Milan, May 21, 2010

TREVI FINANZIARIA INDUSTRIALE — BUY

Good order intake and healthy margins in Q1; stock upgraded to Buy

Q1 10 RESULTS — **CURRENT PRICE: EUR 11.1**

TP FROM 12.9 EUR TO 13.1 EUR; FROM NEUTRAL TO BUY — **TARGET PRICE: EUR 13.1**

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Basic Figures, May 20, 2010

Reuters / Bloomberg code:	TFI.MI / TFI IM
Market capitalisation (EUR mln):	707
Number of shares (mln):	64
52-week range (EUR):	7.7 – 13.2
Free float (%):	40.7%

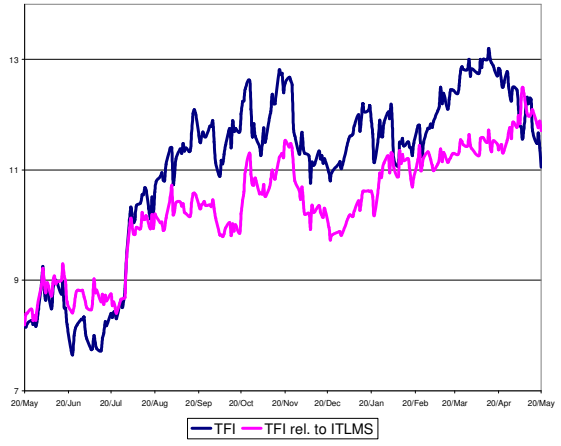
Source: Bloomberg and Santander Private Banking estimates

Estimates and Fundamental Ratios

	2009	2010E	2011E	2012E
Sales (mln EUR)	1,036	1,006	1,107	1,110
Ebitda (mln EUR)	182	169	174	179
Ebit (mln EUR)	117	114	116	118
Adj. net profit (mln EUR)	82	67	69	72
Adj. EPS (EUR)	1.28	1.05	1.08	1.12
DPS – ord. (EUR):	0.12	0.10	0.10	0.10
EV/Ebitda (x)	6.8	6.4	6.1	5.7
Adj. P/E (x)	9.7	10.5	10.2	9.9
Dividend yield (%)	1.0%	0.9%	0.9%	0.9%

Source: company data and Santander Private Banking estimates

Relative performance vs ITLMS (12M)



Source: Bloomberg

GOOD ORDER INTAKE AND HEALTHY MARGINS IN Q1. Revenues closed in line, without major differences even across single units, while profitability was much better in service division and lighter in mechanic. In particular, the former enjoyed stronger contribution from New Orleans job, as well as lower cost associated with yards termination, while mechanic witnessed lower than expected marginality on Kashagan orders, which could however bounce in subsequent quarters, driven by progressively better expertise in the execution of the specific job and potential contingency release once the plants are delivered, in Q3 and Q4. The outperformance recorded at consolidated Ebitda level was partially offset by higher tax rate, explained by unfavourable geographical mix in revenues production, with lower contribution from low-tax areas. The decrease in net debt compared to our forecast is mainly attributable to capex contraction; finally, positive news emerged from backlog, which closed at 786 mn EUR, approximately 110 mn EUR higher than expected, as a result of both USD appreciation vs the EUR (contributing by approximately 30 mn EUR) and better order intake in all divisions, including contract renewal in drilling services.

STOCK UPGRADED TO BUY, AS RECENT PRICE DRAWDOWN REOPENED DECENT UPSIDE. We fine-tune our 2010 forecasts; in more detail, assuming slower backlog execution, we are smoothing revenues and marginally revising mechanic division profitability. At the same time, pending more visibility on the evolution of activity geographical mix, the tax rate goes back to 29% from 26%. The order intake remains overall unchanged, which, in light of Q1 achievements and sizeable contracts currently under negotiation (to be potentially finalised in a couple of months, essentially in foundation services and drilling rigs, but also in drilling services) may appear prudential. On the whole, we are trimming 2010 revenues and Ebitda by 6% and 9%, respectively, still in line with company guidance, while M/L term aggregates remain broadly unvaried. With a valuation basically unchanged, recent price drawdown reopened decent upside, in our opinion, thus we are lifting the stock to Buy from Neutral.

