

# Trevi

Italy/Construction & Materials

## Buy

Recommendation unchanged

**Share price: EUR 12.50**

*closing price as of 23/04/2010*

**Target price: EUR 15.00**

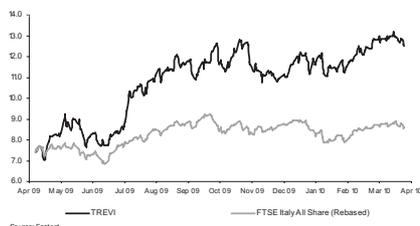
Target Price unchanged

Reuters/Bloomberg

TFI.M/TFI.M

Market capitalisation (EURm)	800
Current N° of shares (m)	64
Free float	44%
Daily avg. no. trad. sh. 12 mth	234,956
Daily avg. trad. vol. 12 mth (m)	3
Price high 12 mth (EUR)	13.20
Price low 12 mth (EUR)	7.05
Abs. perf. 1 mth	-0.24%
Abs. perf. 3 mth	12.31%
Abs. perf. 12 mth	70.65%

Key financials (EUR)	12/09	12/10e	12/11e
Sales (m)	1,036	1,068	1,167
EBITDA (m)	182	168	197
EBITDA margin	17.6%	15.8%	16.9%
EBIT (m)	117	120	141
EBIT margin	11.3%	11.3%	12.1%
Net Profit (adj.)(m)	82	70	84
ROCE	8.2%	15.2%	17.0%
Net debt/(cash) (m)	445	401	355
Net Debt/Equity	1.4	1.1	0.8
Debt/EBITDA	2.4	2.4	1.8
Int. cover(EBITDA/Fin. int)	9.9	8.6	9.8
EV/Sales	1.2	1.2	1.1
EV/EBITDA	6.8	7.7	6.3
EV/EBITDA (adj.)	6.8	7.7	6.3
EV/EBIT	10.6	10.8	8.9
P/E (adj.)	8.6	11.4	9.5
P/BV	2.3	2.2	1.8
OpFCF yield	-3.7%	18.6%	15.2%
Dividend yield	1.0%	1.0%	1.0%
EPS (adj.)	1.28	1.10	1.32
BVPS	4.72	5.70	6.90
DPS	0.12	0.12	0.12



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## Feedback from Bauma fair in Munich

**SOILMEC (foundation equipment):** in the occasion of the three-yearly Bauma fair in Munich, one of the main sector events, Soilmec showed to the market its range of products entirely innovative.

In our opinion, a machine that is worthy of mention is the **new crane co-designed with Caterpillar** that will be sold both by Soilmec's network in the foundation sector and by Caterpillar network in the construction and mining sectors. This partnership between Caterpillar and Soilmec shows that Soilmec's technology has a **strong reliability** recognised by the main equipment manufacturers in the construction and infrastructure sector. Furthermore, this co-designed product will give a **strong visibility to Soilmec's brand and products** and could progressively help to increase Soilmec's revenues without making the fixed cost structure heavier.

Furthermore, we reckon that creating a **copy of the remote control centre** in its own stand was a very effective idea. This remote control system, entirely developed by Soilmec, is an advanced software. Soilmec technician in the remote control centre in Cesena through the system can be connected by internet or GPS to any operating machine in the world and he can see in real time the same information seen by the machine operator in his screen; therefore, Soilmec technician can immediately give any information or support to the operator in order to prevent or minimize the errors, breaks and stop machines. Soilmec is the only sector player that has developed a support system in real time; therefore, the group has a **strong competitive advantage** compared to the other players *in terms of technological know-how and of the effectiveness of the customer service*.

Lastly, the management said that the market is showing a slight recovery expected to continue in the coming months. Furthermore the management is confident that very interesting growth rates will be showed in the coming future by the markets where the group opened some facilities to better support the local network: Brazil (South America), India and China.

**TREVI (foundation work):** the management said that US Army Corp of Engineers should call for tenders during the summer in order to make new important waterproofing work. We believe that, thanks to the strong track record obtained through the previous collaborations with US Army Corp of Engineers, the group should be able to obtain a further contract.

**Conclusion & Action:** based on the positive foregoing indications, we confirm our Buy recommendation and our target price of EUR 15 per share calculated based on our DCF model (WACC 8.40% and perpetuity of 1.5%), waiting to verify our estimates based on further information that the management could give in the Presentation on 27<sup>th</sup> April 10.