

Maire Tecnimont

2009: Weaker Expectations Priced In

Maire Tecnimont - Key estimates and data					
Y/E December		2007A	2008E	2009E	2010E
Revenues	EUR M	1,981.2	2,361.0	2,254.4	2,233.8
EBITDA	EUR M	142.4	175.5	150.4	156.4
EBIT	EUR M	127.1	156.5	135.4	141.4
Net income	EUR M	73.3	106.0	84.2	92.7
Dividend ord.	EUR	0.07	0.10	0.08	0.09
Adj. EPS	EUR	0.23	0.33	0.26	0.29
EV/EBITDA	x	-0.3	0.5	0.5	-0.2
Adj. P/E	x	5.6	3.8	4.8	4.4

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

- 9M08 results and outlook for 2009.** 9M08 results were positive on the back of the solid operating performance of Chemicals & Petrochemicals and Power Generation business, but we think that the 2009 outlook will be an issue. A big portion of Maire Tecnimont activity portfolio is in the Chemical & Petrochemicals business, which is normally GDP related, and for this reason more cyclical and volatile. We see that the deterioration of macroeconomic scenario and credit crunch could bring to a slowdown in the tendering of a number of projects, and maybe to a reduction or a delay of small-medium oil companies' capex plans. In this report, we reduce our assumptions on new order intake for 2009 by 32% versus 2008, or -50% versus our previous assumptions.
- Estimates.** We are aware that the negative newsflow on the lack of tendering the new projects and oil price downwards trend should have a negative impact on the oil sector stocks as a whole. On the other hand, we believe that Maire Tecnimont is now undervalued also considering the conservative assumptions we have made on order intake and the relevant estimates. This brings us to reduce our EPS estimates by 26% in 2009E and 32% in 2010E versus our previous estimates.
- Valuation.** The stock is still trading at a substantial discount on the sector in terms of multiples, EV/EBIT exit multiple-DCF methodology and the P/E based valuation provide a fair value which gives a substantial upside on the current prices. On a different point of view, the total estimated cash flows (after tax) from the existing backlog including OBCE contracts (EUR 5.6Bn total) correspond to roughly 75% of the company's current market cap; the remaining 25% (around EUR 100M) would be the implied to the future acquisition of orders (assuming no cash-in-hand). **Our target price changes from EUR 3.62 to EUR 1.91/share and we confirm our BUY rating**, on the back of 2009E-10E estimates revision and mainly the sector multiples compression. We expect no positive earnings momentum in 2009E, the liquidity of the stock could be a concern, but we suggest to accumulate on weakness in a long-term view, due to the undemanding valuation.
- Key risks.** In our view, the main risks weighing on the share are: i) the macroeconomic scenario: a higher than expected GDP decrease could delay new investments in the industry somewhat; ii) the margin pressure, due to higher competition and higher portion of cost-plus contracts; iii) a rebound in the USD weakness; and iv) low liquidity of the floating capital could be a reason of stock overhang or volatility.

14 November 2008

BUY

Target Price: EUR 1.91
(from EUR 3.62)

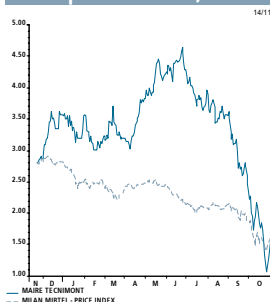
**Oil & Gas
Company Update –
Change in TP**

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Price performance, -1Y



Source: Thomson Reuters

Data priced on 13.Nov.2008

Target price (€)	1.91
Target upside (%)	51.6
Market price (€)	1.26
52-week range (€)	4.6/1.1
Market cap (€ M)	407.0
No. of shares (M)	322.5
Free float (%)	35
Major shareholder (%)	Di Amato Fabrizio, 63
Reuters	MTCM.MI
Bloomberg	MT IM
Mibtel	15916

Performance %			
	Absolute	Rel. to Mibtel	
-1M	-41.6	-1M	-34.5
-3M	-63.2	-3M	-35.3
-12M	0.0	-12M	46.4

Source: Intesa Sanpaolo Research estimates and Thomson Reuters

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Contents

Estimates Revision	3
Valuation	5
3Q/9M08 Results	7

Estimates Revision

We revised our estimates in order to take into account some delays in the tendering of several projects: we assume a roughly 32% decrease of new contract awards in 2009 versus 2008, -50% versus our previous assumption. The order intake is assumed again to rebound in 2010. We assume the majority of the decrease in new orders and backlog to have a negative impact on the Chemical/Petrochemicals division; we expect the C&P backlog to be roughly 30% of the total backlog at end of 2008 and reducing to 17% in 2009.

