

Rosetti Marino

FY17A Results

Rosetti Marino - Key estimates and data					
Y/E December		2017A	2018E	2019E	2020E
Revenues	EUR M	189.5	286.2	349.4	377.7
EBITDA	EUR M	3.02	5.64	14.68	25.68
EBIT	EUR M	-4.79	0.59	9.37	20.18
Net Income	EUR M	-5.85	0.02	6.91	14.83
Dividend ord.	EUR	0.50	0.50	0.50	1.50
Adj. EPS	EUR	-1.46	0.00	1.73	3.71
EV/EBITDA	x	25.6	17.9	7.2	3.7
Adj. P/E	x	Neg.	NM	22.6	10.5

NM: not meaningful; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

- FY17A results.** Consolidated revenues were EUR 189.5M, down by around 11% yoy. The volume decrease was mainly due to shipbuilding activities, which decreased by around EUR 21M yoy to EUR 3M. Oil&Gas activities were still impacted by the reduced investments made by the oil companies, but the upward trend in the oil price observed to date in 2018, could change this strategy, and the company reported an order backlog for the division of EUR 350M (vs. EUR 101M at YE16). The shipbuilding division was restructured due to the drastic decrease in volumes, and the company decided to diversify its business by entering the SuperYachts segment along with an experienced partner. Due to its negative performance, the top management of the Process & Plants division was reorganised, and new commercial and growth strategies were adopted. EBITDA was EUR 3.0M vs. EUR 12.6M in FY16A, with a margin of 1.6%. Net profit came in at EUR -5.8M vs. EUR 1.8M in FY16A. The (short-term) net cash position stood at EUR 60.4M vs. EUR 100.5M at YE16A
- Outlook.** Overall the FY17A results, reflected the still low Oil&Gas business volumes (the most important for the group), and the substantial decrease in shipbuilding activities. The new SuperYacht business is expected to receive its first orders in 2018 and the increase in the order backlog for the Energy segment demonstrates managements willingness to investing in geographical areas in which Oil & Gas investments did not slowdown significantly. The group is also still expecting to receive its first contracts in the Renewable Energy market. The reorganisation of the Process & Plant division shows that the group is focused on restoring competitiveness and gaining market shares in this sector.
- Estimates and valuation.** Based on FY17A results, management's outlook and the still tough market conditions, we downwards revised our estimates. For 2018E in particular, we decreased our top-line estimate by around 7.3% vs. our previous assumptions and our FY18E EBITDA by around 59.1%, implying an EBITDA margin of 2.0% vs. 4.5% previously. Our FY18E bottom line now stands at around breakeven vs. EUR 6.6M previously. We project a positive cash position of about EUR 55.2M in 2018E. In view of Rosetti Marino's stable shareholding structure and limited trading volumes, we do not assign a rating or target price to the company.
- Key risks.** The global economic performance and oil price could affect the company's future results. We also believe that the small size of the company, compared to that of its peers, could be a risk in the presence of competitive pressure.

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No Rating

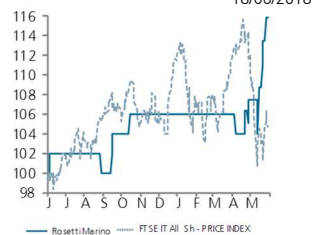
Italy/Oil Equipment & Services
Company Update

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Price performance, -1Y



Source: FactSet

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Priced at market close on 18/06/2018*	
Market price (€)	39.00
52Wk range (€)	39.0/33.7
Market cap (€ M)	156.00
No. of shares	4.00
Free float (%)	0.2
Major shr (%)	Rosfin 56.0
Reuters	YRM.MI
Bloomberg	YRM IM
FTSE IT All Sh	24334
Performance %	
Absolute	Rel. to FTSE IT All
-1M	7.7 -1M 13.5
-3M	9.2 -3M 12.8
-12M	15.9 -12M 10.3

*unless otherwise indicated within report. Source: FactSet and Intesa Sanpaolo Research estimates

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Sebastiano Grisetti contributed to this report

FY17A Results

In FY17A, Rosetti Marino posted the following key items:

