

Rosetti Marino

FY14 Results

Rosetti Marino - Key estimates and data					
Y/E December		2014A	2015E	2016E	2017E
Revenues	EUR M	310.5	325.2	393.9	433.6
EBITDA	EUR M	14.15	16.48	23.41	31.10
EBIT	EUR M	4.08	4.81	10.71	18.56
Net Income	EUR M	2.15	5.02	10.27	16.45
Dividend ord.	EUR	1.00	0.26	0.54	0
Adj. EPS	EUR	0.54	1.3	2.6	4.1
EV/EBITDA	x	3.3	4.2	3.6	2.3
Adj. P/E	x	69.5	29.2	14.3	8.9

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

- FY14A results.** In FY14A, Rosetti Marino posted consolidated revenues of EUR 310.5M, down by around 20.8% yoy (and -17.8% vs. our estimates). The volumes reduction was mainly driven by Oil&Gas, which decreased by EUR 67M yoy to EUR 233M due to oil companies reducing their investments following the fall in the oil price. EBITDA was EUR 14.1M, -30.1% yoy, with a margin of 4.6%, down by around 60bps yoy. The decrease in profitability mainly reflects the reduction in volumes. The net profit was EUR 2.1M vs. a net profit of EUR 9.0M in FY13A (and EUR 3.8M in our estimates). The net cash position stood at EUR 102.5M vs. EUR 64.2M in FY13A.
- Outlook.** The order backlog at YE14 amounted to EUR 239M (vs. EUR 307M at YE13). On a divisional basis, the Oil&Gas business unit has orders, which should only ensure work for the first few months of 2015, according to the company. Indeed, as stated by management, the order backlog at YE14 (EUR 180M) was significantly lower vs. YE13 (EUR 253M) and was therefore not completely satisfactory. In the shipbuilding sector, Rosetti Marino has orders only for a value of about EUR 10M, mainly due to the drop in demand from Italian shipping companies. As a result, the group's commercial activities in this segment are currently focused abroad. In the Process Plant segment, the order backlog of EUR 49M (EUR 40M at YE13), should provide a satisfactory workload throughout 2015.
- Estimates and valuation.** Based on FY14A results, the current order backlog and management's outlook, we made the following revisions to our 2015E-16E estimates: for revenue, we reduced our FY15E estimate by around 20% vs. our previous assumption, caused by the weak scenario in the Oil&Gas segment as indicated by management. Although we expect a robust recovery yoy in 2015, we also revised our FY16E top-line estimates downwards by about 8%. For the EBITDA margin, we reduced our FY15E-16E estimates by around 170bps and 160bps, respectively, mainly due to lower economies of scale. We now expect EBITDA at EUR 16.5M and a net profit of around EUR 5.0M in FY15E and EBITDA at EUR 23.4M and a net profit of EUR 10.3M in FY16E. We added 2017E estimates to our explicit period, with assumptions broadly in line with our previous FY16E estimates. In particular, we expect revenues of EUR 433.6M in 2017E (+10.1% vs. FY16E), EBITDA at EUR 31.1M, with an EBITDA margin at 7.2% and a net profit of EUR 16.5M. On the valuation front, we highlight that the EV/EBIT median multiples for selected peers are 10.3x in 2015E and 10.4x in 2016E. The P/E median multiples are 16.2x in 2015E and 15.3x in 2016E.
- 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 April 2015

No Rating

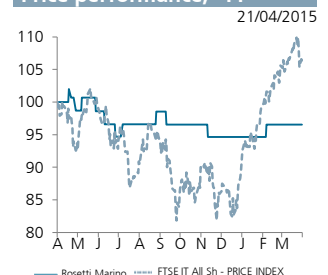
Italy/Oil Equipment & Services
Company Update

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Price performance, -1Y



Source: FactSet

Data priced on 21.04.2015	
Market price (€)	36.62
52Wk range (€)	38.7/35.9
Market cap (€ M)	146.48
No. of shares	4.00
Free float (%)	0.1
Major shr	Rosfin
(%)	55.5
Reuters	YRM.MI
Bloomberg	YRM IM
FTSE IT All Sh	24823
Performance %	
Absolute	Rel. to FTSE IT All
-1M	0.0 -1M
-3M	2.0 -3M
-12M	-3.5 -12M
	-10.4

Source: FactSet and Intesa Sanpaolo Research estimates

See page 9 for full disclosures and analyst certification

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FY14A Results

In FY14A, Rosetti Marino posted consolidated revenues of EUR 310.5M, down by around 20.8% yoy (and -17.8% vs. our estimates).

