

INSIDE ITALY

16 May 2011

Switchboard

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Dealing Desk

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ITALY

	Best
Davide Campari-Mi	2,66%
Unicredit S.P.A.	1,77%
Enel S.P.A.	1,54%

	Worst
Tod's S.P.A.	-4,87%
Fondiaria-Sai S.P	-3,92%
Prysmian S.P.A.	-3,36%

	High Volume %3m avg
Snam Rete Gas S.P	521,8%
Tod's S.P.A.	438,1%
Finmeccanica S.P.	181,8%

STOXX 600

	Best
Vallourec S.A.	6,09%
European Aeronaut	5,84%
Aurubis Ag	4,32%

	Worst
Deutsche Telekom	-7,33%
Hochtief Ag	-7,09%
Deutsche Boerse A	-4,72%

	High Volume %3m avg
Snam Rete Gas S.P	521,8%
Banca Carige S.P.	316,3%
Misys Plc	251,7%

Research

Andrea Balloni
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Sales

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Giovanni Musarra
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Sales Trading/Trading

Neil O'Connor

		1 week	1 month	YTD	Turnover (€m)	Mkt Cap(€bn)
FTSEMIB Index	21764,31	-0,69%	-1,51%	7,89%	3.925.482	250.679
FTSE Italy MIDCAP	24905,65	-0,97%	-1,70%	3,28%	150.237	27.767
DJ Stoxx 600	2619,16	€10 yr Bond (%) 3,08		€\$ 1,42		
DJIA	12595,75	US\$10 yr Bond (%) 3,18		€£ 0,88		
Nasdaq	2379,24	Bond Spread (bps)		OIL 125,81		
DAX	4212,44	Italy 149,62		GOLD 1493,40		
CAC40	4018,85			VIX 17,07		

ACTION POINT: NO ACTION POINT TODAY

YESTERDAY'S CLOSING COMMENT

European stocks declined for a second day, erasing the Stoxx Europe 600 Index's weekly gain, as a drop in banks overshadowed better-than-estimated earnings at Vivendi SA and European Aeronaut, Defence & Space Co. Commerzbank AG lost 3.3%. Portugal's Banco BPI SA retreated as the nation slipped back into recession amid government spending cuts. Vivendi climbed 1.5% as the owner of the world's biggest music and video-game companies said first-quarter income increased 29%. EADS gained 5.8%. The Stoxx 600 declined 0.5% to 280.5 at the 17:30 close in Milan, bringing last week's decrease to 0.3%. National benchmark indexes fell in 10 of the 18 western European markets on Friday. France's CAC 40 slipped 0.1%, the U.K.'s FTSE 100 slid 0.3% and Germany's DAX lost 0.6%. Spain's IBEX 35 sank 1.3% as Banco Santander SA slid 1.9%. The European Commission raised its 2011 inflation forecast for the euro region to 2.6% from 2.2%, adding pressure on the European Central Bank to increase borrowing costs further. In the U.S., a government report showed the cost of living rose 0.4% in April, led by gains in food and fuel prices that are beginning to filter through to other goods and services.

TODAY'S MARKET COMMENT

FONDIARIA: Watchdog ruled out Unicredit's mandatory bid following the announced rescue plan, Q1 net loss at EUR24.9mln premium -15% at EUR2.99bn

GENERALI: Positive Q1 and outlook, Co looking for a partnership in Russia

UNICREDIT: CEO Ghizzoni said capital increase discussion not earlier than the summer when SIFI requirements will be disclosed

B.POP: posted EUR60mln net in Q1, BoD approved group branch network reorganization with the merger of BP Cremona and BP Crema into BPL

FIAT: Mr. Elkann confirmed interest in opening an headquarter in Asia, press report Chrysler willing to repay debts with Government by the end of June

SEAT: Watchdog requestes more information on the debt restructuring plan

COIN: Press report tender offer to take place in August

EX DIV: B.GENERALI-CRED EMILIANO-MAIRE TECN-PIAGGIO



COMPANY NEWS - LARGE CAP

Atlantia (ATL-IT)**BUY****Better results, weaker traffic than expected in 1Q11**

		2011E	2012E	
Last (€)	16,54	P/E (x)	11,9	12,1
Valuation Range (€)	19.4-20.6	EV/EBITDA (x)	8,1	7,9
Mkt Cap (€m)	9924	Div. Yield	4,8%	5,0%
Free Float	45,7%	EV/IC (x)	1,2	1,1
Av Daily Vol (m sh.)	2,39	ROIC	7,6%	7,8%
YTD	8,32%	FCF Yield	11,2%	0,7%
		Debt/Equity	131,2%	129,8%

Atlantia reported its 1Q11 results: revenues €877m (+7.7% YoY), Ebitda €524m (+8.1% YoY), Ebit €389m (+8.2% YoY), net profit €139m (+15.1% YoY) and net debt €9.566m (€9,655m at end 2010).

