Morning comment

Trevi Finanziaria Industriale S.p.A.

Mid cap: engineering (full coverage)

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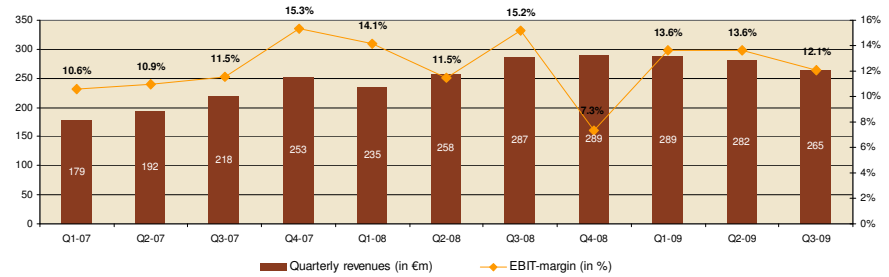
Joh. Berenberg, Gossler & Co. KG

Favourable product mix + flexible production = crisis protection

Trevi's quarterly performances throughout 2009 are remarkable and evidence of the company's resilience in the crisis.



Source: Berenberg Bank, Trevi group

The reasons for Trevi's strong performance are twofold:

- **Favourable product mix** – Trevi fully compensated for the -47% ytd drop in the demand for foundation equipment (Soilmec) with strong demand for oil, gas and water rigs (Drillmec, ytd: +46%). A strong order book and long lead times for rigs supported this trend. In addition, the specialty foundation business continued to process orders at hand and demand from the Middle East (ex Dubai) stayed robust.
- **Highly flexible production** – Unlike its competitors, BAUER in particular, Trevi's internal value-add is limited and a sizeable amount of components is sourced externally. Insourcing and a shifting of capacities from Soilmec (foundation equipment) to Drillmec (oil, gas, water rigs) has been used to cope with declining demand and protect Trevi's high margins.

Trevi – a winner of the crisis: So far, infrastructure programmes worldwide have not yet significantly trickled down to Trevi's order book. The company's equipment and construction business are both well positioned to benefit from an increase in infrastructure activity in the next few quarters. We re-initiate coverage with a PT of € 16, BUY.

(cont'd)

Y/E 31.12., EUR m	2005	2006	2007	2008	2009e	2010e	2011e
Sales	497	642	837	1,069	1,070	1,098	1,226
EBITDA	49	82	126	160	195	180	195
EBIT	29	58	99	128	130	131	144
Net profit	13	27	56	75	78	76	86
Y/E net debt (net cash)	126	176	143	323	430	396	335
EPS reported	0.20	0.42	0.79	1.06	1.21	1.19	1.35
EPS recurring(1)	0.20	0.42	0.87	1.17	1.21	1.19	1.35
CPS	0.50	0.76	1.19	1.56	2.04	1.83	2.02
DPS	0.03	0.05	0.10	0.12	0.15	0.16	0.18
Gross margin	28.8 %	29.1 %	29.6 %	28.7 %	33.1 %	31.4 %	31.1 %
EBITDA margin	9.9 %	12.8 %	15.0 %	15.0 %	18.2 %	16.4 %	15.9 %
EBIT margin	5.8 %	9.0 %	11.9 %	11.9 %	12.1 %	11.9 %	11.7 %
Dividend yield	0.2 %	0.4 %	0.8 %	1.0 %	1.2 %	1.3 %	1.4 %
ROCE(2)	10.6 %	16.2 %	23.9 %	23.5 %	17.0 %	15.0 %	16.0 %
EV/sales	1.9	1.6	1.2	1.1	1.2	1.1	0.9
EV/EBITDA	19.4	12.2	7.7	7.2	6.4	6.7	5.9
EV/EBIT	33.2	17.2	9.7	9.0	9.6	9.2	8.0
PER	61.9	29.7	14.2	10.6	10.2	10.5	9.2
Cash flow RoEV	1.6 %	4.0 %	6.8 %	7.6 %	8.9 %	8.1 %	9.4 %

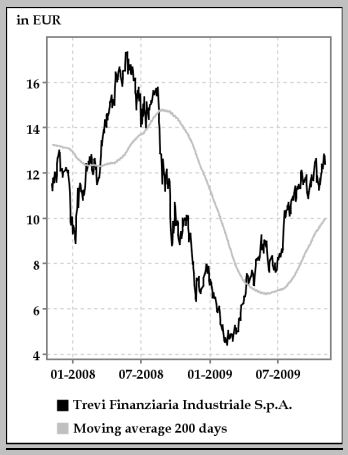
Note: 1) Adjusted for non-recurring items. 2) EBIT/average capital employed.
Source: Company data, Berenberg Bank

Price: EUR 12.40
19.11.2009 Milan Close

Buy

Price target: EUR 16.00
Hurdle rate (after tax): 8.1%

Reuters TFI - Bloomberg TFI IM	
Share data	
Shares outstanding (mill.)	63.2
Market capitalisation (mill. EUR)	794
Enterprise value (mill. EUR)	1,242
Free float	44.0%
Ø daily trading volume (pcs.)	250,000
Authorised capital (mill. pcs.)	-
Company agenda	n/a
Performance data	
High 52 weeks (EUR)	12.8
Low 52 weeks (EUR)	4.4
Relative performance to	FTSE All
1 month	7.4 %
3 months	8.4 %
12 months	11.6 %
Key data	
Price/book value	3.2
Net gearing	157.6 %
CAGR sales 2005 - 2011	16.3 %
CAGR EPS 2005 - 2011	37.7 %



Change	2009e		2010e		2011e	
	old	Δ	old	Δ	old	Δ
Sales	-	-	-	-	-	-
EBIT	-	-	-	-	-	-
EPS	-	-	-	-	-	-

Business activities:
Foundation construction and equipment; drilling services and equipment

Major shareholders:
Trevisani Davide 56%

November 20, 2009
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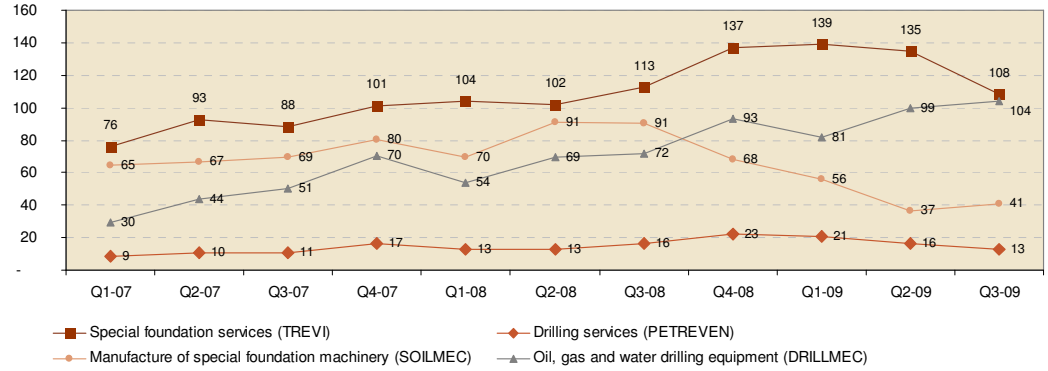
Trevi Finanziaria Industriale S.p.A.

