

INDEPENDENT RESEARCH
UPDATE

2nd February 2016

Construction & Building Materials

Bloomberg	DG FP
Reuters	SGEF.PA
12-month High / Low (EUR)	62.6 / 46.8
Market capitalisation (EURm)	36,776
Enterprise Value (BG estimates EURm)	48,361
Avg. 6m daily volume ('000 shares)	1,798
Free Float	79.0%
3y EPS CAGR	8.4%
Gearing (12/14)	89%
Dividend yield (12/15e)	2.81%

YE December	12/14	12/15e	12/16e	12/17e
Revenue (EURm)	38,703	38,346	39,553	40,005
EBIT (EURm)	3,570	3,517	3,791	4,208
Basic EPS (EUR)	3.23	3.30	3.62	4.11
Diluted EPS (EUR)	3.23	3.30	3.62	4.11
EV/Sales	1.27x	1.26x	1.20x	1.16x
EV/EBITDA	8.8x	8.8x	8.1x	7.2x
EV/EBIT	13.7x	13.7x	12.5x	11.0x
P/E	19.3x	18.9x	17.2x	15.2x
ROCE	7.2	7.2	7.8	8.8

Price and data as at close of 29th January



VINCI

Back to Buy

Fair Value EUR70 vs. EUR65 (price EUR62.42)

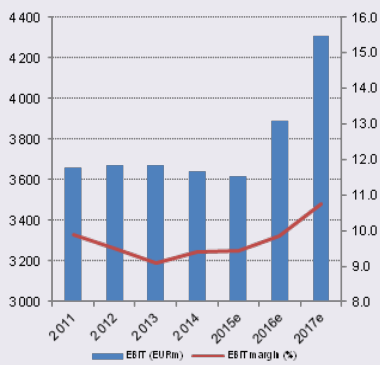
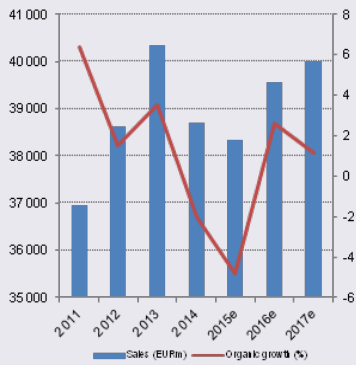
BUY vs.
NEUTRAL

Encouraged by healthy traffic figures in Q4 at APRR and given the current market uncertainties, we have decided to revisit our position on Vinci. We have increased our traffic estimates and implemented our SOTP with 2017 forecasts since we consider investors are likely to anticipate next year, with 2016 likely to be a transition year. Since our downgrade on 30th November, the share price has been flat, which actually represents a strong relative performance. Upgrade to BUY. New FV at EUR70.

- We expect Vinci Autoroutes to report good traffic growth in Q4, as was the case for APRR with a figure of 2.9%. ASF could also report stronger figures, as it benefits from a recovering Spanish macro.
- 2016 will continue to be complicated for construction in France, but Vinci's order book is improving (flat at end-Sept. excl. SEA) and the group has a fine international exposure (>40% of sales), with a more resilient top line (9 months sales down -2.5% l-f-l vs -4.9% for the group) and a dynamic order book (+7% at end Sept. vs 0% as a whole).
- Comparison will be easier in 2016. Vinci's revenues were penalised by the oil and gas markets in 2015 (EUR1.5bn exposure before the downturn). Besides, EBIT margin was affected by losses in the UK due to the Nottingham tramway project and was down 100bp overall to 1.5% for construction in H1.
- Vinci is due to report 2015 figures on Thursday 4th February. We prefer to upgrade beforehand, as we see a potential opportunity in a consensus upgrade (traffic), a reassuring outlook (construction in France), and possible welcome news (Grand Paris auctions?) with limited risk (11 months visibility throughout the order book). New FV at EUR70 with stronger traffic and roll-over to 2017 SOTP (discounted back to 2016). Upgrade to BUY (vs Neutral)

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VINCI


Company description

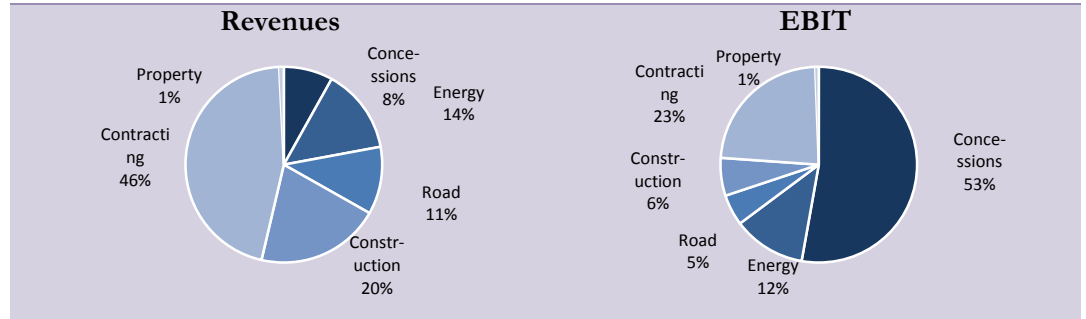
Vinci is a group of 185,000 employees; very present internationally (~ 40% of its business). If the construction, road works and energy account for 85% of revenues, Concessions weigh more than two thirds of the EBIT, more than 70% of the net income and most of the debt. In its concession portfolio in particular are the first French motorway network (nearly 4400km with ASF, Cofiroute and Escota), but also in Portugal ANA (airports 10 to 35 million passengers).