**Consolidated revenues
down by around 20.8% yoy**

The volumes reduction was mainly driven by Oil&Gas, which decreased by EUR 67M yoy to EUR 233M due to oil companies reducing their investments following the fall in the oil price.

Revenues from shipbuilding activities also decreased to EUR 26M from EUR 57M in FY13A, mainly affected by the drop in demand from Italian shipping companies. Indeed, volumes were only generated by the order backlog from previous years. In particular one supply vessel and one anchor handling supply vessel were completed.

On the contrary, the Process Plants segment reported a revenue growth of approx. 50% to EUR 52M, mainly thanks to an increase in commercial activities in new geographies and a wider range of products offered.

EBITDA was EUR 14.1M, -30.1% yoy, with a margin of 4.6%, down by around 60bps yoy. The decrease in profitability mainly reflects the reduction in volumes.

EBITDA at EUR 14.1M

The net profit was EUR 2.1M vs. a net profit of EUR 9.0M in FY13A (and EUR 3.8M in our estimates).

Net profit at EUR 2.1M

In 2014, investments in intangible assets came to EUR 0.7M and investments in technical assets to EUR 8.9M, for a total of EUR 9.6M. The primary investments regard the yards in San Vitale and Kazakhstan.

The net cash position stood at EUR 102.5M vs. EUR 64.2M in FY13A.

Rosetti Marino – FY14A results					
EUR M	FY13A	FY14A	% yoy	FY14E	% A/E
Revenues	392.2	310.5	-20.8	377.7	-17.8
EBITDA	20.3	14.1	-30.1	13.8	2.5
EBITDA margin (%)	5.2	4.6		3.7	
EBIT	11.6	4.1	-64.8	7.0	-41.7
EBIT margin (%)	3.0	1.3		1.9	
Net profit	9.0	2.1	-76.0	3.8	-44.1
Net debt/ -Cash	-64.2	-102.5		-41.3	

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

Lastly, we highlight that at the shareholders' meeting, the BoD will propose a dividend of EUR 1.0/share for 2014 totalling EUR 3.8M, which corresponds to a 30.9% dividend pay-out on S.p.A. net profit.

Dividends

Rosetti Marino - 2006A-14A dividends									
EUR M	2006A	2007A	2008A	2009A	2010A	2011A	2012A	2013A	2014A
Consolidated net profit	12.2	14.9	36.1	48.1	19.6	13.9	19.3	8.9	2.1
S.p.A. net profit	4.9	6.5	28.1	33.3	32.7	21.3	9.7	9.9	12.3
Dividend	1.0	12.0	6.4	7.6	6.7	3.8	2.5	1.9	3.8
Consolidated Pay-out (%)	8.2	80.7	17.8	15.8	33.9	27.3	12.8	21.2	176.8
S.p.A. Pay-out (%)	20.3	186.0*	22.9	22.8	20.3	17.8	25.4	19.2	30.9

Note:* Includes payment of an extraordinary dividend (approx. EUR 5M) through the distribution of reserves. A: actual; Source: Company data

Earnings Outlook

The order backlog at YE14 amounted to EUR 239M (vs. EUR 307M at YE13),

On a divisional basis, the Oil&Gas business unit has orders, which should only ensure work for the first few months of 2015, according to the company. Indeed, as stated by management, the order backlog at YE14 (EUR 180M) was significantly lower vs. YE13 (EUR 253M) and was therefore not completely satisfactory. To partially offset the reduction in investments by oil companies, due to the decrease in the oil price, the group is mainly focused on the following key strategies:

- Increasing the group's expansion abroad (e.g. the recent launch of two new subsidiaries in Nigeria and in Congo);
- Development of onshore activities, which are still in the start-up phase (order backlog at YE14 at EUR 22M);
- Development of new products, in particular in the subsea area;
- Development of brown field activities and services.

In the shipbuilding sector, Rosetti Marino only has orders for about EUR 10M, mainly due to the drop in demand from Italian shipping companies. As a result, the group's commercial activities in this segment are currently focused abroad.

In the Process Plant segment, the order backlog of EUR 49M (EUR 40M at YE13), should provide a satisfactory workload throughout 2015.

