

11 Nov 2009 - 08:35:53 AM CEST

COMPANY ALERT

Terna S.p.A.

New dividend policy and 9M 2009 results comment

Results

Buy

Reuters:TRN.MI Exchange:MIL Ticker:TRN

Price (EUR)	2.78
Price target (EUR)	3.10
52-week range (EUR)	2.78 - 2.12
Market cap (EUR)(m)	5,552.5
Shares outstanding (m)	2,001
DJ (.STOXXE)	266.8
Free float (%)	100

FYE 12/31	2008A	2009E	2010E
Revenue (EURm)	1,395	1,342	1,458
DB PBT (EU-Rm)	536	518	571
Stated PBT (EURm)	536	1,028	571
DB EPS (EUR)	0.16	0.17	0.18
DPS (EUR)	0.16	0.19	0.19
P/E (DB EPS) (x)	16.2	16.7	15.2

Yearly Evolution of DPS (Euro)

Year	DPS	Yield
2009	0.190	6.9%
2010	0.192	6.9%
2011	0.195	7.0%
2012	0.195	7.0%

Source: Deutsche Bank

Terna reported a sound set of 9M results confirming good operating progression and investments acceleration supported by the favourable regulatory environment. The company also announced a new attractive dividend policy into 2012. We confirm our Buy.

9M Results & guidance. Revenues were slightly higher than expected, mainly due to non-regulated activities(E58m vs. E50m expected). This translated into slightly higher EBITDA and EBIT (respectively 0.8% and 0.5% higher than DB estimates). Net financial expenses were significantly lower than expected due to lower cost of debt: Management guided towards 3.7%-3.8% for 2009 decreasing to 3.5%-3.6% for 2010, following the exit from Brazil. We have fine-tuned our estimates accordingly. Net debt was 4,292m broadly in line with expectations (E4,250m) after capex of E570m (DB E550m): the updated capex target for 2009 is E850m from >E800m before while net debt guidance of E4bn for year-end was reaffirmed. Relating to solar investments the company is working to obtain grid connections and authorizations and is ready to launch a European tender for constructors by the end of November; management confirmed the target to build 100MWp with c.E300m capex.

Dividend policy. Management disclosed the new dividend policy into 2012: DPS will grow annually by a minimum of 4%, with 2008 DPS of E0.158 as a reference; in addition DPS 2009-2012 will have an extraordinary contribution (overall E150m) from the proceeds of the disposal of Terna Part. The distribution over time will be: E52m in 2009, E43m in 2010, E35m in 2011 and 20m in 2012. Related DPS evolution is shown in the table on the left. Interim DPS of E0.07 (+18% yoy) will be paid on 23 Nov. Dividend yield for 2009 is 7% in line with expectation and well above sector average of 5.1%.

9M results review (Euro m)	9M-08	9M-08 R	9M-09 A	9M-09 E	% diff
Operating revenues	1040	887	997	986	1.1%
Regulated	836.2	836.5	938.8	935.9	0.3%
Other	66.0	50.0	58.0	50.0	16.0%
Operating expenses	281.0	245.0	233.0	228.5	2.0%
EBITDA	759.1	645.2	763.8	757.4	0.8%
EBIT	558.3	461.7	540.4	537.7	0.5%
Net financial expenses	61.6	61.7	121.4	128.0	-5.2%
Taxes	154.0	143.8	150.5	146.5	2.8%
Net Profit	342.7	256.2	268.5	263.2	2.0%
Discontinued operations		40.7	71.6	59.0	21.4%
Minority interests	16.8	13.9	20.1	18.0	11.7%
Group net income	325.9	283.0	320.0	304.2	5.2%

Source: Deutsche Bank

Virginia Sanz De Madrid Grosse Research Analyst (+34) 913355898 virginia.sanz-de-madrid@db.com	Gilles Errico Research Analyst (+39) 02 86379-855 gilles.errico@db.com
--	--

Deutsche Bank AG/London

All prices are those current at the end of the previous trading session unless otherwise indicated. Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies. Deutsche Bank does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Independent, third-party research (IR) on certain companies covered by DBSI's research is available to customers of DBSI in the United States at no cost. Customers can access IR at <http://gm.db.com> or by calling 1-877-208-6300.

THE VIEWS EXPRESSED ABOVE ACCURATELY REFLECT PERSONAL VIEWS OF THE AUTHORS ABOUT THE SUBJECT COMPANY(IES) AND ITS(THEIR) SECURITIES. THEY HAVE NOT AND WILL NOT RECEIVE ANY COMPENSATION FOR PROVIDING A SPECIFIC RECOMMENDATION OR VIEW IN THIS REPORT. FOR OTHER DISCLOSURES PLEASE VISIT [HTTP://GM.DB.COM](http://GM.DB.COM) MICA(P) 106/05/2009