

Rosetti Marino

FY16A Results

Rosetti Marino - Key estimates and data					
Y/E December		2016A	2017E	2018E	2019E
Revenues	EUR M	213.0	246.9	308.6	372.8
EBITDA	EUR M	12.60	5.55	13.76	19.55
EBIT	EUR M	2.20	0.08	8.37	13.89
Net Income	EUR M	1.76	0.24	6.61	11.47
Dividend ord.	EUR	0.30	0.26	0.52	0.91
Adj. EPS	EUR	0.44	0.06	1.7	2.9
EV/EBITDA	x	3.2	9.7	4.9	3.2
Adj. P/E	x	79.9	NM	20.4	11.7

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

- FY16A results.** In FY16A consolidated revenues were EUR 213.0M, down by around 6.4% yoy (and -20% vs. our estimates). The volumes decrease was mainly driven by Energy activities, which decreased by around EUR 9M yoy to EUR 151M, and by the Process Plant sector, down by around EUR 17M yoy. In particular, Oil&Gas were still impacted by the lower investments made by the oil companies, mainly due to the oil price decline. However, thanks to increased attention to direct and indirect costs, the development of activities in the Middle East and Kazakhstan, geographical areas in which investments for Oil & Gas did not slowdown, and an increasing focus on onshore activities (which are less affected by the weak oil price) and technical services, the group obtained a positive result in this business segment. EBITDA was EUR 12.6M vs. EUR 21.2M in FY15A, with a margin of 5.9%. Net profit came in at EUR 1.8M vs. EUR 1.7M in FY15A. The (short-term) net cash position stood at EUR 100.5M vs. EUR 80.2M at YE15A.
- Outlook.** Overall the FY16A results, were still characterised by a decrease in the Oil & Gas business volumes, which is the most important for the group. To partially offset the reduced investments by oil companies, management will continue to focus on developing activities in geographical areas in which investments for Oil & Gas did not slowdown significantly (i.e. the Middle East). Furthermore, given the groups strong knowledge of offshore activities, Rosetti Marino is also working to enter, through a partnership, the market of electricity production from wind in the offshore areas of Northern Europe. In the shipbuilding sector, the backlog at YE16 was only EUR 2M related to the finalisation of the construction of the last two tug vessels. Going forward we highlight that management is focused on widening the group's offer, mainly thanks to an important partnership recently signed with a leading Italian shipbuilder.
- Estimates and valuation.** Based on FY16A results, management's outlook and the weak market conditions, we downwards revised our estimates. In particular, for 2017E we decreased our top-line estimate by around 30% vs. our previous assumptions and our FY17E EBITDA by around 72%, implying an EBITDA margin of 2.3% vs. 5.6% previously, which reflects the lower volumes. Our FY17E net profit estimate now stands at EUR 0.2M vs. EUR 7.3M previously. We project a positive cash position of about EUR 80.5M in 2017E. For the following years, we assume a recovery both in volumes and profitability (revenues up by around 25% vs. FY17E; EBITDA margin at 4.5% increasing by 220bps yoy), led by both the benefits that should arise from the current diversification strategies. Overall, our estimates see a net profit of EUR 6.6M in FY18E and EUR 11.5M in 2019E. 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 adversely 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.

23 June 2017: 8:00 CET
Date and time of production

No Rating

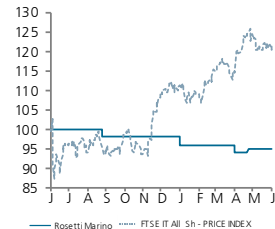
Italy/Oil Equipment & Services
Company Update

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Price performance, -1Y
21/06/2017



Source: FactSet

Date and time of first circulation:
23 June 2017: 8:02 CET

Data priced on 21.06.2017	
Market price (€)	33.66
52Wk range (€)	35.4/33.3
Market cap (€ M)	134.64
No. of shares	4.00
Free float (%)	0.2
Major shr	Rosfin
(%)	56.0
Reuters	YRM.MI
Bloomberg	YRM IM
FTSE IT All Sh	23301
Performance %	
Absolute	Rel. to FTSE IT All
-1M	0.0 -1M 2.0
-3M	-0.9 -3M -6.7
-12M	-4.9 -12M -22.1

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

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FY16A Results

In FY16A consolidated revenues were EUR 213.0M, down by around 6.4% yoy (and -20% vs. our estimates). The volumes decrease was mainly driven by Energy activities, which decreased by around EUR 9M yoy to EUR 151M, and by the Process Plant sector, down by around EUR 17M yoy.