Traffic was down -0.8% YoY, light traffic was down by -0.9% YoY while heavy traffic was flat YoY (in this quarter heavy traffic figure includes only heavy vehicles with 3 or more axels).

Atlantia sold a 69% stake in Autostrada Tirrenica for €68m.

and Fidentiis says...

Atlantia's 1Q11 results were slightly better than our estimates both at Ebitda level and at bottom line thanks to lower operating costs and, we suspect, better toll revenues from international subsidiaries. Revenues were €877m (+7.7% YoY vs. estimate €860m), Ebitda €524m (+8.1% YoY vs. estimate €494m), net profit €139m (+15.1% YoY vs. estimate €122m). The €9.57bn net debt was lower than our €9.7bn estimate.

Traffic figure was a bit disappointing particularly in terms of traffic mix. Total traffic was down -0.8% YoY versus our -0.6% YoY estimate and heavy traffic resulted only flat while we were expected a significant rebound. Light traffic was down by -0.9% YoY mainly due to adverse calendar effects in 1Q11.

We keep our estimates unchanged for the FY 2011. If some downside pressure on revenues could derive from a slightly weaker traffic than the +0.6% YoY increase on which our estimates are based, some support at Ebitda level could arise from a lower cost base (we estimate that 1Q11 operating costs net of ANAS' tariffs were down -7% YoY and -5% lower than our estimate).

The disposal of Autostrada Tirrenica does not have a significant impact on Atlantia's financials and its valuation. It is expected to determine a €40m capital gain in 2011.

We confirm our BUY recommendation on the stock due to its undervaluation versus the value of its long-term concession. Nevertheless, we see a limited surprise potential which could significantly decrease the gap between the share price and its fundamental in the short term.

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**Buzzi (BZU-IT)****Hold****1Q'11 better on EBITDA**

		2011E	2012E	
Last (€)	10,26	P/E (x)	30,1	15,1
Valuation Range (€)	9.2-9.6	EV/EBITDA (x)	6,6	5,4
Mkt Cap (€m)	1.686	Div. Yield	0,7%	1,4%
Free Float	43,3%	EV/IC (x)	0,6	0,5
Av Daily Vol (m sh.)	1,42	ROIC	3,5%	4,8%
YTD	20,14%	FCF Yield	7,5%	11,4%
		Debt/Equity	38,7%	31,3%

Buzzi reported 1Q'11 results

Sales at €569, 24% higher vs 1Q'10. We expected €571m. Consensus was set at €546m. Compared to the Dyckerhoff results, already published, Buzzi reported

1. An Italian market down 3.3%, impacted by lower YoY prices (-12.3%), partially offset by increasing volumes (+6.3%)
2. Mexico - increasing sales by 29%, driven by higher volumes (+18%), increasing prices (+4.1%), FOREX (+6.7%)
3. US - up 8%, driven by larger volumes at +12% partially offset by lower prices (-8%)

EBITDA at €42.7m vs €14m reported in 1Q'10. We expected €33m, Consensus at €36m. Italian margin was reported at breakeven, with €6.4m of CO2 sales, decreasing from €6.5m reported in 1Q'10. US was negative at €9.1m, from the loss at €5.6m reported in 1Q'10. Mexico margin increased by 32% (+23% at constant FX) at €58.7m.

EBIT was at €-18m from €-40m reported in 1Q'10. We expected €-22m, Consensus at €-18m. Net loss at €-37m from €-53m of 1Q'10. Fidentiis and Consensus at €-30m.

FY Outlook unchanged. 2011 is expected in line with 2010.

Buzzi is currently trading at 6.0x and 18x on '12 EV/EBITDA and PE.

Our estimates are under review.

