

Eiffage

Price EUR56.61

Further steady traffic growth for APRR in Q4

Fair Value EUR63 (+11%)

BUY

Bloomberg	FGR FP
Reuters	FOUG.PA
12-month High / Low (EUR)	59.8 / 43.0
Market Cap (EUR)	5,403
Ev (BG Estimates) (EUR)	19,869
Avg. 6m daily volume (000)	268.6
3y EPS CAGR	12.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.0%	-1.7%	8.0%	-4.9%
Cons & Mat	-6.4%	-4.8%	-12.4%	-8.9%
DJ Stoxx 600	-8.0%	-9.4%	-18.4%	-10.2%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	13,987	13,747	13,704	13,953
% change		-1.7%	-0.3%	1.8%
EBITDA	2,035	2,163	2,219	2,289
EBIT	1,347	1,353	1,409	1,479
% change		0.4%	4.2%	5.0%
Net income	275.0	303.8	355.0	422.1
% change		10.5%	16.8%	18.9%

	2014	2015e	2016e	2017e
Operating margin	9.6	9.8	10.3	10.6
Net margin	2.5	2.8	3.3	3.9
ROE	11.8	11.5	12.3	13.1
ROCE	4.7	4.4	4.6	4.8
Gearing	428.7	367.6	329.6	289.5

(EUR)	2014	2015e	2016e	2017e
EPS	3.09	3.23	3.74	4.44
% change	-	4.6%	15.7%	18.9%
P/E	18.3x	17.5x	15.2x	12.7x
FCF yield (%)	13.6%	6.7%	5.1%	6.8%
Dividends (EUR)	1.20	1.20	1.20	1.20
Div yield (%)	2.1%	2.1%	2.1%	2.1%
EV/Sales	1.4x	1.4x	1.4x	1.4x
EV/EBITDA	9.9x	9.2x	8.9x	8.5x
EV/EBIT	15.0x	14.7x	14.0x	13.2x



Eiffage's 50%-owned toll roads subsidiary has again reported steady traffic growth in Q4. In particular, the rise in truck traffic accelerated to 4.1% y/y in the last quarter vs 2.9% for the FY. Car traffic also remained healthy, with 2.7% growth in Q4, leading to a 2.6% y/y increase for the FY. Combined, APRR traffic rose 2.9% in Q4 and 2.7% over the FY. This is good for Eiffage, as APRR accounts for c15% of sales but c65% of EBIT. Positive read-across for Vinci (Neutral FV EUR65) too.

Eiffage subsidiary APRR has reported a solid top line performance for 2015, with 3% revenue growth, mostly driven by a good traffic performance (2.7%). Trends improved in Q4, with 3.3% sales growth and 2.9% for traffic. This was slightly better than our 2.5% estimate for volumes in 2015.

Quarterly traffic – APRR

		Q114	Q214	Q314	Q414	Q115	Q215	Q315	Q415
m-km travelled	Cars	4026	4551	5720	4126	4099	4674	5896	4236
	Trucks	813	826	788	810	829	843	815	844
	Total	4839	5377	6508	4936	4928	5517	6712	5080
y/y change (%)	Cars	0.5	3.2	0.6	2.6	1.8	2.7	3.1	2.7
	Trucks	1.9	2.5	1.3	0.4	2.0	2.1	3.5	4.1
	Total	0.7	3.1	0.7	2.2	1.8	2.6	3.1	2.9
YTD y/y (%)	Cars	0.5	1.9	1.4	1.6	1.8	2.3	2.6	2.6
	Trucks	1.9	2.2	1.9	1.5	2.0	2.0	2.5	2.9
	Total	0.7	2.0	1.4	1.6	1.8	2.2	2.6	2.7

Source: Company Data; Bryan Garnier & Co. ests.

ANALYSIS

- No weakness in traffic at the end of the year. Traffic remained steady with regular growth for cars and actually a regularly improving trend for trucks. Low oil prices helped certainly, as well as perhaps an improving macro environment (heavy vehicle traffic is usually linked with industrial production). This should be reflected by another solid EBITDA margin for APRR, despite virtually no tariff increases this year (frozen in February).
- This reinforces our positive stance on Eiffage, which should benefit from the positive impact from APRR's debt refinancing. Roughly two thirds of the PBT improvement from 2015 to 2017 is explained by lower interest charges. APRR is able to issue debt at 1.5% and to repay expensive debt, while the average cost of debt for Eiffage is estimated at close to 5.5% in 2015e.
- Furthermore, the construction environment in France is gradually stabilising, in particular regarding road works (end of order intake deterioration). 2016 will not be rosy, though, as local authority finances are still under pressure, while the Grand Paris projects auction is taking longer than expected. Vinci's CEO recently stated that he had noted the "first signs of improvement in French Construction" but that "French roadworks will fall at slower pace in 2016". Positive comments but cautious, though.
- Nevertheless, Eiffage's profile could be very attractive for investors. APRR provides good visibility, while the construction divisions were resilient in 2015e (EBIT margin virtually flat at 3.2%e).

VALUATION

- EUR63 FV, derived from an SOTP.

NEXT CATALYSTS

- FY 2015 results to be released on 24th February, after market

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