Rosetti Marino – FY16 results					
EUR M	FY15A	FY16A	yoy %	FY16E	A/E %
Turnover	227.6	213.0	-6.4	267.2	-20.3
EBITDA	21.2	12.6	-40.6	11.0	14.8
EBITDA margin (%)	9.3	5.9		4.1	
EBIT	15.6	2.2	NM	4.3	NM
EBIT margin (%)	6.9	1.0		1.6	
Net profit	1.7	1.8	3.4	1.5	16.7
Net debt/-cash	-80.2	-100.5		-61.6	

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

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

- Revenues from Oil&Gas were still impacted by the lower investments made by the oil companies, mainly due to the oil price decline. However, thanks to increased attention to direct and indirect costs, the development of activities in the Middle East and Kazakhstan, geographical areas in which investments for Oil & Gas did not slowdown, and an increasing focus on onshore activities (which are less affected by the weak oil price) and technical services, the group obtained a positive result in this business segment;
- Revenues from shipbuilding activities increased to EUR 24M (vs. EUR 13M in FY15A). Volumes were generated only by the order backlog arising from previous years. Indeed, we highlight that the collapse of the oil price has significantly reduced demand for ships dedicated to support the offshore activities of oil companies (the group's main product in recent years). To deal with the fall in demand for these kind of vessels, the group's shipbuilding activities were limited to the construction of five tugs.
- The Process Plant segment reported revenues of EUR 38M, vs. EUR 55M in FY15A and entirely attributable to the Fores Engineering subsidiary. The decrease was mainly attributable to the delay of some new projects and the slowdown of new investments in some geographical areas such as Brazil and Singapore.

Rosetti Marino – Revenues breakdown by business unit			
EUR M	2015A	2016A	yoy %
Energy	160	151	-6
Shipbuilding	13	24	NM
Process Plants	55	38	-31
Total revenues	227.6	213.0	-6.4

NM: not meaningful; Source: Company data

EBITDA was EUR 12.6M vs. EUR 21.2M in FY15A, with a margin of 5.9%.

Net profit came in at EUR 1.8M vs. EUR 1.7M in FY15A.

The (short-term) net cash position stood at EUR 100.5M vs. EUR 80.2M at YE15A.

In 2016, investments in intangible assets came to EUR 0.9M and investments in technical assets to EUR 3.3M, for a total of EUR 4.3M. The primary investments involved those regarding the yards in Piomboni, San Vitale and Kazakhstan.

Lastly, we highlight that the shareholders' meeting approved a dividend of EUR 0.30/share for 2016, for a total amount of EUR 1.1M.

Earnings Outlook

Overall the FY16A results, were still characterised by a decrease in the Oil & Gas business volumes, which is the most important for the group.

In particular, the segment was mainly affected by the decline of investments by oil companies, due to the still low oil prices. Overall the division's order backlog at YE16 amounted to EUR 101M (vs. EUR 115M at YE15), of which EUR 54M related to offshore activities, EUR 8M to subsea activities, EUR 29M to onshore activities. To partially offset the reduced investments by oil companies, management will continue to focus on developing activities in geographical areas in which investments for Oil & Gas did not slowdown significantly (i.e. the Middle East). Furthermore, given the group's strong knowledge of offshore activities, it is also working to enter, through a partnership, the market of electricity production from wind in the offshore areas of Northern Europe.

In the shipbuilding sector, the backlog at YE16 was only EUR 2M related to the finalisation of the construction of the last two tugs. Going forward we highlight that management is focused on widening the group's offer, mainly thanks to an important partnership recently signed with a leading Italian shipbuilder.

In the Processing Plant segment, the order backlog was EUR 24M at YE15 vs. EUR 20M at YE15.

