

Sector View

Construction-Concessions

Cautious French roadworks guidance for 2016 from the Federation

	1 M	3 M	6 M	31/12/15
Cons & Mat	-5.2%	-4.4%	-7.5%	-5.4%
DJ Stoxx 600	-7.4%	-9.8%	-14.0%	-7.3%

*Stoxx Sector Indices

Companies covered

EIFFAGE	BUY	EUR63
VINCI	NEUTRAL	EUR65

2015 was a tough year for French roadworks, with an 11.9% revenues decline, a combination of 6% volume decline and deflation, as bitumen prices are linked with oil prices. The French federation URSIF is cautious for 2016 and expects a further but more limited 1.5% decline. This echoes recent comments from Vinci's CEO, who expects French roadworks to fall at a slower pace in 2016.

ANALYSIS

- Roadworks are core businesses for both Vinci (20% of sales and 7% of EBIT) and Eiffage (28% of sales and 7% of EBIT, including other civil works).
- Both were under pressure last year. Vinci subsidiary Eurovia reported sales down 6.4% on a like-for-like basis at end-September, while at the Eiffage Infrastructures division (incl. roadworks) revenues were down 7.9% on a like-for-like basis over the first 9 months.
- Cautious comments from URSIF are not surprising but confirm 2016 will be a transition year for public works in France. High-speed train line project contributions are fading, while Le Grand Paris new project auctions have not started, yet. Furthermore, local authorities financing (44% of investments) should remain under pressure. On the other hand, URSIF is more optimistic on the private sector (34% of the investments) with an expected 3% increase in 2016. Finally, stimulus toll roads plan projects could start to contribute at the end of 2016.

VALUATION

- Fair Value derived from SOTP.

NEXT CATALYSTS

- Vinci FY results to be published on 4th February and Eiffage on 24th February.

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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