Mid cap: engineering (full coverage)

Product mix offers plenty of room for further growth

As explained above, Trevi has so far done well in the crisis thanks to its favourable product mix and the different underlying business dynamics and lead times.

Quarterly sales development of Trevi's business units since 2007



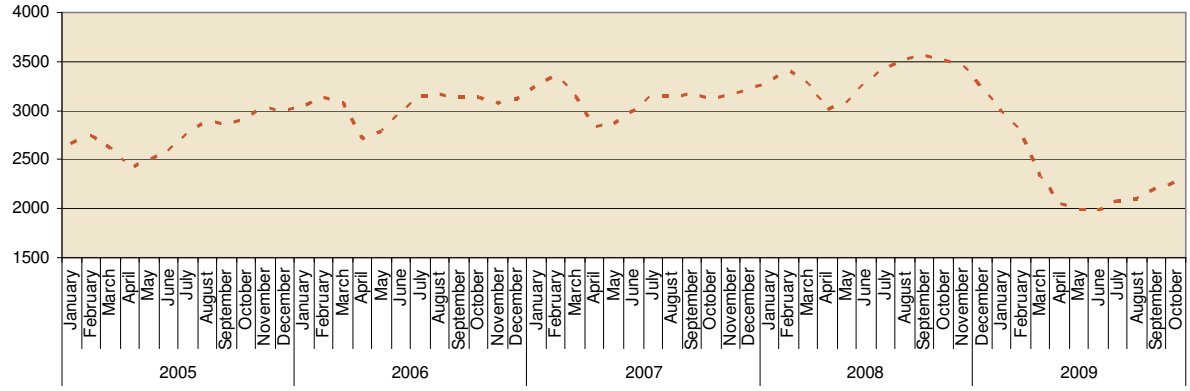
Source: Berenberg Bank; Trevi group

The foundation equipment business (Soilmec) declined >40% in the course of 2009. This business has short lead times of around six weeks and was thus harshly hit by the crisis (after several years of booming demand). Drillmec inby contrast – Trevi group's specialist for oil, gas and water drilling rigs – has grown 46% ytd. Today, about 100 Trevi HH rigs have been installed, corresponding to ~4.5% global market share of on-shore rigs. **As Trevi benefits from the structural change towards hydraulic rigs,** we assume that Trevi will win further market share. Trevi's hydraulic rigs are superior to conventional manual rigs as they not only high savety but also provide:

- 30% reduction in operational costs;
- Require 50% less space; and
- Reduce ramp-up/downtime by 40%.

Accordingly, Trevi has been able to grow Drillmec significantly. From a sales level of € 119m in 2006, the company is assumed to have reached € 330m in this fiscal year. Further growth is not ruled out as the global number of rigs has started to grow again after having bottomed out in May 2009.

Global rig count – monthly development since 2005



Source: Baker Hughes; Berenberg Bank

Compared to its peak of September 2008, the number of installed rigs has decreased by 36% ytd (~1,300 rigs). Geographically, the US experienced the strongest decline (yoy: -47%), followed by Canada (yoy: -45%). The number of rigs employed in Africa and the Far East even grew, +3% and +1% respectively. The Middle East found its bottom in August 2009 with 234 installed rigs.

We believe that the market for deep drilling rigs remains an attractive growth area with rebound potential due to growing worldwide energy needs. The trend towards environmentally-friendly energy solutions could provide new areas of growth such as off-shore rigs and wind parks as well as geothermal applications.

Worldwide infrastructure construction – the next trigger

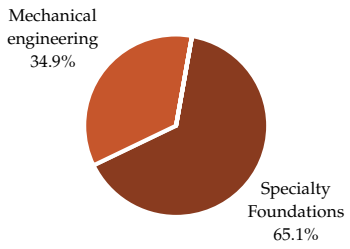
Infrastructure investments resulting from economic support packages have not yet trickled down into Trevi's business to any significant extent. Large general contractors will employ subcontractors after their respective tender wins for infrastructure projects. Trevi is assumed to benefit in two ways:

- Specialty foundation services: Trevi is well-known for its capabilities and technological expertise in terms of ground work. Its track record of >50 years and its global presence make the company a preferred partner for many general contractors and for complex foundation work.
- Foundation machinery: Part of Trevi's business model is to develop and distribute equipment for foundation and drilling works. Even though demand was under pressure in 2009, infrastructure projects could lead to demand from small and medium to large-sized construction companies for Trevi's equipment in order to participate in and/or execute these projects.

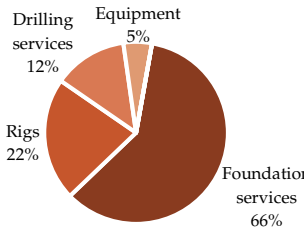
A channel check among Europe's civil construction companies proved that most of the tender processes for infrastructure projects are still ongoing. The US, by contrast, looks to be a bit ahead. US President Obama has dedicated a total amount of $ 131bn for the overhaul of public infrastructure and public buildings (~30% of Trevi's order book is related to the US; US specialty foundations company ICOS was acquired in 1997 and Watson, a foundation equipment producer, was bought at the beginning of 2009).

Thus, we believe that major civil projects (overhauls of dams, bridges, streets, tunnels) will be awarded in the course of 2010. Trevi should realise the full revenue effect from these projects in 2011 (see growth assumptions on page 4).

