BANCA IMI

Equity Company Note

Trevi Group

Ground Engineering to Offset Oil & Gas Weakness

Trevi Group - Key estimates and data					
Y/E December		2015A	2016E	2017E	2018E
Revenues	EURM	1,342.3	1,244.7	1,434.3	1,297.0
EBITDA	EUR M	8.93	111.1	136.9	127.7
EBIT	EUR M	-87.86	41.55	71.11	64.55
Net Income	EUR M	-115.2	5.57	25.31	21.52
Dividend ord.	EUR	0	0	0.05	0.05
Adj. EPS	EUR	-0.70	0.03	0.15	0.13
EV/EBITDA	x	86.4	5.9	5.0	5.2
Adj. P/E	x	Neg.	39.5	8.7	10.2

Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

- **2015 results and outlook.** In last week's analysts' presentation of the 2015 results, the company did not provide a guidance on 2016 figures, given the current low visibility on the oil and gas division. Yet, management said that during 2016, the group's net debt should show the usual seasonality with an increase in 1Q16 compared to year-end, followed by a decline in 2Q, which should also benefit from the cash-in of the advance payment for the Mosul Dam works. By year-end, management targets a net debt stable or slightly higher than the EUR 420M registered at end-2015. On the Mosul Dam repair project, Trevi specified that work is expected to impact the group's P&L starting from the last quarter of the year and for the following 12 months. As for Drillmec, the group announced the signing of an MOU in Iran, which could result in an oil plant maintenance contract worth EUR 15M per year for 5 years. In addition, management is carrying out a reorganisation plan of the drilling equipment business company with the aim of reducing Drillmec's cost structure by 40-45%.

- **Estimates and valuation.** In light of the 2015 results and 2016 outlook, we revised downward our 2016E-17E top line and operating profitability forecasts for Drillmec and Petreven to account for: i) the limited earnings visibility granted by Drillmec's and Petreven's current backlog in the present negative oil price environment; ii) possible downward pressure on the daily rates in the drilling services business; iii) the uncertain impact of the on-going reorganization process in Drillmec. On the other side, we adopted a more positive stance on the ground engineering business whose top-line growth should benefit from the strong end-2105 order backlog and from the awarding of the first phase of the Mosul Dam repair and maintenance works. As of today, we think that room for a further stock price decline is limited. On the other hand, we believe that the 2016E-17E oil and gas divisions earnings visibility remains low and that the company will have to perform at least in line with expectations in the next quarters to gradually re-gain investors' trust. Based on our updated estimates and market multiples, **we set our target price at EUR 1.38/share (from EUR 1.33/share) and based on the current market price we confirm our HOLD rating on the stock.**

- **Key risks.** We highlight that: i) management is committed to some restructuring and reorganisation actions in Drillmec, the effects of which should become clearer in the next months; ii) Petreven's order backlog at end-December was low (approx. EUR 120M) and this could trigger some risks for the 2016 revenue and the drilling services division's profitability; iii) approximately 40% of the group's 2015 revenue was related to the oil and gas industry, whose outlook continues to be uncertain; and iv) the group has limited financial flexibility due to the huge net debt.

See page 13 for full disclosures and analyst certification

Banca IMI is Corporate Broker to Trevi Group

21 April 2016

HOLD

Target Price: EUR 1.38 (from EUR 1.33)

Italy/Engineering & Machinery
Company Update

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Price performance, -1Y

Source: FactSet

Data priced on 19.04.2016	
Target price (€)	1.38
Target upside (%)	3.37
Market price (€)	1.34
52Wk range (€)	2.93/1.04
Market cap (€ M)	219.99
No. of shares	164.8
Free float (%)	26.7
Major shr (%)	Trevisani Fam. 34.0
Reuters	TFI.MI
Bloomberg	TFI IM
FTSE IT All Sh	20129

Performance %			
Absolute		Rel. to FTSE IT All	
-1M	-21.9	-1M	-21.3
-3M	-1.3	-3M	0.7
-12M	-52.5	-12M	-41.9