Santander PRIVATE BANKING

Q1 P&L actual vs expected; mn EUR

	Q1 09A	Q4 09A	Q1 10A	Q1 10E
Foundations rigs	50.0	52.7	39.2	31.0
Drilling rigs	75.5	26.7	76.5	82.0
Foundations services	142.9	95.1	103.7	110.0
Drilling services	20.8	15.1	15.6	17.0
Elisions	0.0	9.9	0.0	0.0
Total revenues	**289.2**	**199.4**	**235.0**	**240.0**
Ebitda services %	20.6%	14.9%	24.5%	15.0%
Ebitda mechanic %	14.3%	3.1%	8.1%	12.0%
elisions %	n.m.	10.6%	n.m.	0.0%
Total Ebitda %	**17.8%**	**10.3%**	**16.5%**	**13.6%**
Ebitda services	33.7	18.6	29.2	19.1
Ebitda mechanic	18.0	2.4	9.4	13.6
elisions	-0.3	-0.5	0.1	0.0
Total Ebitda	**51.4**	**20.5**	**38.7**	**32.6**
D&A services	9.6	9.8	10.1	10.0
D&A mechanic	2.0	2.7	2.4	3.0
elisions	0.4	0.4	0.4	0.4
Total D&A	12.0	12.9	12.8	13.4
Ebit services	24.0	8.8	19.2	9.1
Ebit mechanic	16.0	-0.3	7.0	10.6
elisions	-0.7	-0.9	-0.2	-0.4
Total Ebit	**39.3**	**7.7**	**25.9**	**19.2**
Ebit services %	14.7%	7.1%	16.1%	7.1%
Ebit mechanic %	12.8%	-0.4%	6.0%	9.3%
elisions %	n.m.	17.8%	n.m.	n.m.
Total Ebit %	**13.6%**	**3.8%**	**11.0%**	**8.0%**
net financial charges	-5.6	-3.6	-3.6	-3.8
net gain on currency	2.0	3.0	1.0	0.0
EBT	35.7	7.1	23.3	15.4
Taxes	-10.7	4.8	-8.0	-4.0
tax rate	30.0%	-67.7%	34.2%	26.0%
minorities	-1.0	0.2	0.1	-0.3
Net result	**24.1**	**12.1**	**15.4**	**11.1**

Source: TFI, SPB estimates

New revenues evolution by operating company; mn EUR

	2010E	2011E	2012E	2013E	2014E	2015E
foundations rigs	186	214	235	249	253	257
drilling rigs	296	343	300	307	311	316
foundations services	455	476	499	439	451	460
drilling services	68	75	75	81	81	88
Total revenues	**1,006**	**1,107**	**1,110**	**1,076**	**1,097**	**1,122**
y/y%	**-2.9%**	**10.1%**	**0.2%**	**-3.0%**	**1.9%**	**2.2%**

Source: SPB estimates

Old revenues evolution by operating company; mn EUR

	2010E	2011E	2012E	2013E	2014E	2015E
foundations rigs	223	237	246	251	255	259
drilling rigs	280	318	282	289	293	297
foundations services	494	476	461	439	451	460
drilling services	68	75	75	81	81	88
Total revenues	**1,066**	**1,105**	**1,064**	**1,060**	**1,080**	**1,104**

Source: SPB estimates

New revenues evolution by macro division; mn EUR

	2010E	2011E	2012E	2013E	2014E	2015E
service revenues	538	566	590	534	547	564
mechanic revenues	482	557	535	556	565	573
elisions	-14	-15	-16	-14	-15	-15
Total revenues	**1,006**	**1,107**	**1,110**	**1,076**	**1,097**	**1,122**
y/y%	**-2.9%**	**10.1%**	**0.2%**	**-3.0%**	**1.9%**	**2.2%**