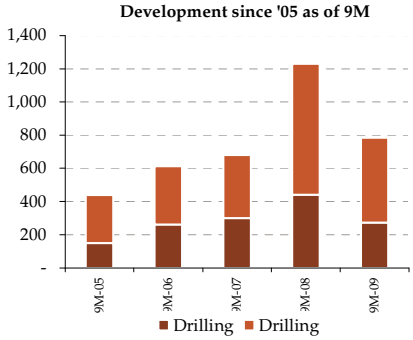
Order backlog: Divisional split (9M-09)



Order backlog: Subsegmental split (9M-09)



Order backlog: Development since '05 as of 9M



Source: Trevi Group; Berenberg Bank

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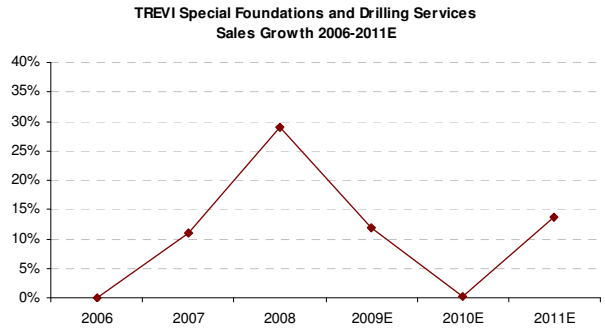
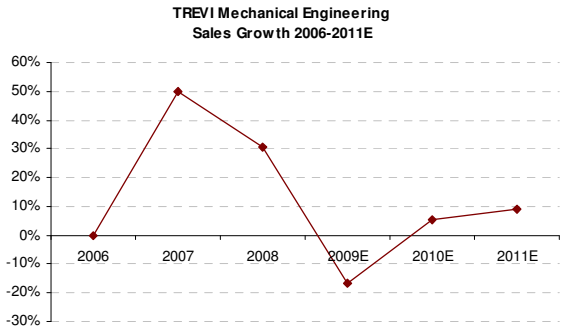
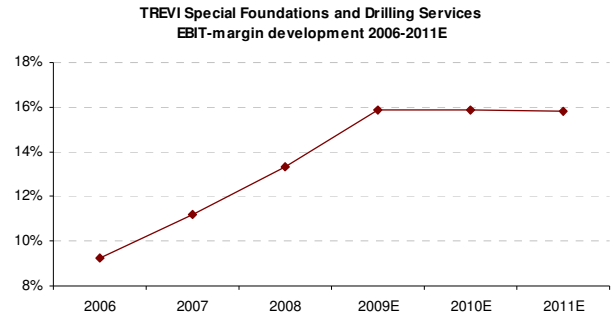
Trevi's profitability looks to remain strong going forward

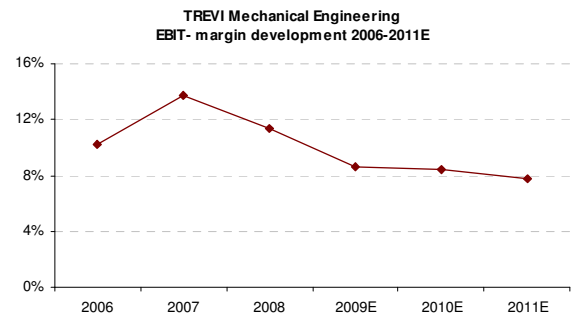
Specialty Foundations and Drilling Services: We believe that Trevi will benefit from larger civil projects in its Special Foundations and Drilling Services division. Especially as the market for more complex work is shared by four players only: BAUER (B5A GY), KELLER (KLR LN) and Trevi as well as Soletanche Bachy (part of Vinci group).

Thus, we assess the margin level of the division as sustainable. The reason for this is the continued demand for infrastructure as well as drilling services. With acquisitions in Saudi Arabia (Arabian Soil Contractors) and South America (Galante), Trevi is well present in attractive growth regions. Since 2006, Trevi has not only offered foundation work but this division has also covered the operation of drilling rigs on behalf of third parties. Trevi's client basis consists of oil & gas companies such as Petrobras, Chevron Texaco, Repsol, and PDVSA. As this business is more capital-intense (high capex in 2007/08), the margins for drilling services are assumed to be favourable and to contribute positively to the divisional performance.









Source: Trevi Group; Berenberg Bank

Mechanical Engineering: The margins of the Mechanical Engineering division have declined in the course of the crisis. Especially the demand for construction equipment was weak and the order book has been worked down from a visibility of 5 months to 2-3 months. Trevi's highly flexible cost structure has enabled the company to shift the surplus capacity from the assembly of construction equipment to the production of oil & gas rigs where the strong order book secured Trevi's capacity utilisation. Obviously, insourcing was used to further protect margins and to allocate overheads. Accordingly, an EBIT margin level of around 8% is seen as sustainable for the time being. However, we do not rule out a margin increase should the demand for foundation machinery start to grow disproportionately with regard to the planned global infrastructure projects.

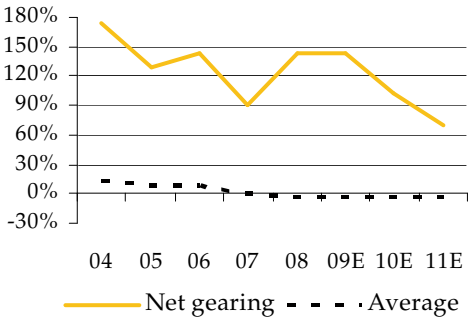
Trevi Finanziaria Industriale S.p.A.

Mid cap: engineering (full coverage)

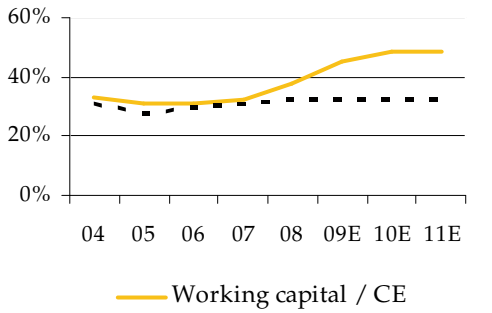
BUY with PT € 16 - Trevi indeed looks cheap …

… and therefore we have to answer the question why this is the case. We believe that capital markets have not yet fully understood the dynamics of Trevi's working capital:

The high net gearing of the company …



… is fully related to working capital demand



Source: Berenberg Bank

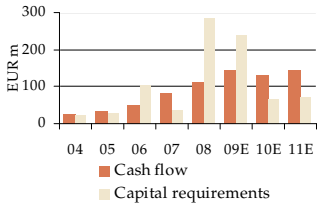
The strong working capital demand has two sources:

- **Drillmec:** On average, a Drillmec rig has a value of € 15m per unit. Normally, business is conducted via LCs and no or only low prepayments are received from clients. Since the average lead time for the equipment is 8 months (range: 6-12 months), Trevi's inventory position increases in terms of Drillmec components as well as unfinished rigs. And Drillmec's operations were heavily focused on growth in the past two years (Ø growth rate of >40%). This, in turn, has led to a strong increase in working capital. Today, roughly 40% of Trevi group's working capital is related to Drillmec.