Estimates revision

Based on FY14A results, the current order backlog and management's outlook, we made the following revisions to our 2015E-16E estimates:

we reduced our FY15E revenue estimate by around 20% vs. our previous assumption, due to the weak scenario in the Oil&Gas segment as indicated by management. Although we expect a robust recovery yoy in 2015, we also revised our FY16E top-line estimates downwards by about 8%.

for the EBITDA margin, we reduced our FY15E-16E estimates by around 170bps and 160bps, respectively, mainly due to lower economies of scale. We now expect EBITDA at EUR 16.5M and a net profit of around EUR 5.0M in FY15E and EBITDA at EUR 23.4M and a net profit of EUR 10.3M in FY16E;

we added 2017E estimates to our explicit period, with assumptions broadly in line with our previous FY16E estimates. In particular, we expect revenues of EUR 433.6M (+10.1% vs. FY16E), EBITDA at EUR 31.1M, with an EBITDA margin at 7.2% and a net profit of EUR 16.5M.

Rosetti Marino - 2015E-17E estimates revision							
EUR M	2015E			2016E			2017E
	Old	New	Chg. %	Old	New	Chg. %	New
Revenues	411.3	325.2	-20.9	427.3	393.9	-7.8	433.6
EBITDA	28.1	16.5	-41.3	31.9	23.4	-26.6	31.1
EBITDA margin (%)	6.8	5.1		7.5	5.9		7.2
Net Profit	11.7	5.0	-57.0	14.8	10.3	-30.5	16.5
Net debt (- cash)	-46.2	-78.0	NM	-53.9	-62.1	NM	-74.6

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

Valuation

We based our valuation for 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 sharply below the peers' average.

Rosetti Marino - 2015E-16E margins comparison					
	Mkt cap (EUR M)**	EBIT margin FY15E %	EBIT margin FY16E %	Net income margin FY15E %	Net income margin FY16E %
Saipem SpA	5,064	4.6	6.6	2.1	3.5
Trevi Finanziaria Industriale	478	5.2	6.1	1.7	2.0
Tenaris SA	17,059	16.3	17.8	11.9	12.7
Tecnicas Reunidas SA	2,328	5.0	5.0	4.0	4.1
Technip SA	7,403	8.7	8.1	5.8	5.4
Petrofac	4,204	8.2	9.4	6.2	6.7
Amec	5,103	7.1	6.9	5.1	5.7
National Oilwell Varco	19,507	13.1	12.4	8.7	8.4
Cameron International Corp.	8,737	10.8	10.4	6.4	6.1
Average		8.8	9.2	5.8	6.1
Rosetti Marino*	146.5	1.5	2.7	1.5	2.6

Note: (**) data priced on 21-04-2015. Source: Factset and (*) Intesa Sanpaolo Research

In terms of FY15E EV/EBIT, the multiples of the selected companies are between 6.1-16.7x, with a median of 10.3x, while the FY16E EV/EBIT multiples are between 6.6-11.6x, with a median of 10.4x.

Regarding the FY15E P/E, the peers' multiples are within a 11.6-22.3x range, with a median of 16.2x, while the FY16E P/E multiples are between 8.6-17.9x, with a median of 15.3x.

Rosetti Marino - Multiples comparison					
x	Price (EUR)**	EV/EBIT FY15E	EV/EBIT FY16E	P/E FY15E	P/E FY16E
Saipem S.p.A.	11.47	16.7	11.6	21.3	13.0
Trevi-Finanziaria Industriale S.p.A.	2.90	13.2	10.6	22.3	15.3
Tenaris S.A.	14.45	12.4	10.6	19.4	17.2
Tecnicas Reunidas S.A.	41.65	9.4	8.6	16.5	15.4
Technip S.A.	64.97	6.1	6.6	11.8	13.4
Petrofac Ltd.	12.15	9.4	7.8	13.0	8.6
AMEC PLC	13.12	10.3	10.4	11.6	11.1
National Oilwell Varco Inc.	49.46	8.3	9.7	15.1	17.8
Cameron International Corp.	45.30	10.8	11.1	16.2	17.9
Median		10.3	10.4	16.2	15.3
Rosetti Marino*	36.62	14.2	7.9	29.2	14.3

Note: (**) data priced on 21-04-2015. Source: Factset and (*) Intesa Sanpaolo Research

Applying the P/E median to Rosetti Marino's FY15E and FY16E results, we obtain equity values of EUR 81.2M and 157.0M. When using the EV/EBIT multiple, we calculate EUR 127.3M and 173.2M.

