

26th February 2016

Business Services

ELIOR

Price EUR17.73

Q1 results: 2016 well engaged and guidance confirmed

Fair Value EUR23.5 (+33%)

BUY-Top Picks

Bloomberg	ELIO FP
Reuters	ELIO.PA
12-month High / Low (EUR)	19.8 / 14.6
Market Cap (EURm)	3,055
Avg. 6m daily volume (000)	192.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.3%	-1.2%	1.3%	-8.1%
Travel&Leisure	0.4%	-5.1%	2.2%	-8.5%
DJ Stoxx 600	-2.9%	-14.3%	-8.4%	-10.7%
	09/15	09/16e	09/17e	09/18e
P/E	22.3x	15.7x	12.4x	11.4x
Div yield (%)	1.8%	2.2%	2.9%	3.2%

ANALYSIS

- **Q1 results were sustained with good progress in the group's strategy:** Total revenue reached EUR1,483m up 4.5% in reported terms with lfl growth of 1% taking into account the termination or the disposal of insufficiently profitable contracts of 2.1% (higher than our forecast). **EBITDA** was up 6.9% at EUR114m, bang in line with our estimate, generating an **EBITDA margin** of 7.7% up 20bps. By segment, revenue in **contract catering** was up 5.1% with lfl of 0.2%, affected by the group's strategy to withdraw from low or non-profitable contracts and EBITDA reached EUR90m with EBITDA margin down 10bps to 8.2%. Regarding **concession catering**, total revenue was up 2.7% at EUR387m with lfl of 3.4% and EBITDA reached EUR26m from EUR22m with an EBITDA margin up 80bps to 6.7%
- **FY 2016 guidance confirmed:** The transformation is well engaged with the review of contracts and the implementation of the Tsubaki plan with a positive commercial development both in Contract and concession. After Q1 results, **management confirmed its FY guidance** with lfl revenue growth of more than 3% excluding the impact of voluntary contract exits (expected to be less than 150bps) with an EBITDA margin up 20bps at least to 8.6%. We are anticipating 1.9% lfl revenue growth taking into account contract exits with EBITDA margin of 8.65%.

VALUATION

- At the current share price, the stock is trading 8.7x EV/EBITDA 15-2016e and 7.8x 16-2017e.
- Note that our FV is currently derived from our "Base case" scenario with total revenue of EUR7,498m in 2020 and an EBITDA margin of 9.3%. Our "Blue sky" scenario based on total revenue of EUR8,121m in 2020 and an EBITDA margin of 9.7% derive a DCF valuation of EUR30.5.

NEXT CATALYSTS

- Conference call at 9.00am (Paris time)
- H1 results on 27th May 2016

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NEUTRAL ratings 28.9%

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