Source: FactSet and Intesa Sanpaolo Research estimates

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Contents

FY15 Results

2015 top-line growth but operating margins under pressure

In 2015 the group registered a top-line growth of 7.3% yoy as the improvement in the construction related business (+17.5% yoy) more than offset the decline of the oil and gas related activities (-3.5% yoy). The consolidated operating margins were instead penalised by: i) extraordinary costs totalling approximately EUR 100M, related to the completion of the Drillmec contract of offshore rigs for Pemsa (PEMEX); ii) the Petreven drilling plants' lower average utilisation rate (74% vs. 92% in 2014); iii) a slight decline in the construction business' EBITDA margin (10.4% vs 11.5% in 2014); iv) a significant provisions increase (EUR 33.8M vs. EUR 6.7M in 2014) for contractual risks and doubtful credits. Below the EBIT line we would highlight that the group was hurt by higher than expected foreign exchange losses. At 31 December the group's net debt stood at EUR 419.8M, below the EUR 533M at end-September. The group's backlog at end-2015 declined to EUR 949.4M vs. EUR 1.12Bn at end-September.

Trevi Group - 4Q/FY15 results

EUR M	4Q15A	4Q14A	yoy %	2015A	2014A	yoy %
Revenues	386.0	418.5	-7.8	1342.3	1250.7	7.3
EBITDA	24.9	29.4	-15.5	8.9	126.4	-92.9
Margin (%)	6.4	7.0		0.7	10.1	
EBIT	0.7	9.9	-92.9	-87.9	62.6	NM
Margin (%)	0.2	2.4		-6.5	5.0	
Pre-tax income	-7.3	5.6	NM	-131.8	35.3	NM
Net income	16.2	11.1	47.0	-115.2	24.4	NM

NM: not meaningful; A: actual; Source: Company data

Trevi Group - 2014-15 quarterly results

EUR M	1Q14A	2Q14A	3Q14A	4Q14A	1Q15A	2Q15A	3Q15A	4Q15A
Revenues	265.7	292.2	274.3	418.5	297.0	304.1	355.2	386.0
EBITDA	31.1	33.6	32.3	29.4	21.3	-70.1	32.8	24.9
%	11.7	11.5	11.8	7.0	7.2	-23.0	9.2	6.4
EBIT	17.0	18.7	17.0	9.9	5.0	-109.5	15.9	0.7
%	6.4	6.4	6.2	2.4	1.7	-36.0	4.5	0.2
PBT	6.6	10.5	12.5	5.6	2.9	-127.4	0.0	-7.3
Net income	-0.3	4.8	8.8	11.1	1.9	-130.0	-3.3	16.2

A: actual; Source: Company data

Revenue by division

Looking at the single divisions, we highlight that:

Soilmec

Despite Italy's weak construction market, a mixed European scenario, and the tough competition in the Chinese and Indian markets, in 2015 Soilmec registered increasing sales (+8.9% yoy before eliminations) driven by: i) a good performance in the US, the UK and certain regions of France; and ii) signs of recovery from the Middle East and North Africa. Furthermore, we highlight that in 2015, Soilmec continued to manage inventories and purchases in order to contain the division's NWC needs while trying to protect sales volumes;

Trevi

Trevi, the ground engineering business, showed a double-digit yoy top-line growth in 2015 (+21.5% yoy before eliminations) driven by a higher level of activity in the Middle East, North America, Africa and Latin America, which more than offset the decline registered in Europe (ex-Italy), mostly due to the completion of the Cityringen Metro Project and Italy. We underline that at end-December 2015, the division had a solid order backlog (EUR 608M vs. EUR 476M at 31 December 2014), which should support Trevi's 2016 earnings visibility for the whole year and the first part of 2017. Moreover, on 2 March 2016, the group was definitively awarded a EUR 273M contract in Iraq for the maintenance and safety of the Mosul Dam; work should start by next September and last for twelve months;

Drillmec

Drillmec's sales declined by 5.4% yoy (before eliminations) with the company's activity significantly affected by the resolution of issues related to the delivery of the two offshore rigs to Pemsa in the Gulf of Mexico. In addition, the company's top line suffered from: i) the time lag

between the completion of some projects and the start-up of new ones; ii) the slowdown of the activity in Russia; and iii) the uncertain investment scenario created by the sharp drop in oil prices. The second half of the year saw a significant acceleration in the company's revenues; yet we believe that this year could see a significant revenue decline; considering that from July to December, Drillmec announced only one major order for USD 60M and at end-2015 Drillmec's order backlog amounted to EUR 180M;