Rosetti Marino - Multiples comparison results		
EUR M	2015E	2016E
EBIT	4.8	10.7
EV/EBIT	10.3	10.4
EV	49.3	111.2
Net debt/ -cash	-78.0	-62.1
Equity value (EV/EBIT multiple)	127.3	173.2
Net income	5.0	10.3
P/E	16.2	15.3
Equity value (P/E multiple)	81.2	157.0

E: estimates; Source: Intesa Sanpaolo Research

We highlight that the company's valuation ranges indicated above do not incorporate a discount which considers its smaller size (in terms of market cap) compared to similar companies, lower profitability and limited free float.

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

No rating or target price

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: Company data (11/11/2014)

DCF model

We also ran a valuation on a DCF model, to better reflect the company's specific long-term prospects. Our key DCF assumptions are:

Key DCF assumptions

- Explicit forecasts through 2017E;
- An equity risk premium at 5.50%;
- A risk-free rate at 2.0%;
- A gearing ratio (D/Invested Capital) of 0.0%;

We derived a WACC at 7.5%.

To calculate terminal value we use two approaches:

- We discount to perpetuity the 2017E FCFO (operating free cash flow) at a WACC of 7.5% and a 2% terminal value (TV) growth;
- We discount to perpetuity the EBIT mid-cycle 2013A-17E at a WACC of 7.5% and a 2% TV growth.

Rosetti Marino - Key data						
Rating	SOP (EUR/sh)	Mkt price (EUR/sh)	Sector		Free float (%)	Reuters Code
NO RATING	Ord -	Ord 36.62	Oil Equipment & Services		0.1	YRM.MI
Values per share (EUR)						
		2013A	2014A	2015E	2016E	2017E
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		142.09	149.38	146.48	146.48	146.48
Adj. EPS		2.2	0.54	1.3	2.6	4.1
CFPS		4.4	3.1	4.2	5.7	7.2
BVPS		48.0	47.9	48.2	50.5	54.1
Dividend ord		0.50	1.00	0.26	0.54	0
Income statement (EUR M)						
		2013A	2014A	2015E	2016E	2017E
Sales		392.2	310.5	325.2	393.9	433.6
EBITDA		20.25	14.15	16.48	23.41	31.10
EBIT		11.58	4.08	4.81	10.71	18.56
Pre-tax income		15.05	4.84	7.43	14.38	23.07
Net income		8.95	2.15	5.02	10.27	16.45
Adj. net income		8.95	2.15	5.02	10.27	16.45
Cash flow (EUR M)						
		2013A	2014A	2015E	2016E	2017E
Net income before minorities		8.9	2.1	5.0	10.3	16.5
Depreciation and provisions		8.7	10.1	11.7	12.7	12.5
Others/Uses of funds		-4.6	-8.5	0	0	0
Change in working capital		14.9	46.1	-28.9	-29.4	-5.9
Operating cash flow		27.9	49.8	-12.2	-6.4	23.1
Capital expenditure		-7.4	-9.6	-8.5	-8.5	-8.5
Financial investments		0	0	0	0	0
Acquisitions and disposals		0	0	0	0	0
Free cash flow		20.5	40.2	-20.7	-14.9	14.6
Dividends		-2.5	-1.9	-3.8	-1.0	-2.1
Equity changes & Other non-operating items		0	0	0	0	0
Net cash flow		18.0	38.3	-24.5	-15.9	12.6
Balance sheet (EUR M)						
		2013A	2014A	2015E	2016E	2017E
Net capital employed		127.9	89.1	114.9	140.1	141.9
of which associates		0	0	0	0	0
Net debt/-cash		-64.2	-102.5	-78.0	-62.1	-74.6
Minorities		0	0	0	0	0
Net equity		192.2	191.6	192.8	202.1	216.5
Minorities value		0	0	0	0	0
Enterprise value		77.9	46.9	68.5	84.4	71.8
Stock market ratios (x)						
		2013A	2014A	2015E	2016E	2017E
Adj. P/E		15.9	69.5	29.2	14.3	8.9
P/CFPS		8.1	12.2	8.8	6.4	5.1
P/BVPS		0.74	0.78	0.76	0.72	0.68
Payout (%)		21	177	20	20	20
Dividend yield (% ord)		1.4	2.7	0.7	1.5	0
FCF yield (%)		14.4	26.9	-14.2	-10.2	10.0
EV/sales		0.20	0.15	0.21	0.21	0.17
EV/EBITDA		3.8	3.3	4.2	3.6	2.3
EV/EBIT		6.7	11.5	14.2	7.9	3.9
EV/CE		0.61	0.53	0.60	0.60	0.51
D/EBITDA		Neg.	Neg.	Neg.	Neg.	Neg.
D/EBIT		Neg.	Neg.	Neg.	Neg.	Neg.
Profitability & financial ratios (%)						
		2013A	2014A	2015E	2016E	2017E
EBITDA margin		5.2	4.6	5.1	5.9	7.2
EBIT margin		3.0	1.3	1.5	2.7	4.3
Tax rate		NM	NM	NM	NM	NM
Net income margin		2.3	0.7	1.5	2.6	3.8
ROCE		9.1	4.6	4.2	7.6	13.1
ROE		4.7	1.1	2.6	5.2	7.9
Interest cover		NM	NM	NM	NM	NM
Debt/equity ratio		-33.4	-53.5	-40.4	-30.7	-34.5
Growth (%)						
			2014A	2015E	2016E	2017E
Sales			-20.8	4.7	21.1	10.1
EBITDA			-30.1	16.5	42.1	32.8
EBIT			-64.8	17.9	NM	73.3
Pre-tax income			-67.8	53.5	93.5	60.4
Net income			-76.0	NM	NM	60.2
Adj. net income			-76.0	NM	NM	60.2