- **Soilmec:** In the course of the crisis, construction equipment has been less requested and to some extent finished goods have been piling up on Trevi's balance sheet. We believe that we will see a normalisation of finished goods in the course of 2010/11.

Conclusion: Thus, the biggest lever for the valuation of Trevi would be the reduction of working capital. Should management be able to reduce its working capital significantly in the years to come and cash in the current work in progress, a revaluation of the stock would take place as EV would decrease by a sizeable amount.

We believe, however, that Trevi is already cheap on current terms. The high net debt is seen as a limited risk factor only. Guarantees in the form of LCs from Drillmec's clients safeguard the future cash generation. As soon as the equipment is shipped and delivered, the LC is converted into cash and the bridge financing of W/C terminated. Still, Trevi will continue to grow the working capital-intense Drillmec business. Hence, no quick change in the net gearing is expected and a normalisation is assumed to take two years.



Source: Berenberg Bank

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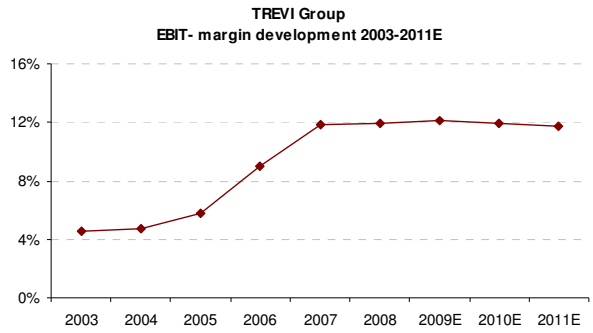


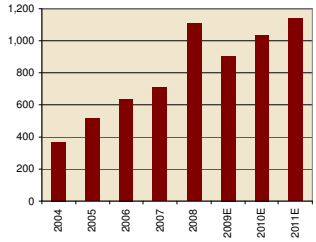
Source: Berenberg Bank, Trevi group

Are there triggers for the valuation?

We believe that 2010 will become a strong year in terms of order intake. Especially, medium and large civil projects could be awarded. At the same time, the momentum for construction equipment could rebound in H2 2010 and lead to additional growth. Therefore, we are convinced that positive newsflow throughout 2010 will support the share price.

There might be an opportunity to get into the stock cheaply as Q4 2009 may be weak. Due to the project nature of Trevi's Drillmec business, there will be only few deliveries in the fourth quarter of 2009. We expect Drillmec sales of only € 45m vs a quarterly average of ~ € 93m throughout 2009. The reason for this is related to one major contract Trevi received in September. Saipem S.p.A. awarded Trevi with the contract to build two oil drilling rigs for off-shore purposes. The contract (total value of > € 100m) is currently processed and will be delivered in the course of 2010. Therefore, the weak performance of Drillmec in Q4 2009 is nothing but the timely difference of production and billing. Should the share price react negatively on the occasion of the Q4 2009 publication, BUYING in weakness would be an opportunity.

Order book development (in €m)



Source: Berenberg Bank

Conclusion: BUY with PT € 16

Trevi is overall well positioned to benefit from structural growth regarding oil, gas and water drilling rigs and to further expand its market share in the field. The global infrastructure programmes will support the growth in construction equipment sales and in specialty foundation services. The niche in which Trevi operates is well protected and requires a sound track record and expertise (construction) as well as a strong balance sheet and technological know-how (equipment). Therefore, further growth is expected in the years to come.

Based on our conservative growth and working capital assumptions, we derive a value of € 16 per share (both CFRoEV & DCF, see page 7). Our PT implies an undemanding PER of 13x (currently 9.1x). The upside of 29% looks attractive - BUY. As the consensus looks still too high for 2010, we believe buying the stock in phases of weakness could make sense.

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Back-up I: Valuation – CFRoEV & DCF

CFRoEV value of €16 per share based on 2011E

Trevi Finanziaria Industriale S.p.A.				
Fair value = (cash flow return / hurdle rate) = (adj. EBIT after taxes / hurdle rate)				
Business year end: 31.12	**2008**	**2009**	**2010**	**2011**
EBIT	127.6	129.5	131.0	143.8
+ Depreciation of fixed assets	30.1	43.7	46.8	49.1
+ Amortisation of intangible assets	2.3	21.5	2.0	2.0
- Maintenance capex	33.0	35.0	37.4	39.3
= Adjusted EBIT	**127.0**	**159.8**	**142.3**	**155.6**
- Taxes (normalised tax rate)	36.8	46.3	41.3	45.1
- Minorities	2.7	3.2	3.8	4.1
= Adjusted cash flow after tax	**87.5**	**110.2**	**97.3**	**106.4**
Hurdle rate	8.1%	8.1%	8.1%	8.1%
= Fair EV	**1087**	**1369**	**1208**	**1322**
- Net debt (cash)	322.9	429.7	394.8	333.6
- Pension provisions	20.7	18.6	19.5	20.3
+ Financial assets (JV)	1.4	1.4	1.4	1.4
+ Accumulated dividends outstanding	0.0	0.0	9.7	19.7
= Fair market capitalization	**744**	**922**	**805**	**989**
Number of shares (million)	64.00	63.20	63.20	63.20
Fair value per share *(EUR)*	**12**	**15**	**13**	**16**
Current value per share	12.4	12.4	12.4	12.4
premium (-) / discount (+) in %	**-6%**	**18%**	**3%**	**26%**

Source: Berenberg Bank / Date: 20.11.2009

DCF value of €16 per share

DCF model											
EUR m	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Terminal value**
Operating profit (NOPAT)	93.3	93.0	102.1	92.1	86.3	79.8	79.8	79.8	79.8	79.8	
Change working capital	-134.0	-31.6	-13.0	7.2	-24.9	0.0	0.0	0.0	0.0	0.0	
Depreciation	65.2	48.8	51.1	50.2	49.2	49.4	49.4	49.4	49.4	49.4	
Investments	85.0	53.8	58.9	56.7	49.4	49.4	49.4	49.4	49.4	49.4	
Net cash flow	**-86.6**	**57.2**	**82.2**	**93.6**	**62.1**	**80.8**	**80.8**	**80.9**	**80.9**	**81.0**	**1985.7**
Present value	-86.0	53.6	72.5	77.4	48.0	58.1	53.8	49.5	46.0	43.0	1053.5
WACC	5.9%	6.0%	6.1%	6.3%	6.5%	6.7%	6.9%	7.1%	7.2%	7.2%	
									Long-term growth rate		**3.0%**