Estimates revision

Based on FY16A results, management's outlook and the weak market conditions, we downwards revised our estimates. In particular, for 2017E we decreased our top-line estimate by around 30% vs. our previous assumptions and our FY17E EBITDA by around 72%, implying an EBITDA margin of 2.3% vs. 5.6% previously, which reflects the lower volumes. Our FY17E net profit estimate now stands at EUR 0.2M vs. EUR 7.3M previously.

We project a positive cash position of about EUR 80.5M in 2017E.

Rosetti Marino - 2017E-19E estimates revision								
EUR M	2017E			2018E			2019E	
	Old	New	chg. %	Old	New	chg. %	New	
Revenues	355.4	246.9	-30.5	395.6	308.6	-22.0	372.8	
EBITDA	19.9	5.6	-72.1	26.7	13.8	-48.4	19.5	
EBITDA margin (%)	5.6	2.3		6.7	4.5		5.2	
EBIT	13.5	0.1	-99.4	20.0	8.4	-58.1	13.9	
Net profit	7.3	0.2	-96.7	11.4	6.6	-41.9	11.5	
Net debt (- cash)	-59.7	-80.5		-64.4	-66.8		-72.3	

E: estimates; Source: Intesa Sanpaolo Research estimates

For the following years, we assume a recovery both in volumes and profitability (revenues up by around 25% vs. FY17E; EBITDA margin at 4.5% increasing by 220bps yoy), led by both the benefits that should arise from the current diversification strategies. Overall, our estimates see a net profit of EUR 6.6M in FY18E and EUR 11.5M in 2019E.

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 - 2017E-18E margins comparison					
	Mkt cap (EUR M)**	EBIT margin FY17E %	EBIT margin FY18E %	Net income margin FY17E %	Net income margin FY18E %
Saipem	3,276	4.6	4.7	2.0	2.1
Trevi Finanziaria Industriale	124	1.4	3.5	-2.0	0.2
Tenaris	15,819	6.0	11.9	6.7	8.9
Tecnicas Reunidas	1,890	4.0	4.1	2.9	2.9
Petrofac	1,612	7.4	7.1	5.1	4.7
Amec	2,119	5.7	6.1	3.3	3.8
National Oilwell Varco	10,958	-1.4	5.6	-1.8	3.2
Average		3.9	5.1	2.2	3.2
Rosetti Marino*		0.0	2.7	0.1	2.1

Note: (**) data priced at market close on 21.06.2017. Source: FactSet and (*) Intesa Sanpaolo Research

In terms of FY17E EV/EBIT, the multiples of the selected companies are between 4.6-52.7x, with a median of 10.2x, while the FY18E EV/EBIT multiples are between 5.2-27.2x, with a median of 10.7x.

Regarding the FY17E P/E, the peers' multiples are within a 4.9-50.8x range, with a median of 12.8x, while the FY18E P/E multiples are between 6.0-50.4x, with a median of 17.8x.

Rosetti Marino - Multiples comparison					
x	Price (EUR)**	EV/EBIT FY17E	EV/EBIT FY18E	P/E FY17E	P/E FY18E
Saipem	3.24	10.9	10.7	16.2	17.8
Trevi Finanziaria Industriale	0.75	39.0	15.2	NA	50.4
Tenaris	26.89	52.7	20.8	50.8	29.7
Tecnicas Reunidas	33.82	7.4	7.3	12.8	12.5
Petrofac	4.66	4.6	5.2	4.9	6.0
Amec	5.43	9.4	8.3	11.4	10.1
National Oilwell Varco	28.83	NA	27.2	NA	42.8
Median		10.2	10.7	12.8	17.8
Rosetti Marino*		NM	8.1	NM	20.4

NA: not available; NM: not meaningful; Note: (**) data priced at market close on 21.06.2017. Source: FactSet and (*) Intesa Sanpaolo Research

Applying the EV/EBIT and P/E median to Rosetti Marino's FY18E results, we obtain equity values of EUR 117.6M and 156.2M.

