

# Trevi

Italy/Construction & Materials

## Buy

Recommendation unchanged

**Share price: EUR 11.65**

closing price as of 15/09/2009

**Target price: EUR 14.60**

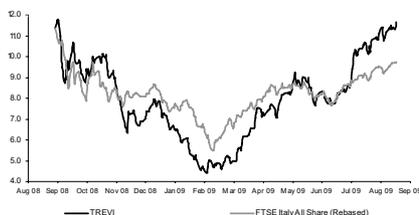
vs Target Price: EUR **14.20**

Reuters/Bloomberg

TFL.MVTFIM

Market capitalisation (EUR m)	746
Current N° of shares (m)	64
Free float	44%
Daily avg. no. trad. sh. 12 mth	250,441
Daily avg. trad. vol. 12 mth (m)	2
Price high 12 mth (EUR)	12.05
Price low 12 mth (EUR)	4.43
Abs. perf. 1 mth	9.60%
Abs. perf. 3 mth	33.14%
Abs. perf. 12 mth	-2.92%

Key financials (EUR)	12/08	12/09e	12/10e
Sales (m)	1,069	1,154	1,302
EBITDA (m)	166	163	189
EBITDA margin	15.6%	14.1%	14.5%
EBIT (m)	128	120	146
EBIT margin	11.9%	10.4%	11.2%
Net Profit (adj.)(m)	75	66	82
ROCE	12.1%	9.8%	20.4%
Net debt/(cash) (m)	323	355	324
Net Debt/Equity	1.4	1.2	0.9
Debt/EBITDA	1.9	2.2	1.7
Int. cover(EBITDA / in. int)	8.0	7.8	8.9
EV/Sales	0.8	1.0	0.9
EV/EBITDA	5.3	7.3	6.1
EV/EBITDA (adj.)	5.3	7.3	6.1
EV/EBIT	6.9	9.9	7.9
P/E (adj.)	6.3	11.3	9.0
P/BV	2.1	2.6	2.1
OpFCF yield	-3.8%	7.8%	14.7%
Dividend yield	1.0%	1.0%	1.0%
EPS (adj.)	1.17	1.03	1.29
BVPS	3.54	4.45	5.62
DPS	0.12	0.12	0.12



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## Several opportunities and good visibility on 2010

**The facts:** during yesterday's H1 09 analyst presentation, based on the good order book and the current potential orders which are under negotiation, the management confirmed that the positive scenario for the drilling divisions (Drillmec and Petreven) and for Trevi (foundation work) will continue in the coming months and a potential recovery of the foundation equipment division (Soilmec) will start in 2010.

**Our analysis:** in spite of the current difficult scenario, we believe that the positive trend of the infrastructures, the restarting of the oil drilling activity and the strong infrastructure's demand from the Middle East and Africa and some effective drivers for each division will assure an interesting growth rates in 2010.

**TREVI** - 1) the current benefits from ongoing Mr Obama's stimulus package in the USA is destined to continue and other infrastructure plans will start shortly in several countries; 2) the recovery of the international project financing to realise significant infrastructures could shortly restart in a lot of areas; 3) a demand of infrastructures in emerging markets, in which the group is interested to enter (China, Brasil, India, ...), is growing; 4) the foundation work's demand in the Middle East (investments shifted from building to infrastructures) and in Africa (strong demand from oil companies) remains very strong; 5) the group will participate to some tender offers for waterproofing work in the USA in the coming months;

**SOILMEC** - according to the management, we believe that a progressive sales recovery should start in the coming months thanks to the positive effects of the stimulus packages for infrastructure works planned in several countries. Furthermore, the group wants enter new growing markets characterised by an expected strong infrastructure's demand in the coming years (e.g. China: Soilmec will realize an assembling plant in China for high quality foundation equipments specifically developed for the needs of some clients in this market).

**DRILLMEC** - currently there are several negotiations with some oil companies in several countries that have reached an advanced stage (e.g. Argentina, Saudi Arabia, Mexico, Nigeria,...); these negotiations, in our opinion, could be transformed in contracts in the coming months. Furthermore, we believe that the order received by Saipem for two oil drilling rigs in Kazakhstan could be followed by further contracts since the features of the Drillmec rigs are particularly suitable for the particular conditions that characterise the northern part of the Caspian Sea;

**PETREVEN** - following a first recovery in the oil drilling activities, the group has been receiving a growing demand for the oil service activity not only from the historical clients but also from clients in markets in which the group is not currently present.

**Conclusion & Action:** based on these good perspective and the high visibility on the next year, we reiterate our Buy recommendation and, based on the roll over of our DCF model (WACC 8.16% and 1.5% perpetual growth rate), we set a target price of EUR 14.60 per share.