DCF per share derived from		**WACC derived from**	
Total present value	1469	Interest costs, pre-tax	5.0%
thereof terminal value:	72%	Tax rate	29.0%
Net debt at year start	323	Interest costs, after taxes	3.6%
Investments, minorities & others	-26	Required ROE	7.2%
Equity value	1120	Risk premium	4.0%
No. of outstanding shares	70.6	Risk-free (10y. bond)	3.2%
Discounted cash flow per share (EUR)	**15.9**	Beta	1.0

Source: Berenberg Bank

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Back-up II: Divisional performance

EUR m	2006	2007	2008	2009E	2010E	2011E
Divisional sales						
SPECIAL FOUNDATIONS AND DRILLING SERVICES	362	401	518	580	582	661
Special foundation services (TREVI)	322	358	456	517	517	595
Drilling services (PETREVEN)	27	47	65	69	72	74
MECHANICAL ENGINEERING	310	465	607	506	532	580
Manufacture of special foundation machinery (SOILMEC)	173	281	319	177	182	204
Oil, gas and water drilling equipment (DRILLMEC)	119	194	289	330	355	382
TTL	643	843	1,069	1,070	1,098	1,226
Divisional sales shares						
SPECIAL FOUNDATIONS AND DRILLING SERVICES	56.2%	47.6%	48.4%	54.2%	52.9%	53.9%
Special foundation services (TREVI)	50.1%	42.4%	42.7%	48.3%	47.1%	48.5%
Drilling services (PETREVEN)	4.3%	5.5%	6.1%	6.5%	6.5%	6.1%
MECHANICAL ENGINEERING	48.2%	55.2%	56.8%	47.2%	48.4%	47.3%
Manufacture of special foundation machinery (SOILMEC)	26.9%	33.3%	29.9%	16.6%	16.5%	16.6%
Oil, gas and water drilling equipment (DRILLMEC)	18.6%	23.0%	27.0%	30.9%	32.3%	31.1%
Consolidation	4.4%	2.8%	5.2%	1.4%	1.4%	1.2%
TTL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Divisional sales growth						
SPECIAL FOUNDATIONS AND DRILLING SERVICES	na	11.0%	29.1%	12.0%	0.3%	13.7%
Special foundation services (TREVI)	na	10.9%	27.5%	13.4%	0.0%	15.0%
Drilling services (PETREVEN)	na	70.3%	39.2%	6.8%	3.5%	3.5%
MECHANICAL ENGINEERING	na	50.0%	30.6%	-16.8%	5.2%	9.1%
Manufacture of special foundation machinery (SOILMEC)	na	62.2%	13.7%	-44.5%	2.5%	12.0%
Oil, gas and water drilling equipment (DRILLMEC)	na	62.5%	48.8%	14.4%	7.5%	7.5%
TTL	29.2%	31.0%	26.9%	0.1%	2.6%	11.7%

Source: Company data, Berenberg Bank

EUR m	**2006**	**2007**	**2008**	**2009E**	**2010E**	**2011E**
Divisional EBIT						
SPECIAL FOUNDATIONS AND DRILLING SERVICES	33	45	69	92	92	105
MECHANICAL ENGINEERING	32	64	69	43	45	45
Consolidation	-7	-5	-10	-6	-6	-6
TTL	65	109	138	135	137	150
Divisional EBIT share						
SPECIAL FOUNDATIONS AND DRILLING SERVICES	51.2%	41.3%	49.9%	67.9%	67.4%	69.8%
MECHANICAL ENGINEERING	48.8%	58.7%	50.1%	32.1%	32.6%	30.2%
Consolidation	-10.7%	-4.6%	-7.6%	-4.4%	-4.4%	-4.0%
TTL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Divisional EBIT margin						
SPECIAL FOUNDATIONS AND DRILLING SERVICES	9.2%	11.2%	13.3%	15.9%	15.9%	15.8%
MECHANICAL ENGINEERING	10.2%	13.7%	11.4%	8.6%	8.4%	7.8%
Consolidation	-2.3%	-1.1%	-1.7%	-1.2%	-1.1%	-1.0%
TTL	9.0%	11.9%	11.9%	12.1%	11.9%	11.7%

Private Bankers founded 1590
BERENBERG BANK
Joh. Berenberg, Gossler & Co. KG

Financial statement

Profit and loss account (mill. EUR)	2005	2006	2007	2008	2009e	2010e	2011e
Sales	**497**	**642**	**837**	**1,069**	**1,070**	**1,098**	**1,226**
Own work capitalised	10	33	37	133	187	125	105
Total sales	**507**	**675**	**874**	**1,202**	**1,257**	**1,223**	**1,331**
Other operating income	0	0	0	0	-	0	0
Material expenses	220	315	424	638	649	621	673
Personnel expenses	94	105	122	147	160	165	186
Other operating expenses	143	174	203	257	253	257	277
Unusual or infrequent items	0	0	0	0	0	0	0
EBITDA	**49**	**82**	**126**	**160**	**195**	**180**	**195**
Depreciation	19	22	24	30	44	47	49
EBITA	**30**	**60**	**102**	**130**	**151**	**133**	**146**
Amortisation of goodwill	0	0	0	0	0	0	0
Amortisation of intangible assets	2	2	2	2	22	2	2
Impairment charges	0	0	0	0	0	0	0
EBIT	**29**	**58**	**99**	**128**	**130**	**131**	**144**
Interest income	2	2	3	4	4	4	4
Interest expenses	5	18	17	22	22	23	21
Other financial result	0	0	0	0	0	0	0
Financial result	-3	-15	-14	-18	-17	-19	-16
Income on ordinary activities before taxes	**25**	**43**	**86**	**109**	**112**	**112**	**127**
Extraordinary income/loss	0	0	0	0	0	0	0
EBT	**25**	**43**	**86**	**109**	**112**	**112**	**127**
Taxes	12	15	28	32	31	33	37
Net income from continuing operations	**14**	**28**	**58**	**77**	**81**	**80**	**90**
Result from discontinued operations (net of tax)	0	0	0	0	0	0	0
Net income	**14**	**28**	**58**	**77**	**81**	**80**	**90**
Minority interest	1	1	2	3	3	4	4
Net income (net of minority interest)	**13**	**27**	**56**	**75**	**78**	**76**	**86**

Source: Company data, Berenberg estimates

Trevi Finanziaria Industriale S.p.A.