Simplified Profit & Loss Account (EURm)	2012	2013	2014	2015e	2016e	2017e
Revenues	38,634	40,338	38,703	38,346	39,553	40,005
Change (%)	4.5%	4.4%	-4.1%	-0.9%	3.1%	1.1%
Adjusted EBITDA	5,419	5,596	5,561	5,509	5,882	6,485
Adjusted EBIT	3,671	3,582	3,570	3,517	3,791	4,208
Change (%)	0.3%	-2.4%	-0.3%	-1.5%	7.8%	11.0%
Cost of the net debt	(638)	(598)	(616)	(590)	(574)	(547)
Financial results	(657)	(650)	(677)	(651)	(635)	(608)
Pre-Tax profits	2,912	3,022	3,500	2,866	3,157	3,600
Tax	(969)	(1,070)	(1,050)	(975)	(1,073)	(1,224)
Profits from associates	82.0	95.0	66.0	70.0	70.0	70.0
Minority interests	109	84.3	29.5	23.0	25.3	28.7
Net profit	1,916	1,962	2,486	1,939	2,128	2,417
Restated net profit	1,916	1,898	1,906	1,939	2,128	2,417
Change (%)	0.7%	-0.9%	0.4%	1.7%	9.8%	13.6%
Cash Flow Statement (EURm)						
Change in working capital	(37.4)	6.0	(158)	0.0	0.0	0.0
Operating cash flows	3,865	3,648	3,633	3,657	3,770	4,057
Capex, net	(1,882)	(1,468)	(1,436)	(1,568)	(1,619)	(1,516)
Free Cash flow	1,983	2,180	2,197	2,089	2,151	2,540
Dividends	(1,057)	(1,072)	(1,287)	(1,251)	(985)	(1,081)
Financial investments, net	(598)	(3,220)	578	0.0	0.0	0.0
Other	(266)	536	(666)	(306)	(306)	(306)
Net debt change	62.9	(1,576)	822	532	860	1,153
Balance Sheet (EURm)						
Tangible fixed assets	4,757	4,541	4,316	4,377	4,364	4,186
Intangibles assets	30,547	33,018	31,548	31,212	30,900	30,466
current assets	16,500	15,527	15,170	15,030	15,503	15,680
Other assets	2,121	3,295	4,082	4,685	5,465	6,438
Cash & equivalents	7,667	6,695	7,914	7,914	7,914	7,914
Total assets	61,591	63,076	63,030	63,217	64,147	64,684
Shareholders' funds	13,334	14,142	14,743	15,450	16,609	17,963
Minorities	735	118	125	129	139	150
Provisions	5,304	5,657	6,226	6,326	6,426	6,526
L & ST Debt	20,194	20,798	21,195	20,663	19,803	18,650
Others liabilities	3,113	3,560	2,352	2,352	2,352	2,352
Total Liabilities	61,591	63,076	63,030	63,169	64,051	64,540
Net debt	11,937	14,103	13,281	12,749	11,889	10,736
Capital employed	32,893	34,285	32,645	32,369	32,046	31,433
Ratios						
EBITDA margin	14.03	13.87	14.37	14.37	14.87	16.21
Operating margin	9.50	9.10	9.41	9.43	9.84	10.77
Apparent cost of the avrg gross debt	3.59	3.38	3.24	3.10	3.10	3.10
Tax rate	33.27	35.42	30.00	34.00	34.00	34.00
Net margin	5.24	5.07	6.50	5.12	5.44	6.11
ROE (after tax)	14.37	13.42	12.93	12.55	12.81	13.46
ROCE (after tax)	7.57	6.63	7.22	7.17	7.81	8.84
Gearing	84.84	98.90	89.33	81.84	70.99	59.27
Net debt / EBITDA (x)	2.20	2.52	2.39	2.31	2.02	1.66
Pay out ratio	46.86	50.46	49.53	50.00	50.00	50.00
Number of shares, diluted	577	602	590	588	588	588
Data per Share (EUR)						
EPS	3.32	3.16	3.23	3.30	3.62	4.11
Restated EPS	3.32	3.16	3.23	3.30	3.62	4.11
% change	-1.4%	-4.9%	2.4%	2.1%	9.8%	13.6%
BVPS	23.10	23.50	24.98	26.29	28.26	30.56
Operating cash flows	6.69	6.06	6.16	6.22	6.41	6.90
FCF	3.43	3.62	3.72	3.55	3.66	4.32
Net dividend	1.77	1.77	2.22	1.75	1.93	2.19