Petreven

Petreven (+1.1%% yoy, before eliminations) continued to provide its drilling services to Petrobras, YPF, Chevron Texaco and PDVSA (in Venezuela, Peru, Argentina, Chile and Colombia). We also highlight that the company's revenues significantly benefited from the USD appreciation. However, we note that in the second half of 2015, revenue decline compared to both the 1H15 and last year's corresponding period. According to our understanding, only 11-12 out of a total fleet of 17 rigs were fully active at year end due to some of the company's clients downsizing their investment plans. In the current oil price scenario, daily rates are under pressure and we believe that Petreven's declining year-end order backlog suggests that 2016 could be tough for the drilling services company.

Trevi Group - Quarterly revenue by division

EUR M	1Q14A	2Q14A	3Q14A	4Q14A	FY14A	1Q15A	2Q15A	3Q15A	4Q15A	FY15
Machines for foundations works	44.5	55.8	55.2	75.8	231.3	55.1	59.6	57.4	63.5	252.0
Special foundations works	115.6	117.9	118.4	134.7	486.6	137.2	146.6	134.3	160.4	591.5
Elisions	-2.7	-3.8	-4.8	-3.2	-14.5	-4.0	-4.4	-4.4	-5.5	-16.9
Construction segment	157.4	169.9	168.8	207.3	703.4	188.3	201.8	187.3	218.4	826.5
Drilling services	29.3	31.7	38.1	45.5	144.6	34.3	36.9	27.9	32.2	146.2
Drilling machinery	84.2	97.4	67.5	177.6	426.8	79.8	72.5	130.5	141.7	403.5
Elisions	-1.6	-2.1	0.9	-0.9	-3.7	-0.5	-0.5	-0.5	-0.6	-2.1
Oil & gas segment	111.9	127.1	106.5	222.2	567.7	113.6	109.0	158.0	173.3	547.6
Parent company	4.1	4.0	5.4	7.3	20.8	6.0	7.2	6.6	6.6	26.7
Elisions	-7.7	-8.8	-6.4	-18.4	-41.3	-10.9	-13.8	-12.4	-12.3	-58.6
Consolidated sales	265.7	292.2	274.3	418.4	1250.7	297.0	304.1	339.5	386.0	1342.3

A: actual; Source: Company data

Profitability

Negative EBIT of EUR 87.9M mainly due to extraordinary costs, provisions and write-offs

In 2015 the group showed a negative EBIT result of EUR 87.9M mainly attributable to approximately EUR 100M of extraordinary costs related to the completion of the Drillmec contract for the supply of two offshore rigs to Pemsa in the Mexican Gulf. In particular, the group specified that the extra costs were related to the project's delivery phase, which started in late April 2015 and mainly attributable to the contract's obligation to supply the rigs mounted on the offshore platform. Inefficiencies, costly transport services and adverse weather conditions generated significant extra costs for the delivery of the first rig. For the second rig, management agreed with the client to deliver the plant on-shore. For the other divisions' operating profitability it is worth noting that: i) Petreven (the oil drilling services group's company) has suffered from the fewer number of rigs in operation, downwards daily rate pressure and negative oil price environment; ii) in spite of the strong top line, the ground engineering services division (Trevi) showed an unsatisfying operating result due to the start-up phase of some new projects, the completion of important works in West Africa, the US and Denmark at end 2014 and the approximately EUR 5M loss incurred from a project in Kuwait; and iii) the tough competitive environment continued to weigh on the profitability level of the construction equipment division (Soilmec).

We also note that the group's EBIT result was negatively affected by provisions and write-offs totalling EUR 33.8MM (vs. EUR 6.7M in 2014), out of which EUR 20.9M are risks provisions and EUR 12.9M are provisions for doubtful credits. Below the EBIT line, it is worth noting that, the group posted EUR 13.7M of net forex losses partly relating to the USD appreciation and the group's bottom line was positively impacted by EUR 16.3M thanks to deferred tax assets.