Mid cap: engineering (full coverage)

Profit and loss account (common size)	2005	2006	2007	2008	2009e	2010e	2011e
Sales	**98.0 %**	**95.1 %**	**95.7 %**	**89.0 %**	**85.2 %**	**89.8 %**	**92.1 %**
Own work capitalised	2.0 %	4.9 %	4.3 %	11.0 %	14.8 %	10.2 %	7.9 %
Total sales	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Other operating profit	0.0 %	0.0 %	0.0 %	0.0 %	-	0.0 %	0.0 %
Material expenses	43.4 %	46.6 %	48.5 %	53.1 %	51.7 %	50.8 %	50.5 %
Personnel expenses	18.6 %	15.5 %	13.9 %	12.2 %	12.7 %	13.5 %	14.0 %
Other operating expenses	28.3 %	25.8 %	23.2 %	21.4 %	20.1 %	21.0 %	20.8 %
Unusual or infrequent items	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBITDA	**9.9 %**	**12.8 %**	**15.0 %**	**15.0 %**	**18.2 %**	**16.4 %**	**15.9 %**
Depreciation	3.7 %	3.3 %	2.8 %	2.5 %	3.5 %	3.8 %	3.7 %
EBITA	**6.1 %**	**9.3 %**	**12.2 %**	**12.2 %**	**14.1 %**	**12.1 %**	**11.9 %**
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	0.3 %	0.2 %	0.3 %	0.2 %	1.7 %	0.2 %	0.2 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT	**5.8 %**	**9.0 %**	**11.9 %**	**11.9 %**	**12.1 %**	**11.9 %**	**11.7 %**
Interest income	0.3 %	0.3 %	0.4 %	0.3 %	0.3 %	0.3 %	0.3 %
Interest expenses	1.0 %	2.6 %	1.9 %	1.8 %	1.7 %	1.9 %	1.5 %
Other financial result	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	-0.7 %	-2.3 %	-1.5 %	-1.5 %	-1.4 %	-1.5 %	-1.2 %
Income on ordinary activities before taxes	**5.0 %**	**6.3 %**	**9.8 %**	**9.1 %**	**8.9 %**	**9.2 %**	**9.6 %**
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBT	**5.0 %**	**6.3 %**	**9.8 %**	**9.1 %**	**8.9 %**	**9.2 %**	**9.6 %**
Tax rate	45.8 %	34.4 %	32.7 %	29.1 %	28.0 %	29.0 %	29.0 %
Net income from continuing operations	**2.7 %**	**4.1 %**	**6.6 %**	**6.4 %**	**6.4 %**	**6.5 %**	**6.8 %**
Result from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income	**2.7 %**	**4.1 %**	**6.6 %**	**6.4 %**	**6.4 %**	**6.5 %**	**6.8 %**
Minority interest	0.2 %	0.2 %	0.2 %	0.2 %	0.3 %	0.3 %	0.3 %
Net income (net of minority interest)	**2.5 %**	**4.0 %**	**6.4 %**	**6.2 %**	**6.2 %**	**6.2 %**	**6.5 %**

Source: Company data, Berenberg estimates

Private Bankers founded 1590
BERENBERG BANK
Joh. Berenberg, Gossler & Co. KG

Balance sheet mill. EUR	2005	2006	2007	2008	2009e	2010e	2011e
Intangible assets	4	5	5	8	11	14	16
Property, plant and equipment	168	192	207	292	308	311	317
Financial assets	3	1	1	1	1	1	1
Fixed assets	**175**	**198**	**214**	**301**	**321**	**326**	**334**
Inventories	120	118	171	336	324	333	350
Accounts receivable	183	236	254	379	390	406	437
Other current assets	0	0	0	0	0	0	0
Liquid assets	52	90	91	88	130	119	130
Deferred taxes	13	19	29	39	39	39	39
Other accruals	8	9	9	15	15	15	15
Current assets	**376**	**472**	**554**	**857**	**899**	**913**	**972**
TOTAL	**551**	**671**	**768**	**1,158**	**1,220**	**1,239**	**1,305**
Shareholders' equity	**97**	**122**	**157**	**227**	**273**	**339**	**415**
Minority interest	**5**	**5**	**7**	**9**	**9**	**9**	**9**
Long-term debt	95	197	172	219	265	265	265
Pension provisions	23	20	20	21	19	19	20
Other provisions	0	0	0	0	0	0	0
Non-current liabilities	**119**	**217**	**192**	**239**	**284**	**284**	**285**
Short-term debt	82	69	61	192	295	250	200
Accounts payable	215	218	290	442	308	301	336
Advance payments	0	0	0	0	0	0	0
Other liabilities	2	3	1	1	0	0	0
Deferred taxes	31	36	59	49	52	56	60
Other accruals	0	0	0	0	0	0	0
Current liabilities	**330**	**326**	**412**	**684**	**655**	**606**	**596**
TOTAL	**551**	**671**	**768**	**1,159**	**1,220**	**1,239**	**1,305**

Balance sheet (common size)	2005	2006	2007	2008	2009e	2010e	2011e
Intangible assets	1 %	1 %	1 %	1 %	1 %	1 %	1 %
Property, plant and equipment	31 %	29 %	27 %	25 %	25 %	25 %	24 %
Financial assets	1 %	0 %	0 %	0 %	0 %	0 %	0 %
Fixed assets	**32 %**	**30 %**	**28 %**	**26 %**	**26 %**	**26 %**	**26 %**
Inventories	22 %	18 %	22 %	29 %	27 %	27 %	27 %
Accounts receivable	33 %	35 %	33 %	33 %	32 %	33 %	33 %
Other current assets	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Liquid assets	9 %	13 %	12 %	8 %	11 %	10 %	10 %
Deferred taxes	2 %	3 %	4 %	3 %	3 %	3 %	3 %
Other accruals	1 %	1 %	1 %	1 %	1 %	1 %	1 %
Current assets	**68 %**	**70 %**	**72 %**	**74 %**	**74 %**	**74 %**	**74 %**
TOTAL	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**
Shareholders' equity	**18 %**	**18 %**	**20 %**	**20 %**	**22 %**	**27 %**	**32 %**
Minority interest	**1 %**	**1 %**	**1 %**	**1 %**	**1 %**	**1 %**	**1 %**
Long-term debt	17 %	29 %	22 %	19 %	22 %	21 %	20 %
Pension provisions	4 %	3 %	3 %	2 %	2 %	2 %	2 %
Other provisions	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Non-current liabilities	**22 %**	**32 %**	**25 %**	**21 %**	**23 %**	**23 %**	**22 %**
Short-term debt	15 %	10 %	8 %	17 %	24 %	20 %	15 %
Accounts payable	39 %	33 %	38 %	38 %	25 %	24 %	26 %
Advance payments	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Other liabilities	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Deferred taxes	6 %	5 %	8 %	4 %	4 %	4 %	5 %
Other accruals	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Current liabilities	**60 %**	**49 %**	**54 %**	**59 %**	**54 %**	**49 %**	**46 %**
TOTAL	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**

