# TREVI Fin. Ind. BUY

**Price (Eu):** 12.27

**Target Price (Eu):** 16.00

*SECTOR: Energy*

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## Net Debt Starts Declining

- **1Q10 results.** After the deceleration recorded in 2H09, Trevi's 1Q10 results showed a clear sequential recovery, supported primarily by the Drilling Equipment and Services divisions (Drillmec and Petreven). The comparison vs. 1Q09 results is clearly tougher, as very strong figures were recorded in 1H09, underpinned by the Foundations Services division (Trevi). In detail, revenues closed at Eu235mn (-19% YoY, +18% QoQ), EBITDA at Eu39mn (-25% YoY, +89% QoQ, vs. exp. Eu41mn, -6%), EBIT at Eu26mn (-34% YoY, +234% QoQ , vs. Eu27mn, -4%) and net income at Eu15mn (-36% YoY, +26% QoQ, vs. Eu16mn, -3%). By geographical region, a sequential revenue deceleration was posted in Italy and in the rest of Europe, but this was more than offset by a robust recovery in the Middle East. Divisionally, Services continued to post solid margins, with EBITDA reaching Eu29mn (-13% YoY, +57% QoQ), while the Equipment divisions showed a brilliant sequential recovery (EBITDA at Eu9mn, vs. Eu2mn in 4Q09). The EBITDA margin at group level closed at 16.5%, again showing a solid sequential increase (10.3% in 4Q09). The most positive news came from the balance sheet, with net debt finally declining to Eu415mn from Eu444mn at the end of 2009, thanks to a slight working capital reduction (Eu424mn vs. Eu437mn at the end of 2009).
- **Backlog trend.** The backlog closed at Eu786mn, substantially flat vs. YE09, reflecting a Eu242mn order inflow in the quarter. The company nevertheless highlighted that negotiations are currently underway for some particularly important contracts. Should they be brought to a successful conclusion, the backlog would easily recover back above Eu1.0bn in the second part of the year.
- **Updated estimates and valuation.** Despite slightly lower than expected 1Q10 results, we are leaving our P&L projections for 2010 and the following years broadly unchanged, based on the assumption of a gradual earnings recovery in 2010 and 2011. On the balance sheet, we are projecting a YE10 net debt of around Eu360mn, reflecting CAPEX of Eu60mn and a Eu10mn working capital contraction. Target price confirmed at Eu16.0ps, still based on DCF and market multiple valuations (target P/E 12.0x 2010).
- **Investment case.** We confirm our BUY recommendation on the stock, as we continue to believe the company represents one of the most attractive growth stories among Italian mid-small caps. We expect the Foundation Services division to continue to support results in the short term, while the Equipment divisions are expected to recover profitability gradually in 2010. Based on multiples, the stock continues to look cheap, trading at a 8.9x '10 P/E. In terms of newsflow, we foresee potential announcements of new contracts in the US, Latin America and the Middle East in the coming months, which could lend further support to earnings visibility.

| Key Figures | 2008A | 2009A | 2010E | 2011E | 2012E |
|---|---|---|---|---|---|
| Sales (Eu mn) | 1,069 | 1,036 | 1,097 | 1,186 | 1,323 |
| Ebitda (Eu mn) | 166 | 182 | 195 | 213 | 232 |
| Net profit (Eu mn) | 75 | 82 | 88 | 99 | 118 |
| EPS - New (Eu) | 1.17 | 1.29 | 1.37 | 1.55 | 1.85 |
| EPS - Old (Eu) | 1.17 | 1.29 | 1.38 | 1.55 | 1.84 |
| DPS (Eu) | 0.12 | 0.12 | 0.13 | 0.14 | 0.15 |

| Ratios & Multiples | 2008A | 2009A | 2010E | 2011E | 2012E |
|---|---|---|---|---|---|
| P/E | 10.5 | 9.5 | 8.9 | 7.9 | 6.6 |
| Div. Yield | 1.0% | 1.0% | 1.1% | 1.1% | 1.2% |
| EV/Ebitda | 6.7 | 6.8 | 5.9 | 4.8 | 4.1 |
| ROCE | 29.6% | 17.8% | 19.2% | 20.3% | 21.8% |