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

Notes

Notes

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Valuation methodology (long-term horizon: 12M)

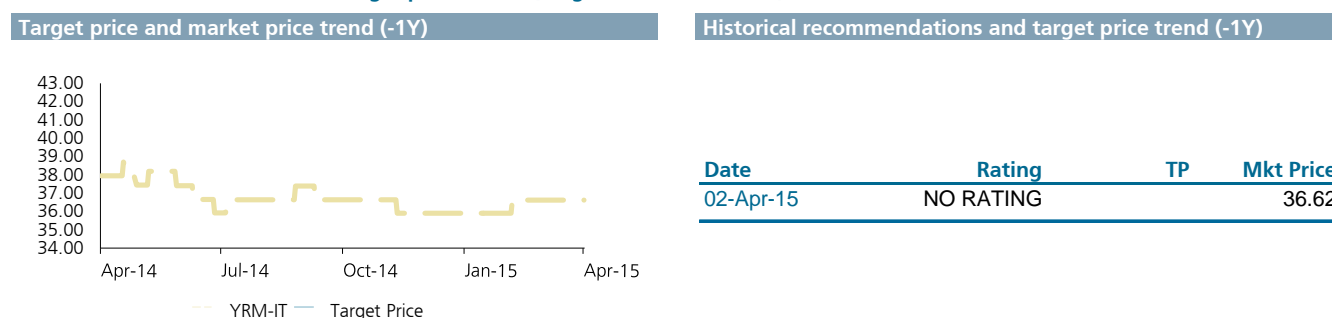
The Intesa Sanpaolo SpA Equity Research Department values the companies for which it assigns recommendations as follows: We obtain a fair value using a number of valuation methodologies including: discounted cash flow method (DCF), dividend discount model (DDM), embedded value methodology, return on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

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

In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, which is not related to market performance and whose key is reported below:

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 February 2015)					
Number of companies considered: 93	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage %	52	24	25	0	0
of which Intesa Sanpaolo's Clients % (*)	77	68	43	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

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

Banca IMI discloses interests and conflicts of interest, as defined by: Articles 69-quater and 69-quinquies, of Consob Resolution No.11971 of 14.05.1999, as subsequently amended and supplemented; the NYSE's Rule 472 and the NASD's Rule 2711; the FSA Policy Statement 04/06 "Conflicts of Interest in Investment Research – March 2004 and the Policy Statement 05/03 "Implementation of Market Abuse Directive", March 2005. The Intesa Sanpaolo Group maintains procedures and organisational mechanisms (Information barriers) to professionally manage conflicts of interest in relation to investment research. We provide the following information on Intesa Sanpaolo Group's conflicts of interest:

- 1 The Intesa Sanpaolo Group plans 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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