- Total revenues of EUR 189.5M in FY17A vs. EUR 213.0M in FY16A. The volumes decrease was mainly due to the shipbuilding activities, which posted revenues of around EUR 3M vs. EUR 24M in FY16A;

Rosetti Marino – FY17A results					
EUR M	FY16A	FY17A	yoy %	FY17E	A/E %
Turnover	213.0	189.5	-11.0	246.9	-23.2
EBITDA	12.6	3.0	-76.1	5.6	-46.2
EBITDA margin (%)	5.9	1.6		2.3	
EBIT	2.2	-4.8	NM	0.1	NM
EBIT margin (%)	1.0	-2.5		0.0	
Net profit	1.8	-5.8	NM	0.2	NM
Net debt/ (Cash)	-100.5	-60.4		-80.5	

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

On a divisional basis, the group reported the following performance:

Revenues from Oil&Gas (broadly stable yoy) reflected the modest recovery of the oil price, which had driven many oil companies to revise their stringent investment policy that had been implemented in recent years. This upward trend in demand allowed the group to keep volumes at FY16A levels, through the acquisition of new contracts. Regarding the offshore segment, we highlight the launch of work for living quarters in Qatar and a Production Platform in Kazakhstan. Moreover, at the end of 2017, the group acquired a contract for the construction of living quarters in Denmark, which is expected to start in the Piomboni sites. As for onshore activities, we would highlight the launch of a Technical Service project in Egypt that will be developed in 2018, and the completion of an important project in Italy.

Revenues from Shipbuilding activities decreased to EUR 3M (vs. EUR 24M in FY16A). The volumes decrease was driven by the absence of demand for ships dedicated to support the offshore activities of oil companies (the group's main product in recent years). Shipbuilding activities were limited to the completion of two tugs. Recognising the negative trend of this segment the group decided to diversify by entering the SuperYacht market. A new company and brand (Rosetti SuperYachts S.p.A) were created, mainly for commercial purposes, whereas the construction of the yachts is entrusted to the Holding Company.

The Process Plant segment reported revenues of EUR 36M vs. EUR 38M in FY16A and was entirely attributable to the Fores Engineering subsidiary. Following these performances, the group decided to reorganise the division by replacing top management and changing the commercial and growth strategies, aiming to restore competitiveness and market share in 2018.

Rosetti Marino - Revenues breakdown by business unit			
EUR M	2016A	2017A	yoy %
Energy	151	151	0
Shipbuilding	24	3	-87
Process Plants	38	36	-5
Total revenues	213	190	-10.8

A: actual; Source: Company data

- EBITDA was EUR 3.0M vs. EUR 12.6M in FY16A, with a margin of 1.6%;
- Net profit came in at EUR -5.8M vs. EUR 1.8M in FY16A;
- The (short-term) net cash position stood at EUR 60.4M vs. EUR 100.5M at YE16A;
- In 2017, investments in intangible assets came to EUR 0.5M and investments in technical assets to EUR 5.9M, for a total of EUR 6.4M. The primary investments involved those regarding the subsidiary Kazakhstan Caspian Offshore Industries Llp, and to a lesser extent the Holding Company sites
- Lastly, we highlight that the BoD will propose a dividend of EUR 0.50/share for 2017 at the shareholders' meeting, for a total amount of around EUR 1.9M.

Earnings Outlook

Overall the FY17A results, reflected the still low Oil&Gas business volumes (the most important for the group), and a substantial decrease in shipbuilding activities.

Regarding the Energy segment, the division's order backlog at YE17 amounted to EUR 350M (vs. EUR 101M at YE16), of which EUR 322M related to offshore activities, EUR 10M to subsea activities, EUR 10M to Technical Service activities, and EUR 8M to onshore activities. The situation has improved compared to 2016. From the beginning of 2018, activities by the Nigerian subsidiary Rosetti Pivot Ltd are expected to start, and during the year, work on the living quarters in Qatar will be started, which will entail the full operativity of the Branch. In addition to the consolidation of its position in Qatar, the group will continue to focus on developing activities in new geographical areas such as Congo and Russia, and it is still working to acquire the first contracts in the Renewable Energy market, in particular from wind farms in the offshore areas of Europe.