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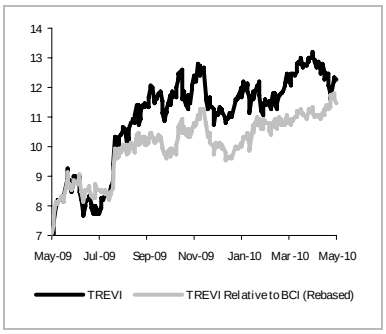
**TREVI Fin. Ind. - 12m Performance**




**RATING: Unchanged**
**TARGET PRICE (Eu): Unchanged**

| Change in EPS est: | 2010E | 2011E |
|---|---|---|
| | -0.0% | 0.3% |

**STOCK DATA**

| | |
|---|---|
| Reuters code: | TFI.MI |
| Bloomberg code: | TFI IM |

| Performance | 1m | 3m | 12m |
|---|---|---|---|
| Absolute | -7.0% | 7.3% | 73.3% |
| Relative | 1.2% | 6.6% | 66.5% |

12 months H/L: 13.20/7.05

**SHAREHOLDER DATA**

| | |
|---|---|
| No. of Ord. shares (mn): | 64 |
| Total No. of shares (mn): | 64 |
| Mkt Cap Ord (Eu mn): | 785 |
| Total Mkt Cap (Eu mn): | 785 |
| Mkt Float - ord (Eu mn): | 330 |
| *Mkt Float (in %):* | *42.0%* |
| Main shareholder: | |
| Trevisani Family | 58.0% |

| BALANCE SHEET DATA | 2010 |
|---|---|
| Book value (Eu mn): | 382 |
| BVPS (Eu): | 5.98 |
| P/BV: | 2.1 |
| Net Financial Position (Eu mn): | -359 |
| Enterprise value (Eu mn): | 1,145 |