Rosetti Marino - Multiples comparison results	
EUR M	2018E
EBIT	8.4
EV/EBIT	10.7
EV	89.4
Net debt/-cash	-66.8
Equity value	156.2
Net income	6.6
P/E	17.8
Equity value	117.6

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
Argentario S.p.A.	1.3
Others	0.2

Source: FactSet (Updated at 21 June 2017)

DCF model

We also ran a valuation on a DCF model, which points to an equity value range between EUR 171.6M and EUR 174.7M, to better reflect the company's specific long-term prospects.

Our key DCF assumptions are:

- Explicit forecasts through 2019E;
- An equity risk premium at 5.50%;
- A risk-free rate at 2.25%;
- A gearing ratio (D/invested capital) of 0.0%;
- We derived a WACC at 7.75%.

To calculate terminal value we used two approaches:

- We discount to perpetuity the 2019E FCFO (operating free cash flow) at a WACC of 7.75%;
- We discount to perpetuity the EBIT mid-cycle 2009A-19E at a WACC of 7.75%.

Rosetti Marino - Key data						
Rating	Mkt price (EUR/sh)	Sector		Free float (%)	Reuters Code	
NO RATING	Ord 33.66	Oil Equipment & Services		0.2	YRM.MI	
Values per share (EUR)		2015A	2016A	2017E	2018E	2019E
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		144.60	140.25	134.64	134.64	134.64
Adj. EPS		0.42	0.44	0.06	1.65	2.87
CFPS		1.8	3.0	1.4	3.0	4.3
BVPS		47.4	46.5	46.3	47.7	50.1
Dividend ord		0.12	0.30	0.26	0.52	0.91
Income statement (EUR M)		2015A	2016A	2017E	2018E	2019E
Revenues		227.6	213.0	246.9	308.6	372.8
EBITDA		21.21	12.60	5.55	13.76	19.55
EBIT		15.59	2.20	0.08	8.37	13.89
Pre-tax income		3.52	2.88	0.48	9.87	16.39
Net income		1.70	1.76	0.24	6.61	11.47
Adj. net income		1.70	1.76	0.24	6.61	11.47
Cash flow (EUR M)		2015A	2016A	2017E	2018E	2019E
Net income before minorities		1.7	1.8	0.2	6.6	11.5
Depreciation and provisions		5.6	10.4	5.5	5.4	5.7
Others/Uses of funds		7.9	-5.8	0	-1.0	-2.0
Change in working capital		-29.1	18.7	-20.1	-20.2	-5.1
Operating cash flow		-13.9	25.0	-14.4	-9.2	10.0
Capital expenditure		-4.6	-4.3	-4.5	-3.5	-2.5
Financial investments		0	0	0	0	0
Acquisitions and disposals		0	0	0	0	0
Free cash flow		-18.5	20.7	-18.9	-12.7	7.5
Dividends		-3.8	-0.5	-1.1	-1.0	-2.0
Equity changes & Other non-operating items		0	0	0	0	0
Net cash flow		-22.3	20.3	-20.0	-13.7	5.5
Balance sheet (EUR M)		2015A	2016A	2017E	2018E	2019E
Net capital employed		109.5	85.7	104.8	124.1	128.1
of which associates		0	0	0	0	0
Net debt/-cash		-80.2	-100.5	-80.5	-66.8	-72.3
Minorities		0	0	0	0	0
Net equity		189.7	186.2	185.3	190.9	200.4
Minorities value		0	0	0	0	0
Enterprise value		64.4	39.8	54.1	67.9	62.3
Stock market ratios (x)		2015A	2016A	2017E	2018E	2019E
Adj. P/E		85.2	79.9	NM	20.4	11.7
P/CFPS		19.8	11.5	23.6	11.2	7.9
P/BVPS		0.76	0.75	0.73	0.71	0.67
Payout (%)		27	63	421	30	30
Dividend yield (% ord)		0.3	0.9	0.8	1.6	2.7
FCF yield (%)		-12.8	14.8	-14.0	-9.5	5.6
EV/sales		0.28	0.19	0.22	0.22	0.17
EV/EBITDA		3.0	3.2	9.7	4.9	3.2
EV/EBIT		4.1	18.1	NM	8.1	4.5
EV/CE		0.59	0.46	0.52	0.55	0.49
D/EBITDA		Neg.	Neg.	Neg.	Neg.	Neg.
D/EBIT		Neg.	Neg.	Neg.	Neg.	Neg.
Profitability & financial ratios (%)		2015A	2016A	2017E	2018E	2019E
EBITDA margin		9.3	5.9	2.2	4.5	5.2
EBIT margin		6.9	1.0	0.0	2.7	3.7
Tax rate		NM	NM	NM	NM	NM
Net income margin		0.7	0.8	0.1	2.1	3.1
ROCE		14.2	2.6	0.1	6.7	10.8
ROE		0.9	0.9	0.1	3.5	5.9
Interest cover		NM	NM	NM	NM	NM
Debt/equity ratio		-42.3	-54.0	-43.5	-35.0	-36.1
Growth (%)		2016A	2017E	2018E	2019E	
Sales		-6.4	15.9	25.0	20.8	
EBITDA		-40.6	-55.9	NM	42.1	
EBIT		-85.9	-96.6	NM	65.9	
Pre-tax income		-18.3	-83.5	NM	66.0	
Net income		3.4	-86.5	NM	73.5	
Adj. net income		3.4	-86.5	NM	73.5	