Source: SPB estimates

Old revenues evolution by macro division; mn EUR

	2010E	2011E	2012E	2013E	2014E	2015E
service revenues	578	566	550	534	547	564
mechanic revenues	503	554	528	539	548	556
elisions	-16	-15	-15	-14	-15	-15
Total revenues	**1,066**	**1,105**	**1,064**	**1,060**	**1,080**	**1,104**

Source: SPB estimates

New divisional Ebitda; mn EUR

	2010E	2011E	2012E	2013E	2014E	2015E
Ebitda services	121	116	121	110	112	116
Ebitda mechanic	48	58	59	61	62	63
elisions	-1	-1	-1	-1	-1	-1
Total Ebitda	**169**	**174**	**179**	**170**	**174**	**178**

Source: SPB estimates

Old divisional Ebitda; mn EUR

	2010E	2011E	2012E	2013E	2014E	2015E
Ebitda services	130	116	113	110	112	116
Ebitda mechanic	55	61	58	59	60	61
elisions	-1	-1	-1	-1	-1	-1
Total Ebitda	**185**	**176**	**170**	**168**	**172**	**176**

Source: SPB estimates

New order intake evolution; mn EUR

	2010E	2011E	2012E	2013E	2014E	2015E
foundations rigs	186	214	235	249	253	257
drilling rigs	288	296	305	309	314	318
foundations services	386	417	434	447	458	465
drilling services	70	75	75	80	85	90
Total orders	**930**	**1,002**	**1,049**	**1,085**	**1,110**	**1,130**

Source: SPB estimates

Old order intake evolution; mn EUR

	2010E	2011E	2012E	2013E	2014E	2015E
foundations rigs	223	237	246	251	255	259
drilling rigs	256	278	286	291	295	299
foundations services	386	417	434	447	458	465
drilling services	70	75	75	80	85	90
Total orders	**935**	**1,007**	**1,041**	**1,068**	**1,093**	**1,113**

Source: SPB estimates

Backlog evolution by division; mn EUR

	2010E	2011E	2012E	2013E	2014E	2015E
foundations rigs	31	31	31	31	31	31
drilling rigs	195	148	152	155	157	159
foundations services	383	324	259	267	274	278
drilling services	95	96	96	95	98	100
Total backlog	**705**	**599**	**538**	**547**	**560**	**569**

Source: SPB estimates

Backlog evolution as a whole; mn EUR

	2010E	2011E	2012E	2013E	2014E	2015E
Backlog year beginning	**780**	**705**	**599**	**538**	**547**	**560**
order intake	930	1,002	1,049	1,085	1,110	1,130
turnover	1,006	1,107	1,110	1,076	1,097	1,122
Backlog year end	**705**	**599**	**538**	**547**	**560**	**569**

Source: SPB estimates

New vs old P&L; mn EUR

	2010E	2011E	2012E	2013E	2014E	2015E
New revenues	1,006	1,107	1,110	1,076	1,097	1,122
Old revenues	1,066	1,105	1,064	1,060	1,080	1,104
chg %	-6%	0%	4%	2%	2%	2%
New Ebitda	169	174	179	170	174	178
Old Ebitda	185	176	170	168	172	176
chg %	-9%	-1%	5%	1%	1%	1%
New Ebit	114	116	118	107	110	114
Old Ebit	130	119	110	105	108	112
chg %	-12%	-2%	8%	2%	2%	2%
New net profit	67	69	72	66	70	75
Old net profit	81	75	69	68	72	77
chg %	-17%	-7%	3%	-4%	-3%	-3%

Source: SPB estimates

TFI WACC @ fair value

	2010E	2011E	2012E	2013E	2014E	2015E
unlevered beta	0.763	0.763	0.763	0.763	0.763	0.763
levered beta	1.000	0.996	0.961	0.912	0.874	0.834
risk-free rate	3.96%	3.96%	3.96%	3.96%	3.96%	3.96%
MRP	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Ke	7.96%	7.95%	7.81%	7.61%	7.46%	7.30%
Kd	5.96%	5.96%	5.96%	5.96%	5.96%	5.96%
t	27.50%	27.50%	27.50%	27.50%	27.50%	27.50%
Kd*(1-t)	4.32%	4.32%	4.32%	4.32%	4.32%	4.32%
D/EV	0.299	0.296	0.263	0.212	0.167	0.113
E/EV	0.701	0.704	0.737	0.788	0.833	0.887
WACC	6.87%	6.87%	6.89%	6.91%	6.93%	6.96%
g						0.96%
WACC-g						6.00%