Trevi Group - Quarterly profitability by division

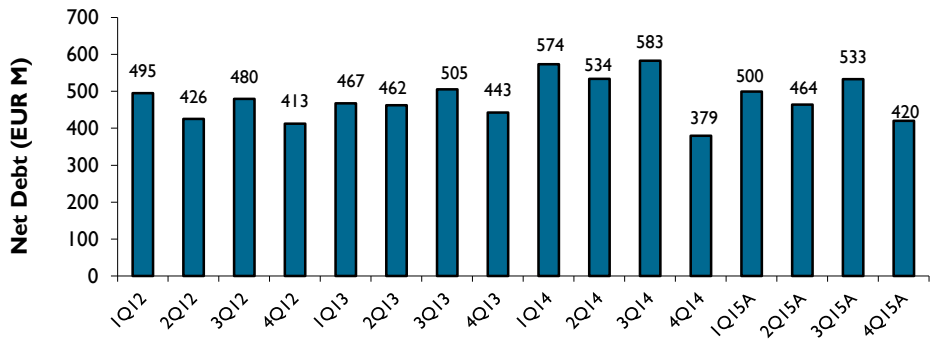
EUR M	1Q14A	2Q14A	3Q14A	4Q14A	FY14A	1Q15A	2Q15A	3Q15A	4Q15A	FY15
Construction										
Added value	61.5	57.9	54.2	56.5	230.1	55.8	55.4	69.7	69.7	250.7
%	39.1	34.1	32.1	27.2	32.7	29.7	27.5	44.1	31.9	30.3
EBITDA	25.3	21.6	16.9	16.8	80.6	17.5	13.4	28.0	27.6	86.3
%	16.1	12.7	10.0	8.1	11.5	9.3	6.6	14.9	12.6	10.4
EBIT	14.7	10.4	5.1	1.8	32.0	5.1	-3.1	17.7	17.3	37.0
%	9.3	6.1	3.0	0.8	4.5	2.7	-1.6	9.4	7.9	4.5
Oil & Gas										
Added value	23.9	31.8	34.7	37.0	127.4	27.5	-58.0	25.0	22.6	17.2
%	21.3	25.0	32.6	16.7	22.4	24.2	-53.2	13.4	13.1	3.1
EBITDA	6.0	12.8	15.0	12.6	46.5	4.4	-83.2	3.2	-2.0	-77.6
%	5.4	10.1	14.1	5.7	8.2	3.8	-76.3	1.7	-1.1	-14.2
EBIT	2.6	9.0	11.6	8.1	31.3	0.3	-105.9	-3.3	-15.9	-124.8
%	2.3	7.1	10.9	3.7	5.5	0.3	-93.2	-1.8	-9.2	-22.8

A: actual; Source: Company data

Net Debt

At end-December, the group's net debt was EUR 419.8M: the figure compares to EUR 533M posted at 30 September and EUR 379M at 31 December 2014. During the whole year, the group's NWC decline (approx. EUR 69M), mainly driven by a lower inventories level in the oil and gas business, was not sufficient to offset: i) the 1H15 extraordinary costs generated by Drillmec (approximately EUR 100M related to the completion of the contract for the supply of two offshore rigs to Pemsa in the Mexican Gulf); and ii) the net investment of EUR 58.2M; yet, it is worth noting that, in the second half of the year, the group generated a free cash flow of EUR 44M mostly benefiting from a partial normalisation of the oil and gas business environment and from a NWC reduction in both the construction and oil and gas divisions.

Trevi Group – Net debt by quarters (1Q12-4Q15)



