

Company Note
Rosetti Marino
FY19A Results

Rosetti Marino posted a solid set of results, above our estimates, thanks to the positive performances achieved by all the business units in which it operates. As regards outlook, we believe that in the difficult current market context the group should be favoured by its significant geographical diversification and its solid liquidity position.

FY19A Results

Total revenues reached EUR 338.6M vs. EUR 260.5M in FY18A. The increase was reported in all the business units, with a marked increase in the Energy segment (EUR 291M vs. EUR 229M in FY18A). EBITDA was EUR 33.4M vs. EUR 28.5M in FY18A, with a 9.9% margin. The BoD will propose a dividend of EUR 0.50/share at the shareholders' meeting, for a total amount of around EUR 1.9M.

Outlook & Estimates

As envisaged by management at the end of 2018, 2019 was a positive year for Rosetti Marino. In the Energy sector, the projects acquired over the last few years have been implemented. At YE19 the Energy division order backlog amounted to EUR 188M (vs. EUR 387M at YE18), the Process Plant segment orders were EUR 29M (EUR 16M at YE18), while the order backlog of shipbuilding activities amounted to EUR 29M (vs. EUR 9M at YE18). As for the recent developments linked to the spread of the Covid-19 virus, we expect these events to generate repercussions for the entire global economic system and therefore we also expect a potential impact on the group's financials. However, given the ongoing uncertainty on the temporal extension and the geographic spread of the health emergency, we believe that the scenario is still not fully predictable. Therefore, also given that we do not assign a rating or target price to the stock, we decided to leave our FY20-21E projections unchanged for now.

Valuation

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.

16 April 2020: 12:29 CET

Date and time of production

No Rating

 Italy/Oil Equipment & Services
Update

AIM
**Price Performance
(RIC: YRM.MI, BB: YRM IM)**

Rosetti Marino - Key Data

Price date (market close)	14/04/2020
Market price (EUR)	35.60
Market cap (EUR M)	142.40
52Wk range (EUR)	40.8/35.6

Price performance %	1M	3M	12M
Absolute	-1.1	-11.0	-11.4
Rel. to FTSE IT All Sh	-10.2	21.0	10.4

Y/E Dec (EUR M)	FY19A	FY20E	FY21E
Revenues	338.6	398.5	440.4
EBITDA	33.38	14.70	20.36
EBIT	25.23	8.60	14.16
Net income	4.46	3.12	7.01
EPS (EUR)	1.12	0.78	1.75
Net debt/-cash	-120.2	-85.01	-87.22
Adj P/E (x)	35.8	45.6	20.3
EV/EBITDA (x)	18.9	9.0	6.5
EV/EBIT (x)	24.9	15.5	9.4
Div ord yield (%)	1.2	1.3	1.3

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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FY19A Results

Total revenues reached EUR 338.6M vs. EUR 260.5M in FY18A. The increase was reported by all the business units. In particular:

- Revenues from the Energy segment were EUR 291M in FY19A vs. EUR 229M in FY18A;
- The Process Plant segment reported revenues of around EUR 40M vs. EUR 32M in FY18A;
- Revenues from Shipbuilding activities amounted to EUR 7M.

EBITDA was EUR 33.4M vs. EUR 28.5M in FY18A, with a 9.9% margin.

Net profit came in at EUR 4.5M vs. EUR 5.5M in FY18A.

The (short-term) net cash position stood at EUR 120.2M vs. EUR 128M at YE18A.

The Energy division order backlog amounted to EUR 188M (vs. EUR 387M at YE18), the Process Plant segment orders were EUR 29M (EUR 16M at YE18), while the order backlog of shipbuilding activities amounted to EUR 29M (vs. EUR 9M at YE18).

We highlight that the BoD will **propose a dividend of EUR 0.50/share** at the shareholders' meeting, for a total amount of around EUR 1.9M.