The backlog in the shipbuilding sector at YE17 was nil, but the new SuperYacht business that flank the existing activities is expected to receive its first orders in 2018. Management is also negotiating the sale of innovative tugs to some Northern African ship-owners. Those contracts are supported by an attractive loan mechanism granted by SACE, already proposed by some competitors and positively embraced by the market.

The Processing Plant segment order backlog was EUR 16M at YE17 vs. EUR 24M at YE16. The changes in the divisions top management and the new commercial strategy should stimulate new investments and restore competitiveness in this division.

Estimates Revision

Based on FY17A results, management's outlook and the weak market conditions, we downwards revised our estimates. For 2018E in particular we decreased our top-line estimate by around 7.3% vs. our previous assumptions and our FY18E EBITDA by around 59.1%, implying an EBITDA margin of 2.0% vs. 4.5% previously. Our FY18E bottom line now stands at around breakeven vs. EUR 6.6M previously.

We project a positive cash position of about EUR 55.2M in 2018E.

Rosetti Marino - 2017E-19E estimates revision								
EUR M	2018E			2019E			2020E	
	Old	New	chg. %	Old	New	chg. %	New	
Revenues	308.6	286.2	-7.3	372.8	349.4	-6.3	377.7	
EBITDA	13.8	5.6	-59.1	19.5	14.7	-24.7	25.7	
EBITDA margin (%)	4.5	2.0		5.2	4.2		6.8	
EBIT	8.4	0.6	-93.0	13.9	9.4	-32.6	20.2	
Net profit	6.6	0.0	-99.8	11.5	6.9	-39.9	14.8	
Net debt (-cash)	-66.8	-55.2		-72.3	-50.6		-59.8	

E: estimates; Source: Intesa Sanpaolo Research estimates

For the following years, we assume a recovery of both volumes and profitability (revenues up by around 32% vs. FY18E; EBITDA margin at 6.8% increasing by 480bps yoy), led by the benefits that should arise from the current diversification strategies. Overall, our estimates see a net profit of EUR 6.9M in FY19E and EUR 14.8M in 2020E.

Valuation

We based our valuation of Rosetti Marino on a multiples comparison and DCF model.

Multiples comparison

In our multiples comparison, we identified a sample of comparable companies as reported in the following tables.

We highlight that the profitability of Rosetti Marino, in terms of EBIT margin and net income margin, is below the peers' average.

Rosetti Marino - 2018E-19E margins comparison					
%	Mkt cap (EUR M)**	EBIT margin FY18E	EBIT margin FY19E	Net income margin FY18E	Net income margin FY19E
Saipem	3,770	4.6	4.6	1.0	1.7
Trevi Finanziaria Industriale	67	-2.0	0.3	-2.6	-1.2
Tenaris	17,785	12.2	15.1	10.9	12.3
Tecnicas Reunidas	1,446	1.7	3.1	1.0	2.0
Petrofac	2,177	7.3	7.4	4.8	4.6
National Oilwell Varco	13,888	2.5	6.9	0.4	4.6
Average		4.4	6.2	2.6	4.0
Rosetti Marino*	156	0.2	2.7	0.0	2.0

Note: (**) data priced at market close on 18.06.2018. Source: FactSet and (*) Intesa Sanpaolo Research

In terms of FY18E EV/EBIT, the multiples of the selected companies are between 7.4-21.9x, with a median of 15.0x, while the FY19E EV/EBIT multiples are between 7.1-25.8x, with a median of 13.1x.

Regarding the FY18E P/E, the peers' multiples are within an 8.8-43.1x range, with a median of 26.9x, while the FY19E P/E multiples are between 9.2-38.4x, with a median of 19.4x.