A: actual; Source: Company data

Order backlog and inflow

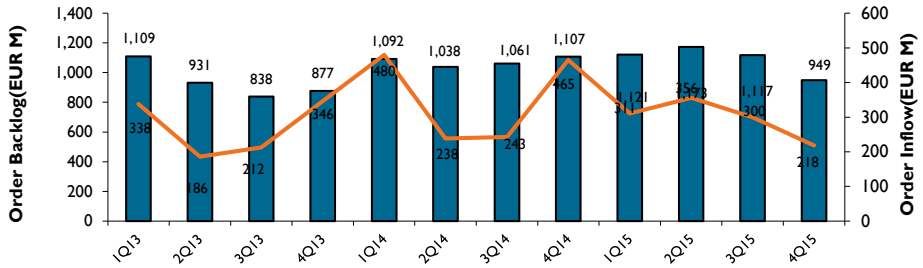
The group's backlog at end 2015 amounted to EUR 949.4M vs. EUR 1.11Bn at 31 December 2014 and EUR 1.12Bn at end-September 2015. We highlight that: i) the end-2015 figure does not include the works for the maintenance and safety of the Mosul Dam in Iraq which were definitively awarded at the beginning of 2016 for a total amount of EUR 273M; ii) the yoy decline was entirely due to the oil and gas division as both Drillec and Petreven suffered from the negative oil price environment which caused some of the company's clients to slowdown their exploration activities; iii) the Soilmec order backlog at end 2015, of which approximately EUR 47M corresponded to around 2 months of production, appeared in line with historical figures; and iv) Trevi, the group's ground engineering company, increased its 2015 order backlog by 27.6% yoy mainly thanks to the contracts awarded in North Africa, the US and in the Middle East.

Trevi Group – Order backlog by business (1Q13-4Q15)

EUR M	1Q13A	1H13A	9M13A	FY13A	1Q14A	1H14A	9M14A	FY14A	1Q15A	1H15A	9M15A	FY15A	vs 9M15 %	vs FY14 %
Soilmec	44	47	75	44	66	73	85	63	56	70	56	47	-15.0	-24.8
Drillmec	322	177	126	167	262	228	233	388	359	387	302	180	-40.2	-53.5
Petreven	310	317	285	228	262	239	223	188	168	141	145	114	-21.6	-39.5
Trevi	432	391	352	439	502	498	520	476	538	575	614	608	-1.1	27.6
Group total	1109	931	838	877	1092	1038	1061	1107	1121	1173	1117	949	-15.0	-14.3

A: actual; Source: Company data

Trevi Group – Quarterly order backlog and order inflow (1Q13-4Q15)



Source: Company data

Earnings Outlook

The company did not provide a guidance on 2016 figures, given the current low visibility on the oil and gas division. Yet management said that during 2016, the group's net debt should show the usual seasonality with an increase in 1Q16 compared to year-end, followed by a decline in 2Q, which should also benefit from the cash-in of the advance payment for the Mosul Dam works. By year-end, management targets a net debt stable or slightly higher than the EUR 420M registered at end-2015. Regarding the Mosul Dam repair project, Trevi specified that work is expected to impact the group's P&L starting from the last quarter of the year and for the following 12 months. As for Drillmec, the group announced the signing of an MOU in Iran, which could result in an oil plant maintenance contract worth EUR 15M per year for 5 years; in addition management is carrying out a reorganisation plan of the drilling equipment business company with the aim of reducing Drillmec's cost structure by 40-45%.

2016E-17E outlook

Drillmec and Petreven

For Petreven, we factored into our revenue forecasts a reduction in the fleet utilisation rate in the first half of 2016E as a result of the slowdown in the oil drilling activity by some of the group's clients. We are also assuming an improvement in 2H16E and 2017E to the extent that the company renews the expired contracts. Yet, Petreven's earnings visibility remains, at present, quite low. In addition, we assumed that Petreven's operating profitability could continue to be under pressure as a result of the daily rates renegotiations and the lower fixed costs absorption. As for Drillmec, we expect the company's top line to show a sharp decline in 2016E as a result of the limited order backlog (approx. EUR 180 at end-2015 vs. EUR 388M at end-2014) and the persisting negative oil related investments environment. We also expect Drillmec's operating profitability to remain weak in 2017E as we are not assuming a significant top line recovery next year. We believe that a change in the oil market conditions would be necessary to justify a less conservative approach on 2017E. We note that in the last six months, Drillmec has not announced any major orders; therefore a 2017E recovery still depends on the eventual order inflow in the next few months.