Source: Company data, Berenberg estimates

Cash flow statement mill. EUR	2005	2006	2007	2008	2009e	2010e	2011e
Net profit/loss	14	28	58	77	81	80	90
Depreciation of fixed assets	19	22	24	30	44	47	49
Amortisation of goodwill	0	0	0	0	0	0	0
Amortisation of intangible assets	2	2	2	2	22	2	2
Other	-2	-3	0	1	-2	1	1
Cash flow from operations before changes in w/c	**32**	**49**	**84**	**110**	**144**	**129**	**142**
Change in inventory	-29	2	-52	-165	11	-8	-18
Change in accounts receivable	-85	-53	-18	-125	-11	-16	-31
Change in accounts payable	105	3	72	152	-134	-7	35
Change in other working capital positions	4	-1	11	-27	0	0	0
Change in working capital	-4	-49	13	-166	-134	-32	-13
Cash flow from operating activities	**28**	**0**	**97**	**-55**	**10**	**98**	**129**
Maintenance capex	20	20	25	33	35	37	39
Cash flow from operating activities after maintenance	**8**	**-20**	**72**	**-88**	**-25**	**60**	**90**
Capex, excluding maintenance	5	36	24	86	50	16	20
Payments for acquisitions	0	0	0	0	24	0	0
Financial investments	-1	-2	0	0	0	0	0
Income from asset disposals	0	0	0	0	0	0	0
Cash flow from investing activities	**-24**	**-54**	**-50**	**-119**	**-109**	**-54**	**-59**
Cash flow before financing	**4**	**-54**	**47**	**-174**	**-99**	**44**	**71**
Increase/decrease in debt position	31	88	-32	177	149	-45	-50
Purchase of own shares	0	0	0	0	0	0	0
Capital measures	0	0	0	0	0	0	0
Dividend paid	1	2	3	6	8	10	10
Others	-18	6	-11	0	0	0	0
Effects of exchange rate changes on cash	0	0	0	0	0	0	0
Cash flow from financing activities	**13**	**92**	**-46**	**171**	**141**	**-55**	**-60**
Increase/decrease in liquid assets	**17**	**38**	**1**	**-3**	**42**	**-11**	**11**
Liquid assets at end of period	52	90	91	88	130	119	130

Source: Company data, Berenberg estimates

Growth rates yoy in %	2005	2006	2007	2008	2009e	2010e	2011e
Sales	35.7 %	29.3 %	30.3 %	27.7 %	0.1 %	2.6 %	11.7 %
organic growth	-	-	-	-	0.1 %	2.6 %	11.7 %
external growth	-	-	-	-	0.0 %	0.0 %	0.0 %
EBITDA	40.2 %	66.7 %	53.5 %	27.1 %	21.7 %	-7.7 %	8.4 %
EBIT	57.8 %	96.5 %	70.4 %	27.7 %	16.2 %	-12.0 %	9.7 %
Net profit	357.8 %	103.9 %	106.9 %	33.8 %	4.3 %	-1.3 %	13.6 %
EPS reported (1)	442.2 %	108.7 %	89.0 %	33.8 %	14.5 %	-2.1 %	13.8 %
EPS recurring (2)	442.2 %	108.7 %	108.5 %	33.8 %	3.8 %	-2.1 %	13.8 %

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

Private Bankers founded 1590
BERENBERG BANK
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Y/E 31.12., IFRS	2005	2006	2007	2008	2009e	2010e	2011e
Regional sales (mill. EUR)							
Domestic	98	109	141	156	115	118	121
Rest of Europe	54	85	139	174	145	149	152
NAFTA	56	89	91	91	125	131	175
Asia/Pacific	151	198	241	350	35	36	38
Rest of world	137	161	224	288	650	665	740
TTL	497	642	837	1,059	1,070	1,098	1,226
Regional sales shares							
Domestic	19.8 %	17.0 %	16.9 %	14.7 %	10.7 %	10.7 %	9.9 %
Rest of Europe	11.0 %	13.2 %	16.6 %	16.4 %	13.5 %	13.5 %	12.4 %
NAFTA	11.2 %	13.9 %	10.9 %	8.6 %	11.7 %	12.0 %	14.3 %
Asia/Pacific	30.4 %	30.8 %	28.8 %	33.1 %	3.3 %	3.3 %	3.1 %
Rest of world	27.6 %	25.1 %	26.8 %	27.2 %	60.8 %	60.5 %	60.4 %
TTL	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Source: Company data, Berenberg estimates

Trevi Finanziaria Industriale S.p.A.

Mid cap: engineering (full coverage)

