

11th February 2016

Healthcare

**Korian**

Price EUR28.85

Feedback conference call FY revenue: 2015 EBITDA lowered; action plan for 2016 not unveiled

Fair Value EUR38 (+32%)

SELL

Bloomberg	KORI.FP
Reuters	KORI.PA
12-month High / Low (EUR)	36.3 / 27.9
Market Cap (EURm)	2,293
Avg. 6m daily volume (000)	120.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	-11.5%	-17.3%	-11.3%	-14.3%
Healthcare	-10.3%	-14.6%	-20.6%	-14.9%
DJ Stoxx 600	-7.7%	-16.2%	-21.2%	-13.8%

	2014	2015e	2016e	2017e
P/E	20.3x	19.6x	17.0x	14.9x
Div yield (%)	2.1%	2.1%	2.1%	2.1%

#### ANALYSIS

- **Lower than expected:** The group unveiled its FY revenue, up 16.1% on a reported basis at EUR2,579m with lfl growth of 2.4% (1.4% in Q4) i.e. lower than consensus (consensus at EUR2,590m and our estimate of EUR2,593m). Remember that management confirmed their top-line expectation close to EUR2.6bn when Q3 was released in November. By geography, lfl revenue growth was 2.3% in **France** (59.5% of consolidated revenue) and 2.6% abroad o/w 3.8% in **Germany** (20.1%), 1.3% in **Italy** (11.9%) and 2.7% in **Belgium** (8.4%).
- **...and FY 2015e results guidance downgraded:** Following revenue, management downgraded its 2015 EBITDA margin which should be lower by about 100bps vs. last year (2014 EBITDA margin of 14.3%) compared with previous guidance of “a solid operating margin” i.e. stable vs. last year at 14.3% taking into account the negative impact of 50bp due to the drop in tariffs in post-acute and rehabilitation care (EUR7m) and the restructuring plan (EUR5m). In fact, EBITDA will be lower c.EUR30m o/w EUR21/22m with the reclassification of personnel and IT expenses in France (EUR7m) and Germany (EUR13/14m), plus EUR7m linked to lower than expected operating performance in H2 (60% coming from Germany-bad check charges and 1/3 from France-social harmonization costs). All in all, EBITDA should be EUR340m-345m vs. around EUR372m from the consensus and our expectation of EUR375m, representing an EBITDA margin of 13.3% (EBITDA 2014 of EUR358m).
- **No precise guidance for 2016:** If management anticipates “significant revenue growth” in 2016 taking into account the first consolidation of **Casa Reha** (total revenue of EUR281m in 2015) as from January 2016 and based on 3% lfl revenue growth, no more detail regarding the action plan implemented to restore the performance of the group especially in Germany following management changing.

#### VALUATION

- At the current share price, before adjustment, the stock is trading 9.4x EV/EBITDA 2016e and 8.4x 2017e which compares with an historical median of 9.3x and an EBITDA CAGR 2014-2017 of 8.4%.
- Share price should remain under pressure until FY results on 23<sup>rd</sup> March, when the new management will announce its strategy.

#### NEXT CATALYSTS

- Laurent Lemaire, new CFO arrival on 26<sup>th</sup> February
- FY 2015 results on 23<sup>rd</sup> March (after market)

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BUY ratings 61,9%

NEUTRAL ratings 29,1%

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