Trevi and Soilmec

We expect a much more positive outlook in the construction related business, in particular for ground engineering services (Trevi) in light of the strong end-2015 order backlog and the awarding of the Mosul Dam repair and maintenance contract (EUR 273M) in February 2016. We expect Trevi's top line to start to benefit from the Mosul Dam contract beginning in the last quarter of 2016 and continue for twelve months. In addition, we note that, the group's ground engineering company, acquired a significant amount of new orders in North Africa, the US and the Middle East which should contribute, along with the Mosul Dam, to a sound 2016 top-line growth. In terms of operating profitability, we expect Trevi to be able to at least confirm an EBITDA margin around 15% which was reached in the second half of 2015. As for Soilmec, we expect the mechanical equipment company to focus on: i) reducing stock; ii) increasing cost savings; and iii) expanding sales in the US, the Middle East, the UK and France while awaiting more convincing signs of recovery from the rest of Europe.

Capex

Considering the group's need to reduce net debt, we assumed that the company would concentrate its efforts on containing investments in the EUR 30-40M range in the next two years mostly related to the ground engineering business.

Based on the announced results and the above-mentioned points, we revised our 2016E-17E group forecasts as follows:

Trevi Group - 2016E-18E estimates changes

	FY16E			FY17E			FY18E
EUR M	New	Old	% chg.	New	Old	% chg.	New
Revenues	1,244.7	1,191.4	4.5	1,434.3	1,239.7	15.7	1,297.0
EBITDA	111.1	116.3	-4.5	136.9	124.5	9.9	127.7
%	8.9	9.8		9.5	10.0		9.8
EBIT	41.5	49.9	-16.8	71.1	57.6	23.5	64.5
%	3.3	4.2		5.0	4.6		5.0
PBT	8.0	20.3	-60.7	36.2	27.6	31.3	30.8
Net income	5.6	14.1	-60.4	25.3	19.1	32.4	21.5

NM: not meaningful; E: estimates; Source: Intesa Sanpaolo Research estimates

Valuation

DCF-based sum-of-the-parts valuation

Our updated sum-of-the-parts valuation is based on a DCF model of the oil related and construction related businesses. It points to a fair value of EUR1.41/share (EUR 1.10 previously) as the improved outlook for the construction related business more than offsets the negative impact of the weaker oil and gas divisions.

Trevi Group – SOP valuation based of DCF

Company Division	Valuation Method	EUR M
EV construction related business	DCF model	550
EV drilling related business	DCF model	102
Total EV		652
Net debt as at 31 Dec. 2015		420
SOP value		**232**
n° of shares (M)		165
Fair Value/sh. (EUR)		**1.41**
Current share price (EUR)		1.35
Upside(+)/downside(-) potential %		4.8

Source: Intesa Sanpaolo Research estimates

Peers comparison-based sum-of-the-parts valuation

We also valued the Trevi Group with an SOP valuation based on the 2016E and 2017E EV/EBITDA peers comparison analysis. We highlight that the peer multiples valuation provides a short term view which we believe could excessively penalise the oil related divisions in 2016E. For this reason we base our multiples valuation on both 2016E and 2017E.

Construction services and equipment peers' multiples

X	EV/EBITDA		EV/EBIT	
	2016E	2017E	2016E	2017E
Skanska	8.2	7.7	10.3	9.4
Hochtief AG	5.9	5.4	9.1	8.2
Bilfinger	8.2	6.0	16.4	10.1
Fcc	8.8	8.0	17.4	15.1
Vinci	8.5	8.0	12.8	11.7
Keller	4.6	4.1	6.9	6.1
Bauer	5.0	4.5	11.8	10.1
Median	**8.2**	**6.0**	**11.8**	**10.1**

Priced at 19/4/2016; E: estimates; Source: FactSet and Intesa Sanpaolo Research estimates

Drilling service/equipment peers' multiples

X	EV/EBITDA		EV/EBIT	
	2016E	2017E	2016E	2017E
Transocean Ltd.	6.5	9.2	16.3	84.4
Noble Corp.	5.5	7.3	11.5	25.2
Diamond Offshore Drilling Inc.	7.7	7.3	21.1	21.0
ENSCO PLC ADS	4.7	6.1	7.1	11.4
Hercules Offshore Inc.	-8.8	67.5	-2.7	-5.9
Median services	**5.5**	**7.3**	**11.5**	**21.0**
National Oilwell Varco	16.8	12.5	-254.4	54.3
Fmc Technologies Inc	9.0	9.2	14.2	15.0
Dril Quip	10.8	14.3	13.3	19.0
Saipem	4.2	4.0	10.3	10.5
Technip	3.9	4.9	5.3	7.4
Median equipment	**9.0**	**9.2**	**10.3**	**15.0**
Total median	**7.3**	**8.2**	**10.9**	**18.0**