Source: SPB estimates

FCF; mn EUR

	2010E	2011E	2012E	2013E	2014E	2015E	2015E adj.
Ebit	114	116	118	107	110	114	114
Taxes	-33	-34	-34	-31	-32	-33	-33
Ebit after taxes	81	83	84	76	78	81	81
D&A	54	58	61	63	64	64	64
chg NWC	50	-39	-1	13	-8	-9	0
chg funds	0	1	0	0	0	0	0
capex	-80	-78	-73	-62	-63	-64	-64
FCF	105	23	71	90	71	72	81
DCF	101	21	60	71	53	50	

Source: SPB estimates

TFI valuation fully diluted

	mn EUR	EUR/sh*
TV	1,363	19.4
DTV	944	13.4
Sum of DCFs	355	5.1
gap capex-D&A	4	0.1
EV	1,303	18.6
net debt 09A adjusted for convertible bond*	-374	-5.3
Equity	929	13.2
Minorities	-21	-0.3
financial shareholdings	14	0.2
Equity after min. and fin. shareholdings	**922**	**13.1**
Up (down)		19%

* adjusted for the conversion of 70 mn EUR nominal bond, exchangeable by 30 November 2011 into roughly 6.2 mn TFI shares, given that the TP is higher than the strike price (11.3 EUR)

Source: SPB estimates

Multiples and ratios for some competitors

Adj. P/E	2010E	2011E	2012E
Trevi Finanziaria Industriale	10.5	10.2	9.9
Caterpillar*	18.8	12.7	10.0
Sandvik*	18.7	12.3	9.8
Bauer*	12.0	8.8	7.4
Vinci*	11.5	10.7	9.7
National Oilwell Varco*	9.7	11.0	10.0
Rowan*	9.1	11.4	9.8
Transocean*	7.1	6.0	5.8
Baker Hughes*	19.3	12.7	9.8
Median	**11.5**	**11.0**	**9.8**

** Bloomberg consensus*

EV/Ebitda	2010E	2011E	2012E
Trevi Finanziaria Industriale	6.4	6.1	5.7
Caterpillar*	13.0	10.1	8.3
Sandvik*	9.7	7.5	6.5
Bauer*	6.4	5.6	5.1
Vinci*	6.7	6.3	6.0
National Oilwell Varco*	4.9	5.4	5.2
Rowan*	4.6	5.1	4.6
Transocean*	5.4	4.9	4.9
Baker Hughes*	7.9	5.4	4.6
Median	**6.4**	**5.6**	**5.2**

** Bloomberg consensus*

Dividend yield	2010E	2011E	2012E
Trevi Finanziaria Industriale	0.9%	0.9%	0.9%
Caterpillar*	2.8%	2.8%	2.8%
Sandvik*	2.6%	3.8%	4.7%
Bauer*	2.2%	2.8%	3.4%
Vinci*	4.6%	4.8%	5.2%
National Oilwell Varco*	1.1%	1.2%	1.1%
Rowan*	0.3%	0.4%	0.0%
Transocean*	2.7%	4.4%	5.2%
Baker Hughes*	1.4%	1.4%	1.3%
Median	**2.2%**	**2.8%**	**2.8%**

** Bloomberg consensus*

Source: SPB estimates and Bloomberg consensus (*)