Maire Tecnimont – Old assumptions on orders intake					
Acquisitions (EUR M)	2007A	2008E	2009E	2010E	2011E
Chem/Petrochemicals	1625	1012	1900	1400	1400
Oil & Gas	50	727	750	400	200
Power	736	908	400	400	200
Infrastructure & Civil	162	352	450	450	450
Total Acquisitions (old assumptions)	2573	2999	3500	2650	2250

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

Maire Tecnimont - New assumptions on order intake					
Acquisitions (EUR M)	2007A	2008E	2009E	2010E	2011E
Chem/Petrochemicals	1625	261	580	1300	1300
Oil & Gas	50	916	485	350	500
Power	736	1254	400	300	300
Infrastructure & Civil	162	98	250	250	250
Total Acquisitions (new assumptions)	2573	2529	1715	2200	2350

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

The decreasing weighting of the C&P backlog should bring to the reduction of the overall performance in terms of EBITDA and EBIT margin in 2009-10, due to the fact that the C&P division is the most profitable among MT's activities. On the back of the new assumptions, we highlight that we estimate substantial changes to operating results and EPS: in particular, we reduce EPS by around 26% in 2009E and 32% in 2010E versus our previous estimates.

Although the new order intake has been sharply reduced, revenues are decreasing to a lesser extent, due to the contribution to sales revenues from the acquisition campaign in the O&G business and in the Power Generation in Latam.

Maire Tecnimont – Consolidated P&L OLD estimates					
EUR M	2007A	2008E	2009E	2010E	2011E
Breakdown of Sales					
Chem/Petrochemicals	1,481	1,674	1,611	1,476	1,497
Oil&Gas	107	62	191	388	562
Power	102	448	437	645	620
Infrastructure&Civil	234	254	348	334	306
Revenues from core business	1,924	2,437	2,587	2,843	2,985
Total other revenues	57.2	20.0	20.0	20.0	20.0
Total value of production	1,981.2	2,457.2	2,607.1	2,863.4	3,005.4
Total Var. Opex	-1,777.7	-2,207.1	-2,344.9	-2,566.2	-2,708.3
Contribution Margin	203.5	250.1	262.2	297.2	297.2
Fixed Labour & Others	-61.1	-70.0	-70.0	-70.0	-70.0
EBITDA	142.4	180.1	192.2	227.2	227.2
% of core revenues	7.4	7.4	7.4	8.0	7.6
D&A	-15.3	-16.0	-11.0	-11.0	-11.0
EBIT	127.1	164.1	181.2	216.2	216.2
% of core revenues	6.6	6.7	7.0	7.6	7.2
Net financial interests on loans	-4.9	3.6	5.8	5.7	6.5
Net profit before tax	122.2	167.7	187.0	221.9	222.6
Income Tax & Minorities	-48.9	-65.9	-72.7	-85.1	-89.7
Group interest in net income	73.3	101.8	114.3	136.8	132.9
Group interest in net income (adj)	73.3	101.8	114.3	136.8	132.9

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

Maire Tecnimont - Consolidated P&L NEW estimates					
EUR M	2007A	2008E	2009E	2010E	2011E
Breakdown of Sales					
Chem/Petrochemicals	1,481	1,585	1,261	892	942
Oil&Gas	107	80	179	321	444
Power	102	432	490	750	707
Infrastructure&Civil	234	264	324	270	210
Revenues from core business	1,924	2,361	2,254	2,234	2,303
Total other revenues	57	0	0	0	0
Total value of production	1,981	2,361	2,254	2,234	2,303
Total Var. Opex	-1,778	-2,123	-2,034	-2,007	-2,064
Contribution Margin	204	238	220	226	240
Fixed Labour & Others	-61	-75	-70	-70	-70
EBITDA	142	175	150	156	170
% of core revenues	7.4	7.4	6.7	7.0	7.4
D&A	-15	-19	-15	-15	-15
EBIT	127	156	135	141	155
% of core revenues	6.6	6.6	6.0	6.3	6.7
Net financial interests on loans	-5	9	2	3	4
Net profit before tax	122	166	137	144	158
Income Tax & Minorities	-49	-60	-53	-51	-52
Group interest in net income	73	106	84	93	106
Group interest in net income (adj)	73	106	84	93	106