Rosetti Marino – Multiples comparison					
x	Price (EUR)**	EV/EBIT FY18E	EV/EBIT FY19E	P/E FY18E	P/E FY19E
Saipem	3.73	13.9	13.1	43.1	27.6
Trevi Finanziaria Industriale	0.41	NA	NM	NA	NA
Tenaris	30.02	21.9	15.0	25.0	19.4
Tecnicas Reunidas	25.87	16.2	8.6	28.8	14.6
Petrofac	6.29	7.4	7.1	8.8	9.2
National Oilwell Varco	36.35	NM	25.8	NM	38.4
Median		15.0	13.1	26.9	19.4
Rosetti Marino*	39.0	NM	11.2	NM	22.6

NA: not available; NM: not meaningful; Note: (**) data priced at market close on 18.06.2018. Source: FactSet and (*) Intesa Sanpaolo Research

Applying the EV/EBIT and P/E median to Rosetti Marino's FY19E results, we obtain equity values of EUR 133.8M and EUR 173.2M.

Rosetti Marino - Multiples comparison results	
EUR M	2019E
EBIT	9.4
EV/EBIT	13.1
EV	122.6
Net debt/-cash	-50.6
Equity value	173.2
Net income	6.9
P/E	19.4
Equity value	133.8

Source: FactSet and (*) Intesa Sanpaolo Research estimates

Nevertheless, in view of Rosetti Marino's stable shareholding structure and limited trading volumes, **we do not assign a rating or target price to the company.**

Rosetti Marino – Shareholder structure (%)	
Rosfin	56.0
Saipem	20.0
Cosmi Holding	17.5
Treasury shares	5.0
Cassa di Risparmio di Ravenna	1.3
Others	0.2

Source: FactSet (Updated at 18 June 2018)

DCF model

We also ran a valuation on a DCF model, which points to an equity value range between EUR 138.3M and EUR 154.4M, to better reflect the company's specific long-term prospects.

Our key DCF assumptions are:

- Explicit forecasts through 2020E;
- An equity risk premium at 5.75%;
- A risk-free rate at 2.25%;
- A gearing ratio (D/invested capital) of 0.0%;
- We derived a WACC at 8.0%.

To calculate the terminal value we used two approaches:

- We discount to perpetuity the 2020E FCFO (operating free cash flow) at a WACC of 8.0%;
- We discount to perpetuity the EBIT mid-cycle 2009A-20E at a WACC of 8.0%.