| TREVI Fin. Ind. - *KEY FIGURES* | | 2008A | 2009A | 2010E | 2011E | 2012E |
|---|---|---|---|---|---|---|
| | Fiscal year end | 31/12/2008 | 31/12/2009 | 31/12/2010 | 31/12/2011 | 31/12/2012 |
| **PROFIT & LOSS (Eu mn)** | Sales | 1,069 | 1,036 | 1,097 | 1,186 | 1,323 |
| | EBITDA | 166 | 182 | 195 | 213 | 232 |
| | EBIT | 128 | 117 | 146 | 158 | 180 |
| | Financial income (charges) | (17) | (18) | (19) | (15) | (9) |
| | Associates & Others | 0 | 0 | 0 | 0 | 0 |
| | Pre-tax profit (Loss) | 109 | 105 | 127 | 143 | 171 |
| | Taxes | (32) | (20) | (37) | (42) | (49) |
| | Tax rate (%) | 29.1% | 19.5% | 29.0% | 29.0% | 29.0% |
| | Minorities & discontinue activities | (3) | (2) | (2) | (2) | (3) |
| | Net profit | 75 | 82 | 88 | 99 | 118 |
| | Total extraordinary items | (1) | 5 | 0 | 0 | 0 |
| | Ebitda excl. extraordinary items | 166 | 182 | 195 | 213 | 232 |
| | Ebit excl. extraordinary items | 128 | 117 | 146 | 158 | 180 |
| | Net profit restated | 75 | 82 | 88 | 99 | 118 |
| **PER SHARE DATA (Eu)** | Total shares out (mn) - average fd | 64 | 64 | 64 | 64 | 64 |
| | EPS stated fd | 1.17 | 1.29 | 1.37 | 1.55 | 1.85 |
| | EPS restated fd | 1.17 | 1.29 | 1.37 | 1.55 | 1.85 |
| | BVPS fd | 3.54 | 4.72 | 5.98 | 8.49 | 10.20 |
| | Dividend per share (ord) | 0.12 | 0.12 | 0.13 | 0.14 | 0.15 |
| | Dividend per share (sav) | 1.37 | 1.37 | 1.48 | 1.59 | 1.71 |
| | Dividend pay out ratio (%) | 10.3% | 9.3% | 9.5% | 9.0% | 8.1% |
| **CASH FLOW (Eu mn)** | Gross cash flow | 113 | 123 | 137 | 154 | 170 |
| | Change in NWC | (169) | (159) | 14 | (46) | (48) |
| | Capital expenditure | (122) | (82) | (61) | (52) | (53) |
| | Other cash items | 3 | 2 | 2 | 2 | 3 |
| | Free cash flow (FCF) | (175) | (115) | 92 | 58 | 72 |
| | Acquisitions, divestments & others | 0 | 0 | 0 | 0 | 0 |
| | Dividend | (6) | (8) | (8) | (8) | (9) |
| | Equity financing/Buy-back | 0 | 0 | 0 | 0 | 0 |
| | Change in Net Financial Position | (179) | (122) | 85 | 120 | 63 |
| **BALANCE SHEET (Eu mn)** | Total fixed assets | 302 | 336 | 347 | 344 | 345 |
| | Net working capital | 378 | 360 | 362 | 391 | 436 |
| | Long term liabilities | (122) | 64 | 49 | 66 | 69 |
| | Net capital employed | 557 | 760 | 758 | 801 | 850 |
| | Net financial position | (322) | (444) | (359) | (239) | (176) |
| | Group equity | 235 | 316 | 398 | 562 | 674 |
| | Minorities | 9 | 14 | 16 | 18 | 21 |
| | Net equity | 226 | 302 | 382 | 543 | 653 |
| **ENTERPRISE VALUE (Eu mn)** | Average mkt cap - current | 785 | 785 | 785 | 785 | 785 |
| | Adjustments (associate & minorities) | | | | | |
| | Net financial position | (322) | (444) | (359) | (239) | (176) |
| | Enterprise value | 1,107 | 1,229 | 1,145 | 1,025 | 962 |
| **RATIOS(%)** | EBITDA margin* | 15.6% | 17.6% | 17.8% | 18.0% | 17.6% |
| | EBIT margin* | 11.9% | 11.3% | 13.3% | 13.3% | 13.6% |
| | Gearing - Debt/equity | 136.9% | 140.5% | 90.2% | 42.6% | 26.2% |
| | Interest cover on EBIT | 7.4 | 6.7 | 7.7 | 10.6 | 19.0 |
| | Debt/Ebitda | 1.94 | 2.44 | 1.84 | 1.12 | 0.76 |
| | ROCE* | 29.6% | 17.8% | 19.2% | 20.3% | 21.8% |
| | ROE* | 39.0% | 31.1% | 25.7% | 21.5% | 19.8% |
| | EV/CE | 2.6 | 1.9 | 1.5 | 1.3 | 1.2 |
| | EV/Sales | 1.0 | 1.2 | 1.0 | 0.9 | 0.7 |
| | EV/Ebit | 8.7 | 10.5 | 7.8 | 6.5 | 5.3 |
| | Free Cash Flow Yield | | | | | |
| **GROWTH RATES (%)** | Sales | 27.0% | -3.1% | 5.9% | 8.1% | 11.6% |
| | EBITDA* | 28.4% | 9.3% | 7.5% | 9.0% | 8.9% |
| | EBIT* | 28.3% | -8.0% | 24.3% | 8.4% | 13.8% |
| | Net profit | 33.9% | 10.1% | 7.0% | 12.9% | 19.0% |
| | EPS restated | 33.9% | 10.1% | 7.0% | 12.9% | 19.0% |