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

Valuation

On the back of 2009E-10E estimates revision and mainly for the sector multiples compression, we reduce our **target price** from EUR 3.62 to **EUR 1.91/share**, calculated as average between DCF-EV/EBIT exit multiples and 2009E P/E peer multiples approach. **We confirm our BUY rating.**

DCF-EV/EBIT exit multiple method

In our base-case scenario, we assume a long-term growth rate (g %) of 2%, obtaining an EV/EBIT in the long term of 6.5x. This multiple is applied to the 2006-10E long-term mid-cycle EBIT, and yields a valuation for Maire Tecnimont of EUR 2.0/share.

While conservative, we consider the 2% growth rate as a base-case value, as we expect long-term growth to be broadly in line with the long-term global GDP growth. We also think that in the medium term (i.e. in the next five years at least) the global growth rate should be higher than 2%, mostly driven by strong growth in emerging economies.

Maire Tecnimont - WACC calculation	
%	
Debt	0
Equity	100
Terminal Growth Rate	2.0
Tax Rate	28
Interest cost after tax	4.4
Risk free Interest rate	4.8
Beta (x)	1.30
Market Risk Premium	5.5
WACC	11.90

Source: Intesa Sanpaolo Research estimates

Maire Tecnimont - Value on DCF-EV/EBIT basis			
growth g = 2%	EVo/EBITo (mid-cycle) =	$\frac{(1-tc)}{WACC - g}$	= 6.5
(mid cycle, EBIT '06-10)		tc = 36%	
		WACC = 11.90%	
		g = 2.0%	
	EV on fair multiple (LT EBIT based) =	521	EUR M
	NPV 2008-2010CF	21	EUR M
	Cash/(Net Debt) (2007)	418	EUR M
	- Client down payments 07	-346	EUR M
	Fin. Assets 07	26	EUR M
	fair value =	640.3	EUR M
Value		1.99	EUR / share

Source: Intesa Sanpaolo Research estimates

P/E peer multiples approach

In order to take into account the market peers, we also carried out a valuation based on multiples. Among the sample, we think that the companies most comparable to Maire Tecnimont are Tecnicas Reunidas and JGC.

Maire Tecnimont - P/E peer group multiples				
x	Price	2008 P/E (100 days)	2009 P/E (100 days)	2010 P/E (100 days)
Europe	USD			
Maire Tecnimont	1.6	4.0	3.8	3.9
Tecnicas Reunidas SA	24.6	8.1	6.3	5.6
Petrofac	5.4	8.8	6.3	4.8
Technip SA	26.3	5.4	5.5	6.0
Amec	7.4	12.1	9.8	8.5
EU avg		8.6	7.0	6.2
US & others	USD			
JGC	10.7	8.2	7.8	7.1
Foster Wheeler Ltd.	21.4	5.8	5.4	5.4
Mcdermott Intl Inc	8.4	3.9	4.4	3.3
Toyo Engineering Corp.	2.6	5.6	5.4	5.3
Fluor Corp.	38.0	10.5	9.4	10.3
KBR Inc.	14.0	8.2	7.8	7.5
US & others avg		7.0	6.7	6.5
Grand Total Average		7.7	6.8	6.4
Avg Tecnicas + JGC		8.2	7.0	6.3

Source: JCF

This valuation approach is based on the Tecnicas Reunidas and JGC 2009E average multiples, equal to 7.0x, which yields an equity value of approx. EUR 1.8/share.