Rosetti Marino - FY19 results

EUR M	FY18A	FY19A	yoy %	FY19E	A/E %
Turnover	260.5	338.6	30.0	389.6	-13.1
EBITDA	28.5	33.4	17.1	20.1	66.1
EBITDA margin (%)	10.9	9.9		5.1	
EBIT	17.5	25.2	44.3	14.3	76.5
EBIT margin (%)	6.7	7.5		3.7	
Net profit	5.5	4.5	-19.4	1.5	NM

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

Other Recent Events

Last November Rosetti Marino announced that it had signed a contract with PANFIDO for the construction of a Semi-Installable Barge Transporter ("SBBT"). The construction of the SBBT is part of a group of projects called Poseidon MED II, co-financed by the European Union, whose object is innovation in the field of LNG distribution and production. The design of this innovative prototype will be carried out by an Iberian engineering design company, SENER, which has years of experience with LNG-related projects.

Furthermore, the group announced the establishment, together with Ali & Sons Marine Engineering Factory (the UAE-based company catering to the marine and oil & gas industry) of a new UAE based company under the name of Rosetti-Ali & Sons LLC. Thanks to the agreement, Rosetti Marino aims to increase the acquisition and execution of potential onshore and offshore oil & gas EPC projects as well as enhancing its market reach and capabilities.

New Contract with PANFIDO

Partnership in the UAE

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 shown 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 - margin comparison (2020E-21E)

	Mkt cap (EUR M)**	EBIT margin FY20E %	EBIT margin FY21E %	Net income margin FY20E %	Net income margin FY21E %
Saipem SpA	2,405	11.2	10.7	1.5	1.8
Tenaris SA	6,996	16.0	17.0	6.3	7.0
Tecnicas Reunidas SA	761	3.9	4.3	2.0	2.3
Petrofac	841	8.5	8.6	3.6	4.0
National Oilwell Varco	4,268	7.7	7.2	0.1	-1.2
Average		9.4	9.6	2.7	2.8
Rosetti Marino*	142	2.2	3.2	0.8	1.6

Source: Note: (***) data priced at market close on 14.04.2020. Source: FactSet and (*) Intesa Sanpaolo Research

In terms of FY19E EV/EBIT, the multiples of the selected companies are between 4.0-12.4x, with a median of 10.5x, while the FY20E EV/EBIT multiples are between 3.9-16.9x, with a median of 9.3x.

Regarding the FY19E P/E, the peers' multiples are within a 6.4-34.2x range, with a median of 17.2x, while the FY20E P/E multiples are between 7.0-28.8x, with a median of 12.9x.

Rosetti Marino - multiples comparison (2020E-21E)

x	Price (EUR)**	EV/EBIT FY20E	EV/EBIT FY21E	P/E FY20E	P/E FY21E
Saipem	2.4	7.9	7.2	16.1	14.4
Tenaris	11.8	17.9	13.6	21.5	18.3
Tecnicas Reunidas	13.6	2.8	1.8	7.2	6.3
Petrofac	2.4	3.5	3.2	5.3	5.0
National Oilwell Varco	11.0	NM	NM	NA	NA
Median		5.7	5.2	11.6	10.3
Rosetti Marino*	35.6	15.5	9.4	45.6	20.3

Source: NA: not available; NM: not meaningful; Note: (***) data priced at market close on 14.04.2020. Source: FactSet and (*) Intesa Sanpaolo Research

Applying the EV/EBIT and P/E median to Rosetti Marino's FY21E results, we obtain equity values of EUR 72.6M and EUR 160.8M.

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 - Multiples comparison results

EUR M	2021
EBIT	14.2
EV/EBIT	5.2
EV	73.6
Net debt/-cash	-87.2
Equity value	160.8
Net income	7.0
P/E	10.3
Equity value	72.6

Source: Source: FactSet and Intesa Sanpaolo Research estimates

DCF model

We also ran a valuation on a DCF model, which points to an equity value range of EUR 120.4M to EUR 142.2M, to better reflect the company's specific long-term prospects.

Our key DCF assumptions are:

Explicit forecasts through 2021E;

- An equity risk premium at 7.5% (7.0% previously);
- A risk-free rate at 1.5% (1.75% previously);
- A gearing ratio (D/invested capital) of 0.0%;
- We derived a WACC at 9.0%.

To calculate the terminal value, we used two approaches:

- We discount to perpetuity the 2021E FCFO at a WACC of 9.0%;
- We discount to perpetuity the EBIT mid-cycle 2009A-21E at a WACC of 9.0%.