** Excluding extraordinary items*

Source: Intermonte SIM estimates

# 1Q10 Results

**Trevi – 1Q10 Results**

| (Eu mn) | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 2009 | 1Q10A | 1Q10E | 1Q chg. YoY | 1Q chg. QoQ | AvE | 2010E | FY chg. YoY |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financial Results** | | | | | | | | | | | | |
| **Total Revenues** | **289** | **282** | **265** | **199** | **1,036** | **235** | **238** | **-19%** | **18%** | **-1%** | **1,097** | **6%** |
| Total Operating Costs | -238 | -218 | -219 | -179 | -854 | -196 | -197 | -17% | 10% | 0% | -902 | 6% |
| **EBITDA** | **51** | **64** | **46** | **20** | **182** | **39** | **41** | **-25%** | **89%** | **-6%** | **195** | **8%** |
| Margin (%) | 17.8% | 22.8% | 17.2% | 10.3% | 17.6% | 16.5% | 17.3% | | | | 17.8% | |
| Depr/ Provisions | -12 | -26 | -14 | -13 | -64 | -13 | -14 | 6% | 1% | -11% | -49 | -23% |
| **EBIT** | **39** | **39** | **32** | **8** | **117** | **26** | **27** | **-34%** | **234%** | **-4%** | **146** | **24%** |
| Margin (%) | 13.6% | 13.6% | 12.0% | 3.9% | 11.3% | 11.0% | 11.3% | | | | 13.3% | |
| Net Fin. Charges | -4 | -5 | -4 | -5 | -18 | -3 | -4 | -28% | -47% | -31% | -19 | 9% |
| Other Charges/Income | 0 | 1 | 0 | 4 | 5 | 0 | 0 | | | | 0 | |
| **Net Oper. Margin** | **36** | **34** | **28** | **7** | **105** | **23** | **23** | **-35%** | **227%** | **1%** | **127** | **21%** |
| Taxes | -11 | -6 | -8 | 5 | -20 | -8 | -7 | -28% | -264% | 19% | -37 | 80% |
| Tax Rate % | 30.8% | 18.0% | 29.2% | -68.4% | 19.5% | 34.3% | 29.0% | | | | 29.0% | |
| **Net Income** | **25** | **28** | **20** | **12** | **84** | **15** | **16** | **-38%** | **28%** | **-6%** | **90** | **7%** |
| Minorities | 1 | 1 | 1 | 0 | 2 | 0 | 1 | | | | 2 | 7% |
| **Group Net Income** | **24** | **27** | **19** | **12** | **82** | **15** | **16** | **-36%** | **26%** | **-3%** | **88** | **7%** |
| **Capex** | **21** | **26** | **11** | **18** | **76** | **23** | **15** | **28%** | **9%** | **4%** | **61** | **26%** |
| **Equity** | **270** | **279** | **294** | **316** | **316** | **344** | **332** | **28%** | **9%** | **4%** | **398** | **26%** |
| **Net Debt** | **415** | **449** | **442** | **444** | **444** | **415** | **428** | **0%** | **-7%** | **-3%** | **359** | **-19%** |
| **CE** | **685** | **728** | **736** | **760** | **760** | **759** | **760** | **11%** | **0%** | **0%** | **758** | **0%** |
| ROACE | 17.2% | 15.9% | 13.0% | 3.1% | 12.1% | 10.2% | 10.6% | | | | 14.6% | |
| **D/E Ratio** | **1.54** | **1.61** | **1.50** | **1.40** | **1.40** | **1.20** | **1.29** | | | | **0.90** | |
| **Backlog** | **902** | **917** | **784** | **780** | **780** | **786** | **800** | **-13%** | **1%** | **-2%** | **750** | **-4%** |

Source: Company data and Intermonte SIM estimates.

## Divisional and Geographical Breakdown

**Trevi – Divisional Breakdown**

| | 1Q07 | 2Q07 | 3Q07 | 4Q07 | 1Q08 | 2Q08 | 3Q08 | 4Q08 | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 1Q10 | 1Q Chg YoY | 1Q Chg QoQ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Foundation and Drilling Services** (Trevi and Petreven) | | | | | | | | | | | | | | | |
| Revenues | 92 | 97 | 98 | 114 | 116 | 115 | 133 | 154 | 158 | 151 | 119 | 131 | 121 | -23% | -7% |
| **EBITDA** | **15** | **14** | **15** | **21** | **24** | **18** | **23** | **29** | **34** | **52** | **33** | **19** | **29** | **-13%** | **57%** |
| EBITDA margin | 16.0% | 14.8% | 15.0% | 18.8% | 20.9% | 15.6% | 17.6% | 19.1% | 21.3% | 34.4% | 27.5% | 14.2% | 24.1% | | |
| **EBIT** | **11** | **9** | **10** | **15** | **19** | **13** | **17** | **21** | **24** | **29** | **22** | **9** | **19** | **-20%** | **115%** |
| EBIT margin (%) | 11.6% | 9.5% | 10.5% | 13.0% | 16.3% | 11.0% | 12.7% | 13.3% | 15.2% | 19.0% | 18.4% | 6.8% | 15.8% | | |
| **Foundation and Drilling Equipment** (Soilmec and Drillmec) | | | | | | | | | | | | | | | |
| Revenues | 100 | 103 | 124 | 138 | 123 | 160 | 161 | 163 | 137 | 136 | 144 | 81 | 116 | -16% | 43% |
| **EBITDA** | **13** | **15** | **17** | **27** | **19** | **23** | **25** | **11** | **18** | **13** | **12** | **2** | **9** | **-48%** | **423%** |
| EBITDA margin | 12.7% | 14.8% | 13.8% | 19.7% | 15.4% | 14.2% | 15.8% | 7.0% | 13.1% | 9.8% | 8.3% | 2.2% | 8.1% | | |
| **EBIT** | **11** | **13** | **15** | **25** | **17** | **21** | **24** | **8** | **16** | **11** | **10** | **0** | **7** | **-57%** | **NM** |
| EBIT margin (%) | 10.8% | 13.0% | 12.3% | 17.8% | 13.7% | 12.8% | 14.6% | 5.1% | 11.7% | 8.0% | 6.6% | -0.3% | 6.0% | | |