Note out today

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Credem (CE-IT)**N.R.****Credem: better than expected 1Q11**

Credem 1Q11 came out slightly better than expected due to very low LLPs (€7m only) while the operating profitability (€64m) was aligned to consensus.

- Revenues: €236m
- GOP: €64m
- Net profit: €31m (vs. a consensus of €28m)

and Fidentiis says...

Apart from being better than expected, Credem's 1Q11 results are surprisingly on the balance sheet side: they show how a small banking player focused on SME and retail mortgage lending could efficiently manage its lending book reporting decreasing bad loans (from €523m in 4Q10 to €521m in 1Q11) with a better coverage (from 36% in 1Q10 to 37% in 1Q11), despite 1) loans growing +3.6% q-q and 2) 14bp (!) only of annualized LLPs.

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Diasorin (DIA-IT)**Buy****Good 1Q'11, guidance unchanged, down to Hold**

		2011E	2012E	
Last (€)	34,95	P/E (x)	16,5	14,0
Valuation Range (€)	35.1-38.8	EV/EBITDA (x)	8,6	7,2
Mkt Cap (€m)	1.912	Div. Yield	1,2%	1,4%
Free Float	47,2%	EV/IC (x)	5,2	4,7
Av Daily Vol (m sh.)	0,25	ROIC	39,5%	43,7%
YTD	8,51%	FCF Yield	5,2%	6,3%
		Debt/Equity	-27,3%	-40,0%

- Diasorin reported the 1Q'11 results last week. They were slightly better than Consensus.
- Sales at €111m by increased 29% vs 1Q'10. We expected €115m, Cons. was at €112m. Stripping out Murex acquisition, organic growth was 19%. Murex sales at €3.3m have been €3m below our expectations. Liaison new installations at 133 are below our expectations (150), and are expected to recover in 2Q.
- EBITDA at €50m vs €36m reported in 1Q'10. Fidentiis was at €46.5m, Cons. is set at €47m. Margin moved from 42.8% (adj. for negative one-off) to 44.9%. Net profit at €28.5m vs €19.5m of 1Q'10. Fidentiis at €25.5m, Consensus at €26.3m
- FY guidance remain unchanged: Sales at €465-475m vs Cons at €481, Liaison installed base above 600, EBITDA in the range of €200m vs Cons at €204m.
- Main points from the conference call concern the Vit.D: sales in the in the US increased by 11% YoY, with volumes up 25%, and with lower average selling price. The decreasing selling price is the result of a commercial policy which started in 2010. Dia signed new longer term contracts with the main clients (70% of the business) with price discounts in the range of 10-15%. Vit. D in the US is forecast to keep growing double digit in '11. Organic sales growth for the Group is expected to be in the range of 10% in the next 3 quarters.
- We fine-tuned our estimates with '11 sales down 4.2% from €512m to €490m, EBITDA -1.7% to €208m and Net profit -1.3% to €116m.
- Dia market price outperformed the market in the last month, +9% vs -1.5%, and the upside of our valuation range is now limited at 9%. The still fast growing Vit.D market in the US will be moderated by the price erosion of the new contracts. So far, we don't see further catalysts ahead which could imply an upward revision of a consensus still set above the company's guidance. Down to Hold. '11E EV/EBITDA and PE at 8.6x and 16.3x.

Analyst: Andrea Balloni**Tel:** +39 02 36 705 206**Email:** ab@fidentiis.com**Impregilo (IPG-IT)****BUY****Market rumours: FonSai could sell its stake by the end of September**

		2011E	2012E	
Last (€)	2,30	P/E (x)	12,8	12,1
Valuation Range (€)	3.7-4.1	EV/EBITDA (x)	5,5	4,7
Mkt Cap (€m)	923	Div. Yield	1,3%	1,7%
Free Float	65,0%	EV/IC (x)	1,1	1,1
Av Daily Vol (m sh.)	3,32	ROIC	8,5%	9,1%
YTD	8,62%	FCF Yield	-18,7%	3,4%
		Debt/Equity	43,3%	39,5%

According to today's press, Benetton and Gavio could buy the stake of FonSai in Igli, the holding company which owns the 29.9% of Impregilo. Currently, Benetton, Gavio and Fon.Sai are the three shareholders of Igli with a 33,3% stake each.