Rosetti Marino – Key Data

Rating No Rating	Mkt price (EUR/sh) Ord 35.60			Sector Oil Equipment & Services
Values per share (EUR)				
	2018A	2019A	2020E	2021E
No. ordinary shares (M)	4.00	4.00	4.00	4.00
Total no. of shares (M)	4.00	4.00	4.00	4.00
Market cap (EUR M)	151.22	159.97	142.40	142.40
Adj. EPS	1.39	1.12	0.78	1.75
CFPS	4.1	3.2	2.3	3.3
BVPS	44.9	52.6	50.4	51.7
Dividend ord	0.70	0.48	0.48	0.48
Income statement (EUR M)				
	2018A	2019A	2020E	2021E
Revenues	260.5	338.6	398.5	440.4
EBITDA	28.50	33.38	14.70	20.36
EBIT	17.49	25.23	8.60	14.16
Pre-tax income	11.58	28.23	6.60	12.16
Net income	5.54	4.46	3.12	7.01
Adj. net income	5.54	4.46	3.12	7.01
Cash flow (EUR M)				
	2018A	2019A	2020E	2021E
Net income before minorities	5.8	15.7	4.6	8.5
Depreciation and provisions	11.0	8.2	6.1	6.2
Others/Uses of funds	-4.4	0	0	0
Change in working capital	63.2	-18.0	-5.0	2.1
Operating cash flow	75.6	17.1	7.2	18.3
Capital expenditure	-6.7	-8.0	-10.0	-10.0
Financial investments	0	0	0	0
Acquisitions and disposals	0	0	0	0
Free cash flow	68.9	9.1	-2.8	8.3
Dividends	-1.9	-2.8	-1.9	-1.9
Equity changes & Other non-operating items	0.6	8.4	-27.5	-1.2
Net cash flow	67.7	14.7	-32.2	5.2
Balance sheet (EUR M)				
	2018A	2019A	2020E	2021E
Net capital employed	51.7	78.8	115.2	118.1
of which associates	0	0	0	0
Net debt/-cash	-128.0	-120.2	-85.0	-87.2
Minorities	0	11.2	1.5	1.5
Net equity	179.7	199.0	200.2	205.3
Minorities value	0	589.7	75.6	77.6
Enterprise value	23.2	629.5	133.0	132.7
Stock market ratios (x)				
	2018A	2019A	2020E	2021E
Adj. P/E	27.3	35.8	45.6	20.3
P/CFPS	9.1	12.7	15.4	10.8
P/BVPS	0.84	0.76	0.71	0.69
Payout (%)	51	63	61	27
Dividend yield (% ord)	1.9	1.2	1.3	1.3
FCF yield (%)	45.6	-8.4	-4.1	3.7
EV/sales	0.09	1.9	0.33	0.30
EV/EBITDA	0.81	18.9	9.0	6.5
EV/EBIT	1.3	24.9	15.5	9.4
EV/CE	0.45	8.0	1.2	1.1
D/EBITDA	Neg.	Neg.	Neg.	Neg.
D/EBIT	Neg.	Neg.	Neg.	Neg.
Profitability & financial ratios (%)				
	2018A	2019A	2020E	2021E
EBITDA margin	10.9	9.9	3.7	4.6
EBIT margin	6.7	7.5	2.2	3.2
Tax rate	54.7	44.4	30.0	30.0
Net income margin	2.1	1.3	0.8	1.6
ROCE	33.8	32.0	7.5	12.0
ROE	3.1	2.4	1.6	3.5
Interest cover	3.0	-8.4	4.3	7.1
Debt/equity ratio	Neg.	Neg.	Neg.	Neg.
Growth (%)				
		2019A	2020E	2021E
Sales		30.0	17.7	10.5
EBITDA		17.1	-56.0	38.5
EBIT		44.3	-65.9	64.6
Pre-tax income		NM	-76.6	84.2
Net income		-19.5	-30.1	NM
Adj. net income		-19.5	-30.1	NM

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

Company Snapshot

Company Description

Rosetti Marino is the operating parent company of a leading group whose core business is designing and building off-shore oil and gas platforms under EPC (engineering, procurement and construction) contracts, designing and building service and work vessels and building processing plants. The company has two construction yards in the Port of Ravenna while the third is located a few km away from the city of Aktau, on the Kazakh shore of the Caspian Sea. Its main clients include major oil companies and the leading international contractors active in the industry, in addition to Europe's main builders of service vessels