P&L (mln EUR), Dec 31	2008	2009	2010E	2011E	2012E
Sales	1,069	1,036	1,006	1,107	1,110
EBITDA	166	182	169	174	179
Depreciation & amortization	-39	-64	-54	-58	-61
EBIT	128	117	114	116	118
Net financial income (charges)	-17	-17	-18	-16	-15
Pretax profit	109	105	97	100	104
Taxes	-32	-20	-28	-29	-30
Tax rate (%)	29.1%	19.5%	29.0%	29.0%	29.0%
Minorities	-3	-2	-2	-2	-2
Net profit (reported)	75	82	67	69	72
Adjusted Net profit	75	82	67	69	72
Adjusted EBITDA	166	182	169	174	179
Adjusted EBIT	128	117	114	116	118
Balance sheet (mln EUR)	**2008**	**2009**	**2010E**	**2011E**	**2012E**
Net Working Capital	268	437	387	426	427
Net Fixed Assets	305	340	366	386	399
Funds	15	17	17	17	17
Net Invested Capital	557	760	736	795	809
Net Debt (cash)	322	444	359	354	301
Shareholders' equity	226	302	362	425	490
Minorities	9	14	15	17	18
Financial Liabilities & Equity	557	760	736	795	809
Cash Flow statement (mln EUR)	**2008**	**2009**	**2010E**	**2011E**	**2012E**
Net profit	75	82	67	69	72
Minorities	3	2	2	2	2
Depreciation & amortization	39	64	54	58	61
Change in Net Working Capital	-163	-169	50	-39	-1
Change in Funds and other items	1	1	0	1	0
Operating Cash Flow	-46	-19	173	90	133
Capex	-117	-99	-80	-78	-73
Operating Free Cash Flow	-163	-118	92	12	60
Other net investments	0	0	0	0	0
Free Cash Flow	-163	-118	92	12	60
Dividends	-6	-8	-8	-6	-6
Equity issues	0	0	0	0	0
Other changes	-10	4	0	0	0
Net Cash Flow	-179	-122	85	5	53
Financial ratios	**2008**	**2009**	**2010E**	**2011E**	**2012E**
EBITDA margin	15.6%	17.6%	16.8%	15.7%	16.1%
EBIT margin	11.9%	11.3%	11.4%	10.5%	10.7%
Interest coverage (x)	7.4	6.7	6.3	7.2	8.0
Net profit margin	7.0%	7.9%	6.7%	6.3%	6.5%
ROCE	22.9%	15.4%	15.5%	14.6%	14.6%
ROE	33.0%	27.2%	18.6%	16.3%	14.6%
Net Debt/Equity (x)	1.37	1.40	0.95	0.80	0.59
Payout ratio	10.3%	9.3%	9.3%	9.3%	9.3%
Growth rates	**2008**	**2009**	**2010E**	**2011E**	**2012E**
Sales	27.7%	-3.1%	-2.9%	10.1%	0.2%
EBITDA	28.5%	9.3%	-7.3%	3.1%	3.1%
EBIT	28.4%	-8.0%	-2.7%	1.8%	1.9%
Net profit	33.9%	10.0%	-18.2%	3.1%	3.6%
Adjusted Net profit	33.9%	10.0%	-18.2%	3.1%	3.6%
Per share figures (EUR)	**2008**	**2009**	**2010E**	**2011E**	**2012E**
Year-end nr of shares (mln)	64	64	64	64	64
EPS reported	1.17	1.28	1.05	1.08	1.12
EPS adjusted	1.17	1.28	1.05	1.08	1.12
CFPS	1.77	2.29	1.90	1.98	2.07
BVPS	3.54	4.72	5.65	6.64	7.66
Dividend - common shares	0.12	0.12	0.10	0.10	0.10
Dividend - pref. shares	0.00	0.00	0.00	0.00	0.00
Dividend - savings shares	0.00	0.00	0.00	0.00	0.00
Valuation & ratios	**2008**	**2009**	**2010E**	**2011E**	**2012E**
Last price - common share (current, average)	7.37	12.40	11.05	11.05	11.05
Market Cap (mln EUR)	471	794	707	707	707
Enterprise Value (mln EUR)	801	1,245	1,074	1,068	1,015
P/E reported	6.3	9.7	10.5	10.2	9.9
P/E adjusted	6.3	9.7	10.5	10.2	9.9
P/CF	4.2	5.4	5.8	5.6	5.3
P/BV	2.1	2.6	2.0	1.7	1.4
Adj. EV/EBITDA	4.8	6.8	6.4	6.1	5.7
Adj. EV/EBIT	6.3	10.6	9.4	9.2	8.6
Net debt/Adj. EBITDA	1.9	2.4	2.1	2.0	1.7
Dividend yield - common shares	1.6%	1.0%	0.9%	0.9%	0.9%
Dividend yield - savings shares	n.m.	n.m.	n.m.	n.m.	n.m.
Free Cash Flow Yield	-36.6%	-16.1%	11.7%	0.5%	7.3%