The acquisition of the stake held by Fon.Sai would allow the 2 other shareholders to do a capital increase in Igli in order to refinance €200m debt expiring in September.

According to press rumors, the stake in Igli held by Fon.Sai could be paid through a shares swap, giving Atlantia and Sias shares to Fon.Sai.

And Fidentiis says

The disposal of the stake in Igli from Fon.Sai would have two positive speculative effects:

1. A valuation of Impregilo stake which would probably be higher than current market price
2. An acceleration in the Impregilo legal issues in order to give more visibility to Benetton and Gavio about the real value of the stock.

We confirm our Buy rating on Impregilo.

Impregilo construction division, based on our STUB analysis, is currently trading at -0.8x on EV/EBIT.

Based on a sum of the part, Impregilo valuation is in the range of €4.1/share (€1.7bn equity valuation): we started from a 5.2x EV/EBIT valuation for the construction division (EV at €657m assuming an EBIT at €127m), adding Ecorodovias stake (€1bn equity valuation) and the other minor assets and liabilities, including the disposal of the Acerra plant.

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Intesa SanPaolo (ISP-IT)

HOLD

Cred Agr confirmed it will not underwrite ISP's €5bn rights issue

		2011E	2012E	
		P/E (x)	12,6	10,6
		Adj P/E	13,2	10,6
		P/BV	0,57	0,56
		Adj P/BV	1,0x	0,9x
		ROE	4,5%	5,3%
		ROAdjE	4,3%	5,3%
		Div. Yield	3,0%	3,4%
Last (€)	2,25			
Valuation Range (€)	2.7-2.9			
Mkt Cap (€m)	28.471,0			
Free Float	56,0%			
Av Daily Vol (m sh.)	147,30			
YTD	10,0%			

Credit Agricole has confirmed it will not underwrite (pro quota) the €5bn rights issue that ISP should shortly launch in order to move its CT1r to a Basel III standard.

and Fidentiis says...

This kind of outcome was largely expected as CredAgr decided not to take part to the EGM ISP called in order to approve its rights issue.

We see a potential overhang of rights for ISP considering that a few shareholders of the Milan-based bank grouping almost 15% of the share capital (Credit Agricole -4.99%, Assicurazioni Generali - 4.56%, Zaleski's Tassara -2.26% and UBI Banca >2%) are not expected to underwrite the capital increase.

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**Parmalat (PLT-IT)****HOLD****Some hints from Lactalis prospectus**

		2011E	2012E	
Last (€)	2,64	P/E (x)	24,0	22,0
Valuation Range (€)	2.5-2.6	EV/EBITDA (x)	8,1	7,5
Mkt Cap (€m)	4581,4	Div. Yield	1,9%	0,0%
Free Float	80,9%	EV/IC (x)	1,5	1,4
Av Daily Vol (m sh.)	25,25	ROIC	9,0%	9,5%
YTD	28,59%	FCF Yield	3,8%	4,5%
		Debt/Equity	-42,3%	-44,3%

Last Friday, Consob approved the Lactalis offer prospectus.

Below, the summary of its content.

Timetable and conditions of the offer:

Start of the offer: May, 23

End of the offer: July, 8

Settlement date: July, 15

Maximum shares to be acquired: 1,234,460,667 or 71.031% of the company plus a maximum of 63,725,992 shares for opponents and the late coming creditors.

Total of shares: 1,298,186,659.

Price: €2.60 cum dividend (cash + shares)

Deal Financing

The deal will be financed by a maximum of €3.4bn debt provided by Credit Agricole, HSBC, Natixis, Societ ȃnerale (25% each), at a rate of Euribor +290bps to be paid every 3 months. Loan duration is 5 1/2 years, until December 2016.

Banks will provide the financing to the BSA holding which will then finance Lactalis through an intercompany loan.

Dividends

Cash dividend: If approved by June 25 AGM, a €0.036 cash dividend per share will be paid on July 21 (ex date July 18). The offer should be closed by then. If not approved, the offer price will be adjusted for the dividend.

Script dividend: If approved by June 25 AGM, 90.02m shares will be paid as a script dividend for a ratio of 1 to each 20. Shares would be awarded the July 21, post cash dividend payment. The offer should be already closed by then. These shares are not subject to the offer.