Source: Company data and Intermonte SIM estimates.

**Trevi – Revenues geographical breakdown**

| | 1Q07 | 2Q07 | 3Q07 | 4Q07 | 1Q08 | 2Q08 | 3Q08 | 4Q08 | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 1Q10 | 1Q Chg YoY | 1Q Chg QoQ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Italy | 28 | 41 | 32 | 41 | 30 | 33 | 31 | 33 | 31 | 31 | 40 | 29 | 22 | -29% | -26% |
| Europe (ex Italy) | 34 | 29 | 37 | 39 | 30 | 33 | 53 | 63 | 20 | 14 | 9 | 12 | 9 | -57% | -24% |
| US and Canada | 17 | 21 | 25 | 28 | 25 | 51 | 9 | 6 | 24 | 38 | 29 | 25 | 31 | 29% | 24% |
| LatAm | 17 | 27 | 26 | 33 | 24 | 30 | 18 | 47 | 33 | 34 | 26 | 28 | 28 | -18% | -2% |
| Africa | 33 | 31 | 28 | 34 | 33 | 25 | 32 | 42 | 44 | 41 | 27 | 38 | 35 | -21% | -7% |
| Middle East | 37 | 38 | 53 | 61 | 72 | 71 | 128 | 92 | 129 | 120 | 121 | 51 | 98 | -25% | 93% |
| Far East | 13 | 13 | 10 | 17 | 18 | 15 | 11 | 11 | 7 | 5 | 11 | 17 | 14 | 93% | -20% |
| **Total** | **179** | **200** | **211** | **253** | **233** | **259** | **283** | **293** | **289** | **282** | **265** | **199** | **235** | **-19%** | **18%** |
| Italy | 16% | 20% | 15% | 16% | 13% | 13% | 11% | 11% | 11% | 11% | 15% | 15% | 9% | | |
| Europe (ex Italy) | 19% | 15% | 18% | 15% | 13% | 13% | 19% | 21% | 7% | 5% | 4% | 6% | 4% | | |
| US and Canada | 10% | 10% | 12% | 11% | 11% | 20% | 3% | 2% | 8% | 13% | 11% | 12% | 13% | | |
| LatAm | 9% | 13% | 12% | 13% | 10% | 12% | 6% | 16% | 12% | 12% | 10% | 14% | 12% | | |
| Africa | 18% | 16% | 13% | 13% | 14% | 10% | 11% | 14% | 15% | 15% | 10% | 19% | 15% | | |
| Middle East | 21% | 19% | 25% | 24% | 31% | 27% | 45% | 31% | 45% | 43% | 46% | 25% | 42% | | |
| Far East | 7% | 7% | 5% | 7% | 8% | 6% | 4% | 4% | 2% | 2% | 4% | 9% | 6% | | |
| **Total** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | | |

Source: Company data and Intermonte SIM estimates.