NOTES

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Equity Research Santander Private Banking

Valuation methodology

Santander Private Banking Equity Research Department values the companies for which it assigns recommendations as follows:
We obtain a fair value using a number of valuation methodologies including: discounted cash flow method (DCF), dividend discount model (DDM), embedded value methodology, return on allocated capital, break-up value, asset-based valuation method, sum-of-the-parts, and multiples-based models (for example PE, P/BV, PCF, EV/Sales, EV/EBITDA, EV/EBIT, etc.).
The financial analysts use the above valuation methods alternatively and/or jointly at their discretion.
The assigned target price may differ from the fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (ie, holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodology indicated above.

Equity rating key

In its recommendations, Santander Private Banking uses an "absolute" rating system, which is not related to market performance and whose key is reported below:
BUY: if the target price is more than 10% higher than the market price.
NEUTRAL: if the target price is less than 10% higher than the market price.
SELL: if the target price is in line with or lower than the market price.
TARGET PRICE: the market price that the analyst believes that the share may reach within a 12-18 months time horizon, including dividends to be paid.
MARKET PRICE: closing price on the day before the issue date of the report.
RATING SUSPENDED: The rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances.
NOT RATED: The company is or may be covered by the Research Department but no rating or target price is assigned.
UNDER REVIEW: The rating and/or target price have been temporarily suspended to grant the analyst more time to evaluate the impact of some variables on the stock price.

Coverage policy and frequency of research reports
The list of companies covered by the Equity Research Department is available upon request. Santander Private Banking aims to provide continuous coverage of the companies on the list in conjunction with the timing of periodical accounting reports and any relevant event which is deem to affect the issuer's operations.
In the case of a flash note, we advise investors to refer to the most recent company report published by Santander Private Banking Research Department for a full analysis of valuation methodology, earnings assumptions, risks and the historical of recommendation and target price.

Historical recommendations and target price

Date	Rating	TP (EUR)	Remark
27/04/2009	NEUTRAL	8.1	Estimates review
25/05/2009	BUY	9.4	Q1 09 results
07/07/2009	BUY	9.7	Estimates review
02/09/2009	NEUTRAL	12.2	Q2 09 results
20/11/2009	NEUTRAL	13.8	Q3 09 results
27/11/2009	NEUTRAL	12.5	Estimates review
02/04/2010	NEUTRAL	12.9	Q4 09 results

SPECIFIC DISCLOSURES

Santander Private Banking S.p.a. discloses interests and conflicts of interest, as defined by: Articles 69-quater and 69-quinquies, of Consob Resolution No.11971 of 14.05.1999, as subsequently amended and supplemented; the NYSE's Rule 472 and the NASD's Rule 2711; the FSA Policy Statement 04/06 "Conflicts of Interest in Investment Research – March 2004 and the Policy Statement 05/03 "Implementation of Market Abuse Directive", March 2005".
Santander Private Banking maintains procedures and organizational mechanisms (information barriers) to professionally manage conflicts of interest in relation to investment research.
Santander Private Banking might have a potential interest or conflict of interest with the issuers mentioned herein; conflicts of interests will be disclosed in each report.
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The extract of the Policy is available on the Santander Private Banking website www.santanderpb.it.
Any company of the Santander Group might:
- be doing or trying to do business with the company covered in this report;
- hold a stake in the company covered in this report;
- be Lead manager in public offering of financial instruments of the issuer;
- in agreement with the issuer relating to the provision of corporate finance services;
- be in agreement with the issuer relating to the provision of recommendation.

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