Maire Tecnimont - P/E09E basis valuation							
(P/E multiples based)	Peers P/E09E	EUR M	EUR/share	2007A	2008E	2009E	2010E
Consolidated		496	1.54				
Enterprise Value		496	1.54	3.9	3.2	3.7	3.5
G&A		0	0.00				
Cash/(Net debt) (2007)		418	1.30				
- Cash from Client advances		-346	-1.07				
Net Financial Assets/minorities		26	0.08				
Equity value	7.0	594	1.84	8.1	5.6	7.0	6.4

Note: Tecnicas Reunidas and JGC average multiple has been used for valuation purposes; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

3Q/9M08 Results

The 3Q08 EBITDA was broadly in line with our estimates and with 3Q07, but decreasing on a qoq basis. 9M08 revenues increased yoy, mainly due to the increase of petrochemical and power generation business, mostly supported by the projects in the Middle East in the C&P division and in Latin America in Power Gen. On the other hand, the petrochemical division 3Q08 revenues slightly decreased yoy and qoq, with the EBITDA margin broadly stable yoy at 8.2%.

The 9M08 bottom line benefited from higher financial income (mainly from derivatives) and lower tax rate.

Backlog was reported in the region of EUR 4.6Bn (excluding the remaining OBCE convertible contracts for around EUR 1.2Bn).

Net financial position was EUR 432M, out of which roughly EUR 470M for client advanced payments.

Maire Tecnimont - 3Q/9M08 results								
EUR M	2Q08A	3Q07A	3Q08E	3Q08A	9M07A	9M08E	9M08A	yoy %
Sales	641	493	574	558	1,313	1,721	1,706	29.9
EBITDA	50	39	39	41	103	121	123	19.6
% of Sales	7.7	7.8	6.8	7.3	7.9	7.1	7.2	
EBIT	43	35	33	37	90	104	108	20.0
% of Sales	6.8	7.0	5.7	6.7	6.9	6.0	6.4	
Pre-tax Income	51	36	35	52	84	108	125	48.4
Tax Rate (%)	31.9	41.9	34.0	31.3	44.9	35.2	33.9	
Net Income	32	22	23	35	46	67	79	73.2
Adj. Net Income	32	22	23	35	46	67	79	73.2
Net Financial Position						405	432	

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

Maire Tecnimont - Key figures

Sector REUTERS CODE	Oil&Gas MTCM.MI	Mkt price EUR/Share Target price EUR/Share	Ordinary		Rating BUY
			1.26	1.91	
Values per share (EUR)	2006A	2007A	2008E	2009E	2010E
No. ordinary shares (M)	300.0	322.5	322.5	322.5	322.5
No. NC saving/preferred shares (M)	0.0	0.0	0.0	0.0	0.0
Total no. of shares (M)	300.0	322.5	322.5	322.5	322.5
Adj. EPS	0.1	0.2	0.3	0.3	0.3
CFPS	0.2	0.3	0.4	0.3	0.3
BVPS	0.4	0.8	1.1	1.2	1.4
Dividend Ord	0.0	0.1	0.1	0.1	0.1
Dividend SAV Nc	0.0	0.0	0.0	0.0	0.0
Income statement (EUR M)	2006A	2007A	2008E	2009E	2010E
Sales	1059.8	1981.2	2361.0	2254.4	2233.8
EBITDA	94.1	142.4	175.5	150.4	156.4
EBIT	71.9	127.1	156.5	135.4	141.4
Pre-tax income	61.1	122.2	166.3	137.1	144.1
Net income	30.0	73.3	106.0	84.2	92.7
Adj. net income	30.2	73.3	106.0	84.2	92.7
Cash flow (EUR M)	2006A	2007A	2008E	2009E	2010E
Net income before minorities	30.5	73.3	109.0	86.2	93.7
Depreciation and provisions	22.2	15.3	19.0	15.0	15.0
Change in working capital	176.9	162.7	-176.5	-42.8	28.0
Operating cash flow	229.6	251.3	-48.5	58.4	136.7
Capital expenditure	0.0	0.0	-56.0	-2.0	-2.0
Other (uses of Funds)	-36.1	-34.4	-4.5	-7.0	-7.0
Free cash flow	193.4	217.0	-109.0	49.4	127.7
Dividends and equity changes	0.0	60.8	-22.6	-32.6	-25.9
Net cash flow	193.4	277.7	-131.6	16.8	101.8
Balance sheet (EUR M)	2006A	2007A	2008E	2009E	2010E
Net capital employed	-24.4	-153.1	64.9	101.7	67.7
of which associates	26.0	26.0	26.0	26.0	26.0
Net debt/-cash	-140.3	-418.0	-286.4	-303.3	-405.0
Minorities	8.8	8.8	11.9	13.9	14.9
Net equity	107.1	256.1	339.5	391.1	457.8
Market cap	378.6	407.0	407.0	407.0	407.0
Minorities value	0.0	0.0	0.0	0.0	0.0
Enterprise value (*)	212.3	-37.0	94.6	77.7	-24.0
Stock market ratios (x)	2006A	2007A	2008E	2009E	2010E
Adj. P/E	12.5	5.6	3.8	4.8	4.4
P/CEPS	7.3	4.6	3.3	4.1	3.8
P/BVPS	3.5	1.6	1.2	1.0	0.9
Dividend yield (% ord)	0.0	5.5	8.0	6.4	7.0
Dividend yield (% sav)					
EV/sales	0.2	0.0	0.0	0.0	0.0
EV/EBITDA	2.3	-0.3	0.5	0.5	-0.2
EV/EBIT	3.0	-0.3	0.6	0.6	-0.2
EV/CE	-8.7	0.2	1.5	0.8	-0.4
D/EBITDA	-1.5	-2.9	-1.6	-2.0	-2.6
D/EBIT	-2.0	-3.3	-1.8	-2.2	-2.9
Profitability & financial ratios (%)	2006A	2007A	2008E	2009E	2010E
EBITDA margin	8.9	7.2	7.4	6.7	7.0
EBIT margin	6.8	6.4	6.6	6.0	6.3
Tax rate	50.0	40.0	34.4	37.1	35.0
Net income margin	2.8	3.7	4.5	3.7	4.1
ROE	28.1	28.6	31.2	21.5	20.2
Debt/equity ratio	-1.2	-1.6	-0.8	-0.7	-0.9
Growth (%)		2007A	2008E	2009E	2010E
Sales		86.9	19.2	-4.5	-0.9
EBITDA		51.4	23.2	-14.3	4.0
EBIT		76.9	23.1	-13.5	4.4
Pre-tax income		100.1	36.0	-17.6	5.1
Net income		144.1	44.5	-20.5	10.0
Adj. net income		143.0	44.5	-20.5	10.0