Rosetti Marino - Key data						
Rating	Mkt price (EUR/sh)	Sector		Free float (%)	Reuters Code	
NO RATING	Ord 39.00	Oil Equipment & Services		0.2	YRM.MI	
Values per share (EUR)		2016A	2017A	2018E	2019E	2020E
No. ordinary shares (M)		4.00	4.00	4.00	4.00	4.00
No. NC saving/preferred shares (M)		0.00	0.00	0.00	0.00	0.00
Total no. of shares (M)		4.00	4.00	4.00	4.00	4.00
Market cap (EUR M)		140.25	137.50	156.00	156.00	156.00
Adj. EPS		0.44	-1.46	0.00	1.73	3.71
CFPS		3.0	0.47	1.3	3.1	5.1
BVPS		46.5	44.9	44.7	46.2	49.4
Dividend ord		0.51	0.50	0.50	0.50	1.50
Income statement (EUR M)		2016A	2017A	2018E	2019E	2020E
Revenues		213.0	189.5	286.2	349.4	377.7
EBITDA		12.60	3.02	5.64	14.68	25.68
EBIT		2.20	-4.79	0.59	9.37	20.18
Pre-tax income		2.88	-5.96	0.79	9.87	21.18
Net income		1.76	-5.85	0.02	6.91	14.83
Adj. net income		1.76	-5.85	0.02	6.91	14.83
Cash flow (EUR M)		2016A	2017A	2018E	2019E	2020E
Net income before minorities		1.8	-5.8	0.0	6.9	14.8
Depreciation and provisions		10.4	7.7	5.1	5.3	5.5
Others/Uses of funds		-5.8	7.4	-1.0	-2.0	-2.0
Change in working capital		18.7	-41.1	-3.2	-9.8	-3.1
Operating cash flow		25.0	-31.8	0.9	0.4	15.2
Capital expenditure		-4.3	-6.4	-5.0	-4.0	-4.0
Financial investments		0	0	0	0	0
Acquisitions and disposals		0	0	0	0	0
Free cash flow		20.7	-38.2	-4.1	-3.6	11.2
Dividends		-0.5	-1.9	-1.0	-1.0	-2.1
Equity changes & Other non-operating items		0	0	0	0	0
Net cash flow		20.3	-40.1	-5.1	-4.6	9.1
Balance sheet (EUR M)		2016A	2017A	2018E	2019E	2020E
Net capital employed		85.7	119.4	123.5	134.0	137.6
of which associates		0	0	0	0	0
Net debt/-cash		-100.5	-60.4	-55.2	-50.6	-59.8
Minorities		0	0	0	0	0
Net equity		186.2	179.7	178.7	184.7	197.4
Minorities value		0	0	0	0	0
Enterprise value		39.8	77.1	100.8	105.4	96.2
Stock market ratios (x)		2016A	2017A	2018E	2019E	2020E
Adj. P/E		79.9	Neg.	NM	22.6	10.5
P/CFPS		11.5	73.8	30.8	12.8	7.7
P/BVPS		0.75	0.77	0.87	0.84	0.79
Payout (%)		108	-17	6,367	30	130
Dividend yield (% ord)		1.5	1.5	1.3	1.3	3.8
FCF yield (%)		14.8	-27.8	-2.6	-2.3	7.2
EV/sales		0.19	0.41	0.35	0.30	0.25
EV/EBITDA		3.2	25.6	17.9	7.2	3.7
EV/EBIT		18.1	Neg.	NM	11.2	4.8
EV/CE		0.46	0.65	0.82	0.79	0.70
D/EBITDA		Neg.	Neg.	Neg.	Neg.	Neg.
D/EBIT		Neg.	12.6	Neg.	Neg.	Neg.
Profitability & financial ratios (%)		2016A	2017A	2018E	2019E	2020E
EBITDA margin		5.9	1.6	2.0	4.2	6.8
EBIT margin		1.0	-2.5	0.2	2.7	5.3
Tax rate		NM	NM	NM	NM	NM
Net income margin		0.8	-3.1	0.0	2.0	3.9
ROCE		2.6	-4.0	0.5	7.0	14.7
ROE		0.9	-3.2	0.0	3.8	7.8
Interest cover		NM	NM	NM	NM	NM
Debt/equity ratio		-54.0	-33.6	-30.9	-27.4	-30.3
Growth (%)		2017A	2018E	2019E	2020E	
Sales		-11.0	51.0	22.1	8.1	
EBITDA		-76.1	87.1	NM	74.9	
EBIT		NM	NM	NM	NM	
Pre-tax income		NM	NM	NM	NM	
Net income		NM	NM	NM	NM	
Adj. net income		NM	NM	NM	NM	

NM: not meaningful; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

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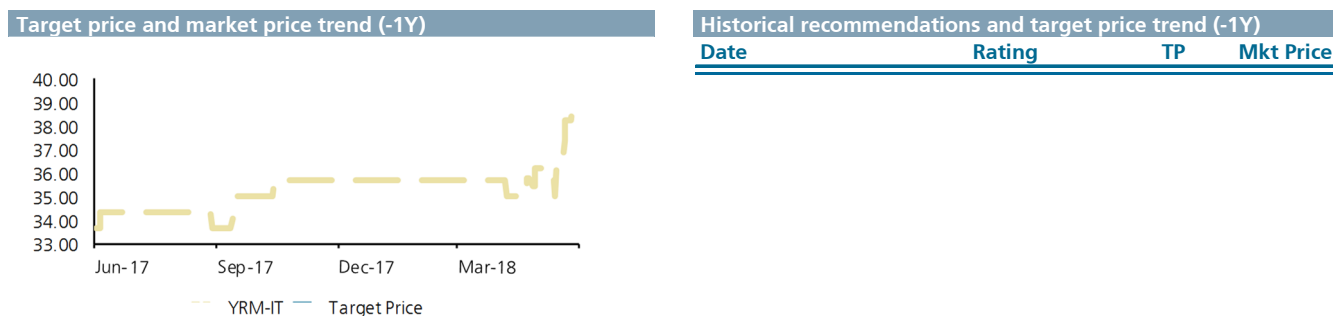
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Equity rating key: (long-term horizon: 12M)