# Financials

**Trevi – Income Statement**

| (Eu mn) | 2005 | 2006 | 2007 | 2008 | 2009 | 2010E | 2011E | 2012E | 2013E |
|---|---|---|---|---|---|---|---|---|---|
| **Total Revenues** | **488** | **642** | **842** | **1,069** | **1,036** | **1,097** | **1,186** | **1,323** | **1,368** |
| Total Operating Costs | -433 | -557 | -713 | -903 | -854 | -902 | -973 | -1,091 | -1,130 |
| **EBITDA** | **55** | **86** | **130** | **166** | **182** | **195** | **213** | **232** | **238** |
| Margin % | 11.3% | 13.3% | 15.4% | 15.6% | 17.6% | 17.8% | 18.0% | 17.6% | 17.4% |
| Depr. Prov's. and Write-downs | -27 | -28 | -30 | -39 | -64 | -49 | -55 | -52 | -50 |
| **EBIT** | **29** | **58** | **99** | **128** | **117** | **146** | **158** | **180** | **189** |
| Margin % | 5.9% | 9.0% | 11.8% | 11.9% | 11.3% | 13.3% | 13.3% | 13.6% | 13.8% |
| Net Financial Charges | -9 | -11 | -14 | -17 | -18 | -19 | -15 | -9 | -5 |
| Other Charges and Income | 5 | -5 | 0 | -1 | 5 | 0 | 0 | 0 | 0 |
| **Net Operating Margin** | **25** | **43** | **86** | **109** | **105** | **127** | **143** | **171** | **184** |
| Taxes | -12 | -15 | -28 | -32 | -20 | -37 | -42 | -49 | -53 |
| Tax Rate % | 45.8% | 34.4% | 32.7% | 29.1% | 19.5% | 29.0% | 29.0% | 29.0% | 29.0% |
| **Net Income** | **14** | **28** | **58** | **77** | **84** | **90** | **102** | **121** | **131** |
| Minorities | 1 | 1 | 2 | 3 | 2 | 2 | 2 | 3 | 3 |
| **Group Net Income** | **13** | **27** | **56** | **75** | **82** | **88** | **99** | **118** | **128** |
| **Adj. Group net income** | **13** | **27** | **56** | **75** | **82** | **88** | **99** | **118** | **128** |

Source: Company data and Intermonte SIM estimates.

**Trevi – EBIT Breakdown**

| (Eu mn) | 2005 | 2006 | 2007 | 2008 | 2009 | 2010E | 2011E | 2012E | 2013E |
|---|---|---|---|---|---|---|---|---|---|
| **EBIT** | **29** | **58** | **99** | **128** | **117** | **146** | **158** | **180** | **189** |
| Margin % | 5.9% | 9.0% | 11.8% | 11.9% | 11.3% | 13.3% | 13.3% | 13.6% | 13.8% |
| Foundation Services (Trevi) | 14 | 24 | 35 | 45 | 76 | 76 | 77 | 79 | 80 |
| Margin % | 5.0% | 7.4% | 9.7% | 9.9% | 15.4% | 14.2% | 14.2% | 14.1% | 14.1% |
| Foundation Equipment (Soilmec) | 10 | 20 | 36 | 39 | 6 | 12 | 21 | 30 | 30 |
| Margin % | 7.6% | 11.6% | 12.9% | 12.4% | 3.0% | 5.7% | 7.8% | 9.1% | 9.1% |
| Drilling Services (Petreven) | 2 | 6 | 10 | 9 | 7 | 13 | 17 | 23 | 29 |
| Margin % | 9.1% | 21.9% | 21.3% | 14.5% | 11.3% | 17.3% | 18.6% | 19.4% | 21.0% |
| Drilling Equipment (Drillmec) | 4 | 9 | 19 | 34 | 30 | 46 | 43 | 49 | 50 |
| Margin % | 5.3% | 7.5% | 10.0% | 11.6% | 9.8% | 14.2% | 13.4% | 13.4% | 13.4% |

Source: Company data and Intermonte SIM estimates.