Lactalis Financials

In 2010, Lactalis booked €10.3bn revenues, with the following split by product: Cheese 46%, Milk 17%, Fresh products 14%, Butter and Cream 11%, Others 12%.

By country: France 39%, Italy 13%, Rest of Europe 33%, America 8%, Middle East and Africa 5%, Apac 2%.

The group registered an EBITDA of €918.5m (€994 pro forma), EBIT of €624.3m and net income of €308m.

Group's equity was €3bn (€3.2bn including minorities) and net debt €2.27bn (€3.57bn at the end of March 2011).

Lactalis Italia in 2010 registered €1.4bn revenues (+5% YoY), EBITDA of €142m (+10% with a margin of 10.6%), EBIT of €103.6m and net debt of €804.9m. The group owns 6 plants and 3200 employees.

In the prospectus, Lactalis calculated the potential impact of the Parmalat acquisition on its balance sheet, depending on the acceptance level of the tender offer:

- If Lactalis ends owning 55% of Parmalat its consolidated net debt will be €3.5bn (net debt/EBITDA 2.6x).
- If Lactalis ends owning 67% of Parmalat its consolidated net debt will be €4.1bn (net debt/EBITDA 3x).
- If Lactalis ends owning 100% of Parmalat its consolidated net debt will be €5.65bn (net debt/EBITDA 4.1x).



After the tender offer, Lactalis' debt will be subject to the following covenants, to be tested every June 30 and December 31:

- Net debt/EBITDA: Dec 2011 < 4.25x, Jun 2012 <4x, Dec 2012 <4x, Jun 2013 <3.5x, Dec 2013 <3.5x, Jun 14 onwards <3
- Net debt/Equity: Dec 2011 < 175%, Jun 2012 <150%, Dec 2012 <150%, Jun 2013 <125%, Dec 2013 <125%, Jun 14 onwards <100%
- Interest cover (EBIT/net interest): Dec 2011 >2.75x, Jun 2012 >2.75x, Dec 2012 >3.25x, Jun 2013 >3.25x, Dec 2013 >3.5x, Jun 14 onwards >4x

Antitrust authorization

Lactalis started the antitrust authorization procedures in all the countries where it's required:

- European Union: preliminary notification started April 15, official notification started May 4. To be closed by June 14.
- Colombia: started April 20
- Canada: started April 21
- South Africa: started April 21
- Australia: started April 21.
- Ukraine: started April 22
- Russia: started April 22

Parmalat Valuation

In the prospectus Lactalis stated to have valued Parmalat above the average price target stated by 10 brokerage houses (€2.37) and at a premium versus its main competitors (Robert Wiseman, Dean Foods, Bongrain, Dairy Crest, Saputo, Emmi) on EV/Sales (17% premium), EV/EBITDA (24%), EV/EBIT (42%), P/E (54%), and P/CF (47%).

Lactalis started buying Parmalat shares in October 2008, and bought the 503.46m shares it currently owns at an average price of €2.6942 per share.

Industrial plan

Lactalis stated its intention to grow Parmalat in the domestic market and internationally.

The French company will consider the possibility to merge its packaged milk operations with Parmalat's in order to become a world leader in the segment.

Lactalis would like to grow Parmalat in cheese and yogurt. It would like to do so also in the developing markets such as Brasil, India and China, through JV or acquisitions.

In Italy, Lactalis stated not to change Parmalat's raw milk supply policy, nor to have, as of today, any plan to close factories or to reduce workforce.

Bylaws modifications: Lactalis stated Parmalat's bylaws not to be modified in the next 12 months, apart for some modifications due to operations with related parties for the purpose to merge packaged milk operations. In any case, The French company stated not to prevent Parmalat to accomplish with Concordato obligations with former Parmalat's creditors.

Parmalat shares will remain listed, and Lactalis will restore the free float, even if it will own more than 90.5% of the capital after the tender offer, or it will be obliged to a residual offer, owning more than 95%.