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Equity rating key (long-term horizon: 12M)	
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
SELL	If the target price is 20% lower than the market price
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock.
NO RATING	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances, including when Intesa Sanpaolo is acting in an advisory capacity in a merger or strategic transaction involving the company.
TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated

Historical recommendations and target price trends (long-term horizon: 12M)



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

Intesa Sanpaolo Research Rating Distribution (at May 2018)					
Number of companies considered: 108	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)	37	32	28	2	1
of which Intesa Sanpaolo's Clients (%) (*)	73	66	33	50	100

(*) 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

Valuation methodology (short-term horizon: 3M)

Our short-term investment ideas are based on ongoing special market situations, including among others: spreads between share categories; holding companies vs. subsidiaries; stub; control chain reshuffling; stressed capital situations; potential extraordinary deals (including capital increase/delisting/extraordinary dividends); and preys and predators. Investment ideas are presented either in relative terms (e.g. spread ordinary vs. savings; holding vs. subsidiaries) or in absolute terms (e.g. preys).

The companies to which we assign short-term ratings are under regular coverage by our research analysts and, as such, are subject to fundamental analysis and long-term recommendations. The main differences attain to the time horizon considered (monthly vs. yearly) and definitions (short-term 'long/short' vs. long-term 'buy/sell'). Note that the short-term relative recommendations of these investment ideas may differ from our long-term recommendations. We monitor the monthly performance of our short-term investment ideas and follow them until their closure.

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

Equity rating key (short-term horizon: 3M)	
Short-term rating	Definition
LONG	Stock price expected to rise or outperform within three months from the time the rating was assigned due to a specific catalyst or event
SHORT	Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event

Company specific disclosures

Intesa Sanpaolo S.p.A. and the other companies belonging to the Intesa Sanpaolo Banking Group (jointly also the "Intesa Sanpaolo Banking Group") have adopted written guidelines "Modello di Organizzazione, Gestione e Controllo" pursuant to Legislative Decree 8 June, 2001 no. 231 (available at the Intesa Sanpaolo website, webpage http://www.group.intesasanpaolo.com/scriptlsir0/si09/governance/eng_wp_governance.jsp, along with a summary sheet, webpage <https://www.bancaimi.com/en/bancaimi/chisiamo/documentazione/normative>) setting forth practices and procedures, in accordance with applicable regulations by the competent Italian authorities and best international practice, including those known as Information Barriers, to restrict the flow of information, namely inside and/or confidential information, to prevent the misuse of such information and to prevent any conflicts of interest arising from the many activities of the Intesa Sanpaolo Banking Group which may adversely affect the interests of the customer in accordance with current regulations.

In particular, the description of the measures taken to manage interest and conflicts of interest – related to Articles 5 and 6 of the Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest as subsequently amended and supplemented, the FINRA Rule 2241, as well as the FCA Conduct of Business Sourcebook rules COBS 12.4 - between the Intesa Sanpaolo Banking Group and issuers of financial instruments, and their group companies, and referred to in research products produced by analysts at Intesa Sanpaolo S.p.A. is available in the "Rules for Research " and in the extract of the "Corporate model on the management of inside information and conflicts of interest" published on the website of Intesa Sanpaolo S.p.A.

At the Intesa Sanpaolo website, webpage http://www.group.intesasanpaolo.com/scriptlsir0/si09/studi/eng_archivio_conflitti_mad.jsp you can find the archive of disclosure of interests or conflicts of interest of the Intesa Sanpaolo Banking Group in compliance with the applicable laws and regulations.

Furthermore, we disclose the following information on the Intesa Sanpaolo Banking Group's conflicts of interest:

- 1 One or more of the companies of the Intesa Sanpaolo Banking Group plan to solicit investment banking business or intends to seek compensation from Rosetti Marino in the next three months
- 2 Banca IMI acts as Nominated Advisor, Specialist relative to securities issued by Rosetti Marino

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