Priced at 19/4/2016; E: estimates; Source: FactSet and Intesa Sanpaolo Research estimates

Trevi Group – SOP valuation based on 2016E peers' multiples		
Company Division	Valuation Method	
EV construction related business	Peers Comparison	617
EV drilling related business	Peers Comparison	2
Total EV		619
Net debt December 2016E		423
SOP Value		197
n° of shares (M)		165
Fair value/sh. (EUR)		1.19
Current share price (EUR)		1.35
Upside(+)/downside(-) potential %		-11.2

E: estimates; Source: Intesa Sanpaolo Research estimates

Trevi Group – SOP valuation based on 2017E peers' multiples		
Company Division	Valuation Method	
EV construction related business	Peers Comparison	687
EV drilling related business	Peers Comparison	9
Total EV		696
Net debt December 2017E		451
SOP value		246
n° of shares (M)		165
Fair value/sh. (EUR)		1.49
Current share price (EUR)		1.35
Upside(+)/downside(-) potential %		10.8

E: estimates; Source: Intesa Sanpaolo Research estimates

Our sum-of-the-parts model, based on 2016E-17E peers' multiples, points to a valuation of EUR 1.35/share for the Trevi Group.

Conclusion

Target price raised to EUR 1.38/share; HOLD rating confirmed

We believe that the group's valuation should be the arithmetic average between the DCF-based and the 2016E-17E peers' multiples-based SOP valuations. In our opinion, the first method provides a medium-term view and a more objective indication of the group's possible value, while the latter puts our valuation into the current market context. As of today, we think that room for a further stock price decline is limited. On the other hand, we believe that the 2016E-17E oil and gas divisions earnings visibility remains low and that the company will have to perform in line with expectations in the next quarters to gradually re-gain investors' trust. Based on our updated estimates and market multiples, **we set our target price at EUR 1.38/share (from EUR 1.33/share) and based on the current market price we confirm our HOLD rating on the stock.**