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**Terna (TRN-IT)****BUY****Solid growth and acceleration in capex in 1Q11**

		2011E	2012E	
Last (€)	3,39	P/E (x)	15,4	16,1
Valuation Range (€)	3.73-3.78	EV/EBITDA (x)	10,3	10,5
Mkt Cap (€m)	7	Div. Yield	6,2%	6,2%
Free Float	64,8%	EV/IC (x)	1,5	1,5
Av Daily Vol (m sh.)	8,96	ROIC	6,6%	6,1%
YTD	7,2%	FCF Yield	-2,6%	-3,0%
		Debt/Equity	191,8%	211,4%

Terna reported its 1Q11 results: revenues €385m (+5.5% YoY), Ebitda €295m (+7.6% YoY), Ebit €199.5m (+5% YoY), net profit €174m (+62% YoY), ordinary net profit €114m (+6.9% YoY). Net debt stood at €4,549m (€4,772m at end 2010).

and Fidentiis says...

Terna, once again reported a very solid set of results, slightly ahead of our estimates: revenues were up +5% YoY at €385m, Ebitda +8% YoY at €295m, net profit stated +62% YoY at €174m (due to the €59m second portion of the capital gain from the disposal of PV assets), ordinary net profit €114m (+7% YoY). Ebitda growth is mainly determined by the +6.3% increase in the transmission grid fee driven by RAB growth and by the cost efficiencies implemented by the company which determined flat costs versus 1Q10.

Regulated capex reported a very strong +38% YoY increase versus 1Q10. According to the company this is due to a speed-up of authorization processes. Terna's management confirmed the previous indication of €1bn capex for the FY11 (flat versus the FY10) but we would not be surprised if once again the company managed to accelerate investments' execution.

We confirm our BUY recommendation on the stock based on our expectation that the positive trend in Terna's capex plan is not over. In our opinion the recent increase in the Italian government's target for photo-voltaic capacity to be installed in the Italian electricity system by 2020 is likely to determine the need for further investments in the electricity transmission grid which are not included in Terna's current capex plan.

Analyst: Enrico Bartoli**Tel:** +39 02 36 705 203**Email:** eb@fidentiis.com**UBI Banca (UBI-IT)****N.R.****Unexciting 1Q11 numbers and unexciting new business plan**

UBI's (not rated) 1Q11 net profit of €66m came out bang in line with the consensus.

- Revenues: €876m, -2%
- GOP: €298m, +10%
- Net profit: €66m, +70% (vs. a consensus of €65.5m)

Despite the bottom line jump, 1Q numbers do not look particularly exciting: poor quality in the top line with NII and fees decreasing y-y and a strongly growing trading line. UBI posted better trends on the cost side with total quarterly charges at €578m, -3% y-y. All in all, UBI's 1Q11 GOP came out +10% y-y at €298m. Below the operating line, as commonly seen for all the other Italian banks, LLPs were sharply decreasing in 1Q11: -20% y-y for UBI (41bp annualized). However, this improvement was not mirrored in UBI's asset quality ratios: net NPLs were up 7% to €2.1bn, from 1.9% to 2.0% of net total loans.

and Fidentiis says... apart from this unexciting set of 1Q11 numbers, UBI disclosed the guidelines of its new business plan: €600m net profit by 2013, which is bang in line with the current consensus. The plan does not seem very aggressive considering: 6.6% 2010-2013E revenues CAGR and +0.8% costs CAGR (1k net job cuts) that translate into a 57% cost/income ratio. The plan includes the announced €1bn rights issue that should push UBI's CT1r to 8.2% in 2013 (excl. 64 bp od CT1 related to the mandatory convertible).

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COMPANY NEWS - SMALL CAP

Landi Renzo (LR-IT)**HOLD**

1Q'11 weak, as expected by the Company. The bottom now has been reached.

			2011E	2012E
Last (€)	2,39	P/E (x)	14,0	10,9
Valuation Range (€)	2.5-2.7	EV/EBITDA (x)	6,9	5,7
Mkt Cap (€m)	266	Div. Yield	2,1%	2,9%
Free Float	41,0%	EV/IC (x)	1,4	1,4
Av Daily Vol (m sh.)	0,56	ROIC	9,5%	11,2%
YTD	-20%	FCF Yield	6,8%	8,6%
		Debt/Equity	34,1%	22,2%

Landi reported a weak 1Q'11, slightly below Consensus expectations.