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

Notes

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Valuation methodology (long-term horizon: 12M)

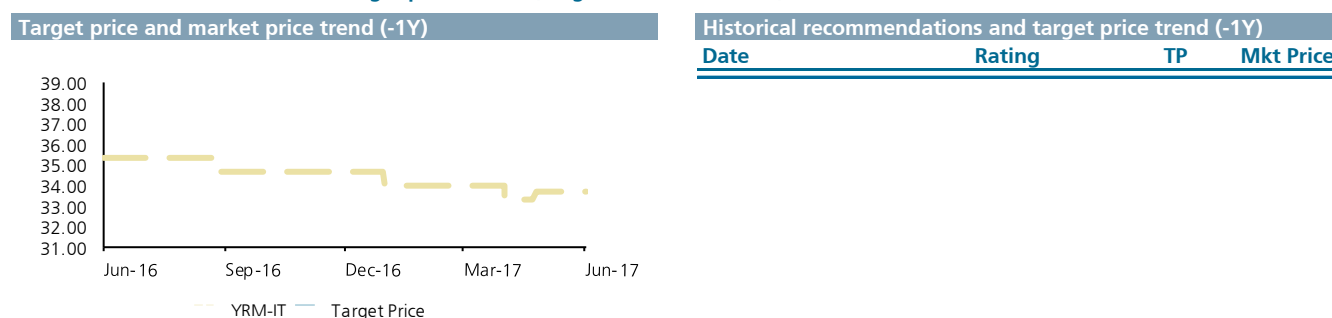
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Equity rating key (long-term horizon: 12M)	
Long-term rating	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the 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 2017)					
Number of companies considered: 105	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)	35	30	33	1	1
of which Intesa Sanpaolo's Clients (%) (*)	78	61	60	0	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.intesasnpaolo.com/scriptlsir0/si09/governance/eng_wp_governance.jsp, along with a summary sheet, webpage <https://www.bancaimi.com/en/bancaimi/chiamo/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 69-quater and 69-quinquies of the Issuers' Regulation issued by Consob with Resolution no. 11971 of 14.05.1999 as subsequently amended and supplemented, Article 24 of "Rules governing central depositories, settlement services, guarantee systems and related management companies" issued by Consob and Bank of Italy, FINRA Rule 2241 and NYSE Rule 472, as well as the FCA Conduct of Business Sourcebook rules COBS 12.4.9 and COBS 12.4.10 - 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 is available in the "Research Rules" and in the extract of "A business model for managing privileged information and conflicts of interest" published on the website of Intesa Sanpaolo S.p.A.

At the Intesa Sanpaolo website, webpage http://www.group.intesasnpaolo.com/scriptlsir0/si09/studi/eng_archivio_conflitti_mad.jsp you can find the archive of Intesa Sanpaolo Banking Group's conflicts of interest.

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 Specialist, Nominated Advisor relative to securities issued by Rosetti Marino

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