Trevi Group - Key data						
Rating	**Target price (EUR/sh)**	**Mkt price (EUR/sh)**	**Sector**		**Free float (%)**	**Reuters Code**
HOLD	**Ord 1.38**	**Ord 1.34**	**Engineering & Machinery**		**26.7**	**TFI.MI**
Values per share (EUR)			**2014A**	**2015A**	**2016E**	**2017E**	**2018E**
No. ordinary shares (M)			164.8	164.8	164.8	164.8	164.8
No. NC saving/preferred shares (M)			0.00	0.00	0.00	0.00	0.00
Total no. of shares (M)			164.8	164.8	164.8	164.8	164.8
Market cap			693.93	337.53	219.99	219.99	219.99
Adj. EPS			0.15	-0.70	0.03	0.15	0.13
CFPS			0.54	-0.32	0.43	0.52	0.48
BVPS			3.9	3.4	3.5	3.6	3.7
Dividend ord			0.07	0	0	0.05	0.05
Dividend SAV Nc			0	0	0	0	1.00
Income statement (EUR M)			**2014A**	**2015A**	**2016E**	**2017E**	**2018E**
Revenues			1,250.7	1,342.3	1,244.7	1,434.3	1,297.0
EBITDA			126.4	8.93	111.1	136.9	127.7
EBIT			62.58	-87.86	41.55	71.11	64.55
Pre-tax income			35.25	-131.8	7.97	36.24	30.81
Net income			24.42	-115.2	5.57	25.31	21.52
Adj. net income			24.42	-115.2	5.57	25.31	21.52
Cash flow (EUR M)			**2014A**	**2015A**	**2016E**	**2017E**	**2018E**
Net income before minorities			31.4	-115.5	5.6	25.4	21.6
Depreciation and provisions			63.8	96.8	69.5	65.8	63.1
Others/Uses of funds			11.5	8.0	0	0	1.0
Change in working capital			-90.5	68.1	-37.9	-79.0	-2.0
Operating cash flow			16.1	57.4	37.1	12.1	83.7
Capital expenditure			-135.3	-52.6	-35.0	-35.0	-44.0
Financial investments			0	0	0	0	1.0
Acquisitions and disposals			0	0	0	0	1.0
Free cash flow			-119.2	4.8	2.1	-22.9	41.7
Dividends			-9.1	-11.5	0	0	-8.2
Equity changes & Other non-operating items			198.6	-0.0	0	0	4.0
Net cash flow			70.3	-6.7	2.1	-22.9	37.5
Balance sheet (EUR M)			**2014A**	**2015A**	**2016E**	**2017E**	**2018E**
Net capital employed			1,046.4	998.7	1,007.1	1,060.4	1,049.2
of which associates			0	0	0	0	1.0
Net debt/-cash			379.3	419.8	422.7	450.5	426.1
Minorities			17.9	14.7	14.7	14.7	14.8
Net equity			648.8	564.9	570.5	595.8	609.1
Minorities value			17.9	14.7	14.7	14.7	14.8
Enterprise value			1,091.2	772.0	657.3	685.2	659.8
Stock market ratios (x)			**2014A**	**2015A**	**2016E**	**2017E**	**2018E**
Adj. P/E			28.4	Neg.	39.5	8.7	10.2
P/CFPS			7.8	Neg.	3.1	2.6	2.8
P/BVPS			1.1	0.60	0.39	0.37	0.36
Payout (%)			37	-10	0	0	38
Dividend yield (% ord)			1.7	0	0	3.7	3.7
FCF yield (%)			-18.1	-8.6	-1.3	-12.7	16.7
EV/sales			0.87	0.58	0.53	0.48	0.51
EV/EBITDA			8.6	86.4	5.9	5.0	5.2
EV/EBIT			17.4	Neg.	15.8	9.6	10.2
EV/CE			1.0	0.77	0.65	0.65	0.63
D/EBITDA			3.0	47.0	3.8	3.3	3.3
D/EBIT			6.1	Neg.	10.2	6.3	6.6
Profitability & financial ratios (%)			**2014A**	**2015A**	**2016E**	**2017E**	**2018E**
EBITDA margin			10.1	0.7	8.9	9.5	9.8
EBIT margin			5.0	-6.5	3.3	5.0	5.0
Tax rate			11.0	12.4	30.0	30.0	30.0
Net income margin			2.0	-8.6	0.4	1.8	1.7
ROCE			6.0	-8.8	4.1	6.7	6.2
ROE			4.6	-19.0	1.0	4.3	3.6
Interest cover			2.1	-2.0	1.2	2.0	1.9
Debt/equity ratio			56.9	72.4	72.2	73.8	68.3
Growth (%)				**2015A**	**2016E**	**2017E**	**2018E**
Sales				7.3	-7.3	15.2	-9.6
EBITDA				-92.9	NM	23.2	-6.7
EBIT				NM	NM	71.1	-9.2
Pre-tax income				NM	NM	NM	-15.0
Net income				NM	NM	NM	-15.0
Adj. net income				NM	NM	NM	-15.0

NM: not meaningful; NA: not available; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Notes

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Long-term rating	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
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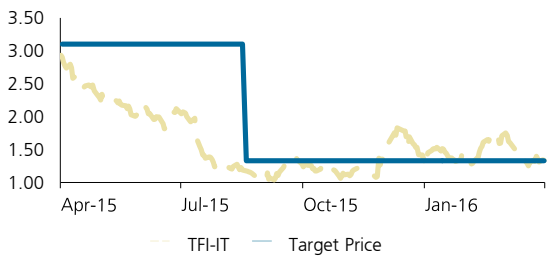
Historical recommendations and target price trends (long-term horizon: 12M)

Target price and market price trend (-1Y)



Historical recommendations and target price trend (-1Y)

Date	Rating	TP	Mkt Price
07-Sep-15	HOLD	1.33	1.18
31-Jul-15	UNDER REVIEW	U/R	1.69

Equity rating allocations (long-term horizon: 12M)

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of which Intesa Sanpaolo's Clients % (*)	78	67	61	0	0

(*) Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and Investment banking services in the last 12 months; percentage of clients in each rating category

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Equity rating key (short-term horizon: 3M)

Equity rating key (short-term horizon: 3M)	
Short-term rating	Definition
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