**Trevi – Balance Sheet**

| (Eu mn) | 2005 | 2006 | 2007 | 2008 | 2009 | 2010E | 2011E | 2012E | 2013E |
|---|---|---|---|---|---|---|---|---|---|
| Fixed assets | 175 | 199 | 214 | 302 | 336 | 347 | 344 | 345 | 350 |
| Net working capital | 67 | 120 | 107 | 271 | 439 | 425 | 472 | 520 | 541 |
| **Gross inv. capital** | **242** | **319** | **321** | **572** | **775** | **773** | **816** | **865** | **891** |
| Severance provision | -14 | -16 | -15 | -15 | -15 | -15 | -15 | -15 | -15 |
| **Net invested capital** | **228** | **303** | **306** | **557** | **760** | **758** | **801** | **850** | **876** |
| Group sharehold. equity | 97 | 122 | 157 | 226 | 302 | 382 | 543 | 653 | 771 |
| Minority interests | 5 | 5 | 7 | 9 | 14 | 16 | 18 | 21 | 24 |
| **Total Equity** | **102** | **127** | **163** | **235** | **316** | **398** | **562** | **674** | **795** |
| **Net financial position** | **-126** | **-175** | **-143** | **-322** | **-444** | **-359** | **-239** | **-176** | **-81** |
| **Total cover** | **228** | **303** | **306** | **557** | **760** | **758** | **801** | **850** | **876** |

Source: Company data and Intermonte SIM estimates.

**Trevi – Cash Flow Statement**

| (Eu mn) | 2005 | 2006 | 2007 | 2008 | 2009 | 2010E | 2011E | 2012E | 2013E |
|---|---|---|---|---|---|---|---|---|---|
| **Net fin position beg of year** | **-148** | **-126** | **-175** | **-143** | **-322** | **-444** | **-359** | **-239** | **-176** |
| Net income | 14 | 28 | 58 | 77 | 84 | 90 | 102 | 121 | 131 |
| Depreciation | 27 | 28 | 30 | 39 | 41 | 49 | 55 | 52 | 50 |
| **Cash flow from operations** | **40** | **55** | **88** | **116** | **125** | **140** | **157** | **173** | **180** |
| Change in working capital | -5 | -46 | 11 | -169 | -159 | 14 | -46 | -48 | -21 |
| **Operating cash flow** | **36** | **9** | **99** | **-53** | **-34** | **153** | **110** | **125** | **159** |
| Investments | -21 | -57 | -45 | -122 | -82 | -61 | -52 | -53 | -54 |
| **Free cash flow** | **15** | **-47** | **54** | **-175** | **-115** | **92** | **58** | **72** | **105** |
| Dividends | -1 | -2 | -3 | -6 | -8 | -8 | -8 | -9 | -10 |
| Other movements | 9 | 0 | -18 | 2 | 1 | 0 | 70 | 0 | 0 |
| **Cash flow** | **22** | **-49** | **33** | **-179** | **-122** | **85** | **120** | **63** | **96** |
| **Net fin position end of year** | **-126** | **-175** | **-143** | **-322** | **-444** | **-359** | **-239** | **-176** | **-81** |

Source: Company data and Intermonte SIM estimates.

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*With resolution no. 17 078 dated 26/11/10, the National Commission for Companies and the Stock Market (CONSOB) has maintained the ban on short selling effective 1st December 2010, for only those companies increasing their capital on or before 30th November 2010. For these companies, the sale of shares must still be supported by both the availability and the ownership of the relevant securities until the completion of the capital increase operation.*

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**BUY: stock expected to outperform the market by over 25% over a 12 month period;**
**OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;**
**NEUTRAL: stock performance expected at between +10% and – 10% compared to the market over a 12 month period ;**
**UNDERPERFORM: stock expected to underperform the market by between –10% and -25% over a 12 month period;**
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The stock price indicated is the reference price on the day prior to the publication of the report.

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**BUY: 19.69%**

**OUTPERFORM: 32.28%**

**NEUTRAL: 35.01%**

**UNDERPERFORM: 11.02%**

**SELL: 2.36%**

**The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (30 in total) is as follows:**

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**OUTPERFORM:** 13.33%

**NEUTRAL:** 56.67%

**UNDERPERFORM:** 0.00%

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| **Stock NAME** | **TREVI Fin. Ind.** | | |
|---|---|---|---|
| Current Recomm: | BUY | Previous Recomm: | BUY |
| Current Target (Eu): | 16.00 | Previous Target (Eu): | 16.00 |
| Current Price (Eu): | 12.27 | Previous Price (Eu): | 12..94 |
| Date of report: | 14/05/2010 | Date of last report: | 19/04/10 |

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