(*) EV = Mkt cap+ Net Debt + Minorities Value - Associates A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

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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.

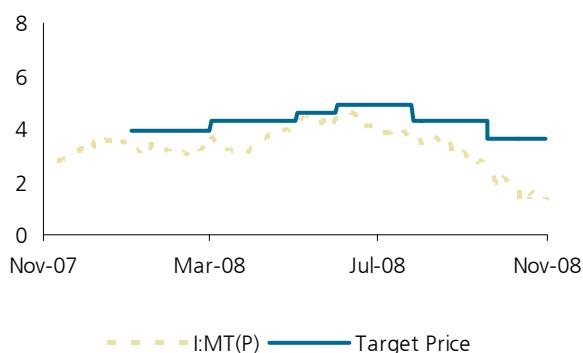
Equity rating key: (long-term horizon: 12M)

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 rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances, including when Intesa Sanpaolo Group is acting in an advisory capacity in a merger or strategic transaction involving the company
NO RATING	The company is or may be covered by the Research Department but no rating or target price is assigned
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)

Maire Tecnimont - Historical recommendations and target price trend (-1Y)



Maire Tecnimont - Historical recommendations and target price trend (-1Y)

Date	Rating	TP	Mkt Price
16-Jan-08	ADD	3.92	3.31
14-Mar-08	BUY	4.30	3.45
7-May-08	ADD	4.30	3.88
15-May-08	ADD	4.62	4.05
13-Jun-08	ADD	4.90	4.40
7-Aug-08	ADD	4.30	3.70
1-Oct-08	BUY	3.62	2.50

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

Intesa Sanpaolo Research Rating Distribution (at 1 November 2008)					
Number of companies covered: 109	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage %	37	20	39	3	1
of which Intesa Sanpaolo's Clients % (*)	38	17	45	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 has a conflict of interest inasmuch as it plans to solicit investment banking business or intends to seek compensation from the Company in the next three months.
- 2 The Intesa Sanpaolo Group has made significant financing to Maire Tecnimont and its parent and group companies;
- 3 Banca IMI was Joint Global Coordinator, Lead Manager and Sponsor for Maire Tecnimont in the IPO on November 2007.

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