Key data

Mkt price (EUR)	35.60	Free float (%)	0.2
No. of shares	4.00	Major shr	Rosfin
52Wk range (EUR)	40.8/35.6	(%)	56.0
Reuters	YRM.MI	Bloomberg	YRM IM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	-1.1	-1M	-10.2
-3M	-11.0	-3M	21.0
-12M	-11.4	-12M	10.4

Key Risks

Company specific risks:

- The small size of the company, compared to that of its peers, could be a risk in the presence of competitive pressure;

Sector generic risks:

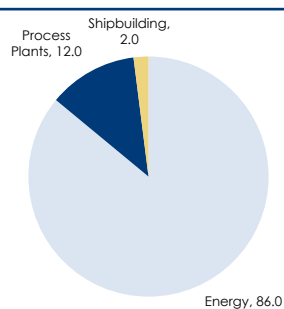
- Oil price fluctuations;

- We underline that any unpredictable further developments related to the Covid-19 health emergency could undermine the feasibility of our estimates.

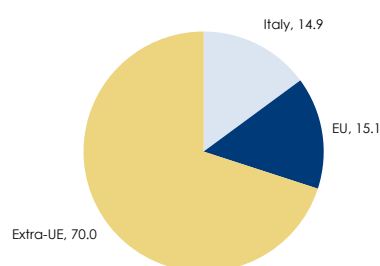
Estimates vs. consensus

EUR M (Y/E Dec)	2019A	2020E	2020C	2021E
Sales	338.6	398.5	NM	440.4
EBITDA	33.38	14.70	NM	20.36
EBIT	25.23	8.60	NM	14.16
Pre-tax income	28.23	6.60	NM	12.16
Net income	4.46	3.12	NM	7.01
EPS	1.12	0.78	NM	1.75

FY 19A Sales Breakdown by BU (%)



Revenue Breakdown by Geography (last available) (%)



NM: not meaningful; Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 14/04/2020)

Our Mid Corporate Definition

Italy is characterised by a large number of non-listed and listed micro, small and medium-sized companies. Looking at the revenues of these Italian companies, around 5,000 companies have revenues ranging from EUR 50M-EUR 1,500M based on Intesa Sanpaolo elaborations. We define these companies as 'Mid Corporate'. Looking more specifically at Italian listed companies, we include in our Mid Corporate segment all STAR companies and those with a market capitalisation below EUR 1Bn.

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Equity Research Publications in Last 12M

The list of all recommendations on any financial instrument or issuer produced by Intesa Sanpaolo Research Department and distributed during the preceding 12-month period is available on the Intesa Sanpaolo website at the following address:

<https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest0>

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)

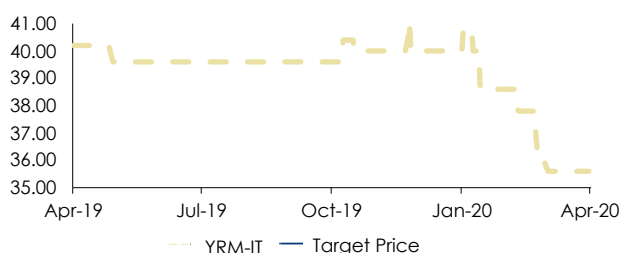
In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, which is not related to market performance and whose key is reported below:

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.
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)

The 12M rating and target price history chart(s) for the companies currently under our coverage can also be found at Intesa Sanpaolo's website/Research/Regulatory disclosures: <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/tp-and-rating-history-12-months->

Target price and market price trend (-1Y)**Historical recommendations and target price trend (-1Y)**

Date	Rating	TP (EUR)	Mkt Price (EUR)
02-Apr-15	No Rating		36.6
02-Apr-15	No Rating		36.6

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at February 2020)**

Number of companies considered: 106	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)	50	20	29	1	0
of which Intesa Sanpaolo's Clients (%) (*)	79	57	58	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)

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/scripts/sir0/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 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 Financial Conduct Authority 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 <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest> 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.

- 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
- Banca IMI acts as Nominated Advisor, Specialist relative to securities issued by Rosetti Marino

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