Private Bankers founded 1590
BERENBERG BANK
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Ratios	2005	2006	2007	2008	2009e	2010e	2011e
Asset utilisation efficiency							
Capital employed turnover	1.8	1.8	2.0	2.0	1.5	1.4	1.5
Operating asset turnover	1.9	2.0	2.4	1.9	1.8	1.6	1.7
Plant turnover	3.0	3.3	4.0	3.7	4.1	3.9	4.2
Inventory turnover	4.1	5.4	4.9	3.2	3.3	3.3	3.5
Operational efficiency							
Operating return	19.2 %	25.0 %	36.8 %	28.4 %	27.3 %	24.0 %	25.4 %
Total operating costs / sales	92.1 %	92.4 %	89.4 %	97.4 %	84.5 %	85.3 %	85.4 %
Sales per employee (EUR k)	152.6	164.8	185.9	206.1	211.5	193.0	198.9
EBITDA per employee (EUR k)	15.1	21.0	27.9	30.8	32.8	28.4	29.1
EBIT margin	5.8 %	9.0 %	11.9 %	11.9 %	12.1 %	11.9 %	11.7 %
Return on capital							
EBIT / Y/E capital employed	9.5 %	14.1 %	23.8 %	19.1 %	15.1 %	14.8 %	15.8 %
EBIT / avg. capital employed	10.6 %	16.2 %	23.9 %	23.5 %	17.0 %	15.0 %	16.0 %
EBITDA / Y/E capital employed	16.3 %	19.8 %	30.2 %	24.0 %	22.6 %	20.4 %	21.4 %
EBITDA / avg. capital employed	18.1 %	22.9 %	30.3 %	29.5 %	25.5 %	20.6 %	21.8 %
Return on equity							
Net profit / Y/E equity	13.2 %	21.9 %	35.6 %	32.9 %	28.4 %	22.4 %	20.8 %
Recurring net profit / Y/E equity	13.2 %	21.9 %	35.6 %	32.9 %	28.4 %	22.4 %	20.8 %
Net profit / avg. equity	15.9 %	24.4 %	40.0 %	38.9 %	31.0 %	24.8 %	22.9 %
Recurring net profit / avg. equity	15.9 %	24.4 %	40.0 %	38.9 %	31.0 %	24.8 %	22.9 %
Security							
Y/E net debt or (net cash) (mill. EUR)	126	176	143	323	430	396	335
Debt / equity	182.5 %	217.9 %	149.1 %	181.2 %	205.4 %	152.0 %	112.0 %
Net debt / equity	129.4 %	144.2 %	91.1 %	142.3 %	157.6 %	116.7 %	80.7 %
Interest cover	5.7	3.3	5.9	5.8	6.0	5.7	7.0
EBITDA / interest paid	9.8	4.7	7.5	7.3	9.0	7.8	9.5
Altman's Z-score	1.7	1.9	2.3	2.0	2.3	2.4	2.7
Dividend payout ratio	12 %	12 %	11 %	10 %	12 %	13 %	13 %
Liquidity							
Current ratio	1.1	1.4	1.3	1.3	1.4	1.5	1.6
Acid test ratio	0.8	1.1	0.9	0.8	0.9	1.0	1.0
FCF / net profit	0.2	-2.1	0.9	-2.3	-1.0	0.6	0.8
Funds management							
Avg. working capital / sales	17.0 %	17.5 %	16.2 %	19.0 %	27.0 %	34.5 %	33.4 %
Cash flow / sales	3.0 %	6.1 %	7.9 %	8.2 %	8.8 %	8.0 %	8.0 %
FCF / sales	0.6 %	-8.7 %	5.7 %	-16.3 %	-7.0 %	4.0 %	5.8 %
Stocks in days of sales	199	137	147	192	182	196	190
Trade debtors in days of sales	135	134	111	129	133	135	130
Trade creditors in days of COGS	357	254	250	253	173	177	182
Cash conversion cycle	-23	18	8	68	142	154	138
Trade creditors / trade debtors	117.4 %	92.5 %	114.3 %	116.6 %	78.9 %	74.1 %	76.9 %
Other							
Interest received / avg. cash	3.7 %	3.0 %	3.7 %	4.0 %	3.9 %	3.2 %	3.2 %
Interest paid / avg. debt	3.1 %	8.0 %	6.8 %	6.8 %	4.4 %	4.3 %	4.2 %
Capital expenditure / dep'n	115.9 %	225.1 %	188.2 %	366.2 %	130.3 %	110.3 %	115.1 %
Cost per employee (EUR k)	29	27	27	28	27	26	28
Capital exp. / sales	4.8 %	8.4 %	5.9 %	11.1 %	6.8 %	4.4 %	4.4 %
Maint. cap. exp./ sales	4.0 %	3.1 %	3.0 %	3.1 %	2.8 %	3.1 %	3.0 %
Cash flow (mill. EUR)	15	39	66	87	110	97	106
Cash ROCE	5.5 %	11.0 %	15.9 %	16.1 %	14.4 %	11.2 %	11.9 %
Free cash flow yield	1.7 %	-13.2 %	5.9 %	-21.6 %	-9.5 %	5.5 %	8.9 %

Source: Company data, Berenberg estimates

Trevi Finanziaria Industriale S.p.A.

Mid cap: engineering (full coverage)

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Trevi Finanziaria Industriale S.p.A.

Mid cap: engineering (full coverage)

Disclosures in respect of section 34b of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG)

Company	Disclosures
Trevi Finanziaria Industriale S.p.A.	no disclosures

(1) Berenberg Bank or its affiliate(s) was Lead Manager or Co-Lead Manager over the previous 12 months of a public offering of this company.

(2) Berenberg Bank acts as Designated Sponsor for this company.

(3) Over the previous 12 months, Berenberg Bank and/or its affiliate(s) has effected an agreement with this company for investment banking services or received compensation or a promise to pay from this company for investment banking services.

(4) Berenberg Bank and/or its affiliate(s) holds 5 % or more of the share capital of this company.

(5) Berenberg Bank holds a trading position in shares of this company.

(6) Berenberg Bank and/or its affiliate(s) a holds a net short position of 1 % or more of the share capital of this company, calculated by methods required by German law as of the last trading day of the past month.

(7) Within the last five years Berenberg Bank was a member of the issuing syndicate of this company.

Historical target price and rating changes for Trevi Finanziaria Industriale S.p.A. in the last 12 months

Date	Target price - EUR	Rating	Initiation coverage
03-December-08	14.00	Buy	05-December-07
21-January-09	13.30	Buy	
18-February-09	11.00	Buy	
31-March-09	10.40	Buy	
20-November-09	16.00	Buy	

Berenberg distribution of ratings and in proportion to investment banking services

Buy	64.76	%	87.50	%
Sell	9.25	%	-	%
Hold	25.99	%	12.50	%

Valuation basis/rating key

Buy: Sustainable upside potential of more than 10% within 12 months.

Sell: Sustainable downside potential of more than 10% within 12 months.

Hold: Upside/downside potential limited. No immediate catalyst visible.

NB Berenberg Bank does not make recommendations on the basis of performance expected "relative" to the market.

Competent supervisory authority

Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin – (Federal Financial Supervisory Authority), Graurheindorfer Straße 108, 53117 Bonn and Lurgiallee 12, 60439 Frankfurt am Main, Germany

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Berenberg has made every effort to carefully research all information contained in this financial analysis. The information on which the financial analysis is based has been obtained from sources which we believe to be reliable such as, for example, Reuters, Bloomberg and the relevant specialised press as well as the company which is the subject of this financial analysis.

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