9%	10.4%	10.9%
Net Profit (adj.)(m)	75	66	77
ROCE	12.1%	9.8%	19.4%
Net debt/(cash) (m)	323	356	327
Net Debt/Equity	1.4	1.2	0.9
Debt/EBITDA	1.9	2.2	1.8
Int. cover(EBITDA/f.in. int)	8.0	7.8	8.4
EV/Sales	0.8	0.8	0.7
EV/EBITDA	5.3	5.7	5.0
EV/EBITDA (adj.)	5.3	5.7	5.0
EV/EBIT	6.9	7.8	6.5
P/E (adj.)	6.3	7.5	6.5
P/BV	2.1	1.7	1.4
OpFCF yield	-8.8%	11.7%	21.1%
Dividend yield	1.5%	0.8%	0.8%
EPS (adj.)	1.17	1.03	1.20
BVPS	3.54	4.45	5.59
DPS	0.12	0.06	0.06



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## Order intake gains momentum with US Army works

US Army assigned yesterday to Archer Western / Alberici JV in alliance with TREVIICOS the contract for the preconstruction services and construction option(s) for Levee Improvements to the New Orleans East Back Levee: the contract awarded amounts to USD 298 m, of which Trevi Icos portion is estimated to exceed USD 100 m. This contract is very positive because:

- 1) it strengthens the Trevi's partnership with the US Army with a view to starting the infrastructure investments in USA supported by the Mr Obama's stimulus package (besides, the multiyear federal government plan investment plan in the New Orleans area is estimated around USD 18bn);
- 2) it is a strong track record and a competitive advantage compared to the competitors in a scenario of recovery in infrastructure investments in several countries (especially in the Middle East, where Trevi has a strong presence);
- 3) Improves visibility on the order book of foundation division for 2010.

Today (Jul-08) the Panama Canal Authority should make public the bids presented for the development of widening works. We believe that Trevi has good chance to obtain an order as subcontractor for the specialised foundation works.

- Archer Western / Alberici JV in alliance with TREVIICOS, was awarded the Early Contractor Involvement (ECI) contract for Levee Improvements to the New Orleans East Back Levee, Reach LPV 111 in Orleans Parish, LA. This project involves raising these levees to the 100-year level of risk reduction, after the restoration done to the existing elevation following extensive degradation from Hurricane Katrina, as well as constructing new T-wall to a new protection elevation. The Contract Award Amount for the J.V. is expected to be USD 298 m, of which Trevi Icos portion is estimated to be over USD 100 m.
- In our opinion this contract is very important for Trevi, not only in terms of value, but also from a strategic point of view: 1) thanks the strong track record in waterproofing works in three US dams, the US Army Corps of Engineers acknowledges Trevi as a partner for the high specialised projects. The contract adopted, in fact, foresees the contractors involvement in the engineering and design phases of the project; 2) the strong interaction between the foundation equipment division (Soilmec) and the foundation work division (Trevi) demonstrated in the past several projects allows the group to win this contract and consequently to become a player at the same level of Keller, the historical leader in foundation works in the USA. This is very important because besides, the multiyear federal government plan investment plan in the New Orleans area is estimated around USD 18bn.
- This project should be realised in the next 18-24 months; most of the revenues will be realised in 2010. Consequently, we increased our 2010e sales of foundation division from EUR 542m to EUR 607m; therefore, our 2010e expected group sales increase from EUR 1,203.9m to 1,268.9m and the 10e EBITDA margin rose from 14.2% to 14.3%.
- **Based on the foregoing considerations and our changes in estimates, we have reiterated our Buy recommendation and we have increased our target price from EUR 11.60 to 12.00 per share.**