- Sales at €47mm, -50% vs 1Q'10. Fidentiis expected €56m, Consensus €54m
- EBITDA loss at €-1.1m vs €18m of 1Q'10. Fidentiis was at €2.7m, Consensus at €3m.
- EBIT at €-5.0m vs €16m of 1Q'10. Fidentiis was at €-1m, Consensus at €-0.6m
- Bottom line at €-5.3m vs €11.6m of 1Q'10. Fidentiis expected at €-1m, Consensus set at €-1.7m
- Net debt at €78m, increasing from €69m as a consequence of a net working capital absorption.

1Q'11 was impacted by

1. the delayed introduction of the new EURO5 vehicles with gas systems and
2. a difficult comparison base as a consequence of the still in place public incentives during 1Q'10.

These two effects translated in a very weak trend of the most mature markets (Italy -83%, Europe -59%) only partially offset by the strong trend of the Mid-East regions (+75%).

FY Outlook. The company kept its FY guidance unchanged: '11 Sales and EBITDA are forecast in line with '10 results. March reported an inversion of the trend compared to Jan.-Feb., boosted by a larger number of Euro5 models to be equipped with gas systems.

And Fidentiis says

1Q'11 results were few millions euro below Consensus which is set, on a FY Sales and EBITDA, 1.9% and 6.5% higher than 2010. We don't change our estimates which are in line with Company guidance provided in March, when visibility on 1Q'11 numbers were already quite good.

We expect the stock to suffer on the short term on the back of a Consensus estimates fine-tuning. However Landi has probably reported the last very negative quarter of a trend which started in 3Q'10. From 2Q'11, we expect a recovery for Landi driven by

1. easier comparison base
2. a larger number of Euro5 models to be equipped with gas systems
3. a still very high oil price which will sustain again the after-market sales.

We keep our Hold rating unchanged, waiting for more visibility.

Landi is currently trading at 7.0x and 13.6x on '11 EV/EBITDA and PE.

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**Trevi (TFI-IT)****BUY****Weak 1Q'11, but above Consensus**

		2011E	2012E
Last (€)	10,68	P/E (x) 11,1	7,7
Valuation Range (€)	13.5-13.9	EV/EBITDA (x) 6,8	5,3
Mkt Cap (€m)	666	Div. Yield 1,3%	1,3%
Free Float	44,8%	EV/IC (x) 1,3	1,2
Av Daily Vol (m sh.)	0,20	ROIC 9,4%	12,4%
YTD	-0,93%	FCF Yield 5,4%	6,8%
		Debt/Equity 87,4%	65,7%

Trevi in 1Q'11 reported another weak set of results, but above Consensus.

- **Sales at €17m**, decreasing by 7% vs 1Q'10. Fidentiis was at €219m, Consensus at €215m
- **EBITDA at €32m**, from €39m of 1Q'10. Fidentiis expected €29m, Consensus €28m
- **EBIT at €20m** from €26m of 1Q'10. Fidentiis was at €17m, Consensus at €14m.
- **Net profit at €7.6m** vs €15.4m reported in 1Q'10. Consensus was set at €5.7m
- **Order backlog at €986m**, as already announced during the last analyst presentation, from €788m reported in 4Q'10.
- **Net debt at €406m**, increasing from €396m

1Q'11 sales were impacted by 1) the weak foundation services division (-8.2%), which reflected a lower number of works in Africa and Mid-East and 2) the drop of the drilling division, impacted by some delayed deliveries.

Beside the order backlog at €986m, Trevi announced also the **options for additional orders regarding the drilling machines which are worth \$350m**. We expect these orders to be awarded over the next 12 months

The company didn't provide any official FY guidance.

Conference call set today at 16.00

Trevi is currently trading at 6.9x and 11x on '11E EV/EBITDA and PE.

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ECONOMICS

No economic news today

Italy - Macroeconomic Forecasts	2008A	2009A	2010E
GDP	1,2	-5,0	1,1
CPI	4,1	0,8	1,6
Current account deficit (% GDP)	-9,6	-6,4	-2,8
Budget deficit (% GDP)	-3,2	-10,4	-10,5

Europe - Macroeconomic Forecasts	2008A	2009A	2010E
GDP	0,0	-4,2	1,8
CPI	2,6	1,0	1,8
Current account deficit (% GDP)	-11,9	-9,5	-9,7
Budget deficit (% GDP)	-2,6	-6,6	-6,7

Source:



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Guide to fundamental research

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HOLD: 12-month valuation is 0%-10% higher than the current market price.

SELL: 12-month valuation is lower than the current market price.

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