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

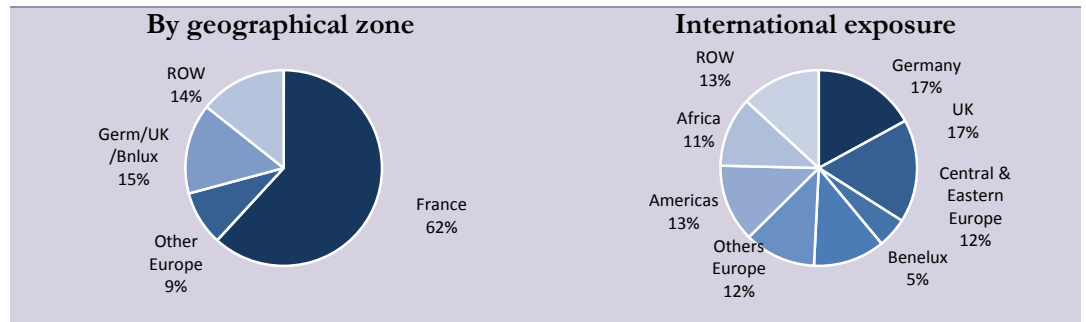
1. Business in chart

Fig. 1: Breakdown by business (2015e)



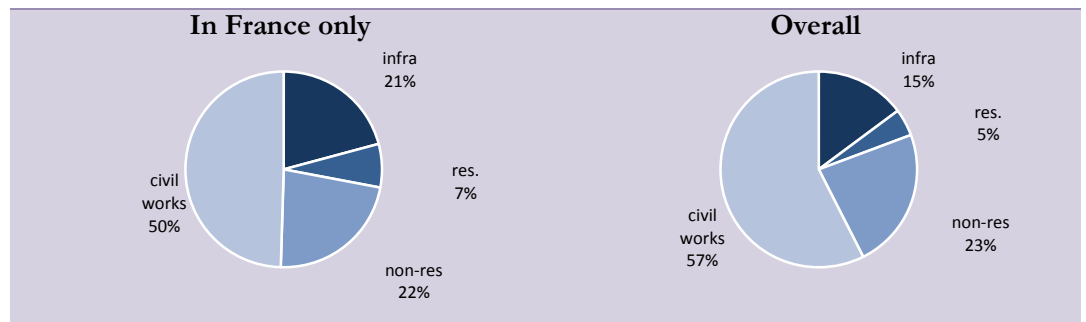
Sources: Vinci, Bryan, Garnier & co

Fig. 2: Sales breakdown (2014)



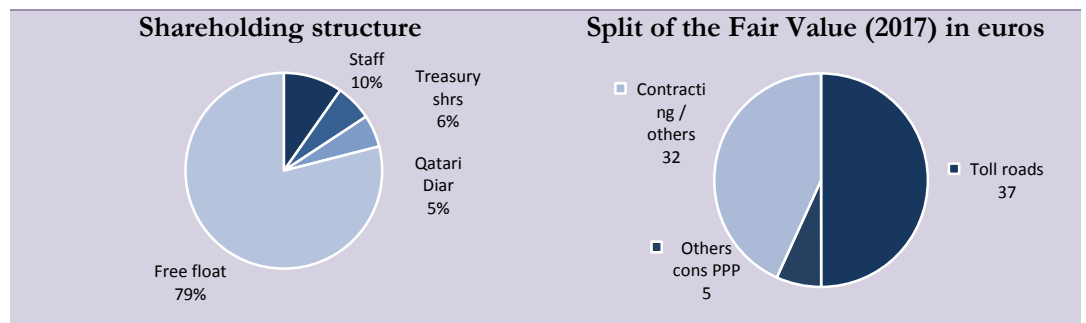
Sources: Vinci, Bryan, Garnier & co

Fig. 3: Sales exposure to market segment – 2014 estimation



Sources: Vinci, Bryan, Garnier & co

Fig. 4: Miscellaneous



Sources: Vinci, Bryan, Garnier & co

2. Key forecasts by business

Fig. 5: Revenues per business

Revenues (EURm)	2013	2014	2015e	2016e	2017e
Vinci Autoroutes	4596	4755	4873	5068	5271
Vinci Airports	315	717	810	844	881
Concessions	5616	5823	5776	6009	6251
Energy & Information	9248	9309	10010	10223	10574
Road	8613	8188	7971	7662	7867
Construction	16775	15419	14618	15692	15344
Contracting	34636	32916	32599	33577	33786
Property	816	587	587	602	608
Eliminations	-730	-623	-617	-636	-639
Total	40338	38703	38346	39553	40005
Organic growth (%)	2013	2014	2015e	2016e	2017e
Vinci Autoroutes	-	3.5	2.5	4.0	4.0
Vinci Airports	-	13.8	12.9	4.3	4.3
Concessions	3.1	4.5	3.8	4.0	4.0
Energy & Information	-1.5	-2.5	-1.7	2.1	3.4
Road	-0.8	-4.6	-6.5	-5.1	2.7
Construction	9.8	-2.8	-9.0	6.6	-2.2
Contracting	3.9	-3.2	-6.3	2.3	0.6
Total	3.5	-2.0	-4.8	2.6	1.1

Source: Vinci, Bryan, Garnier & co

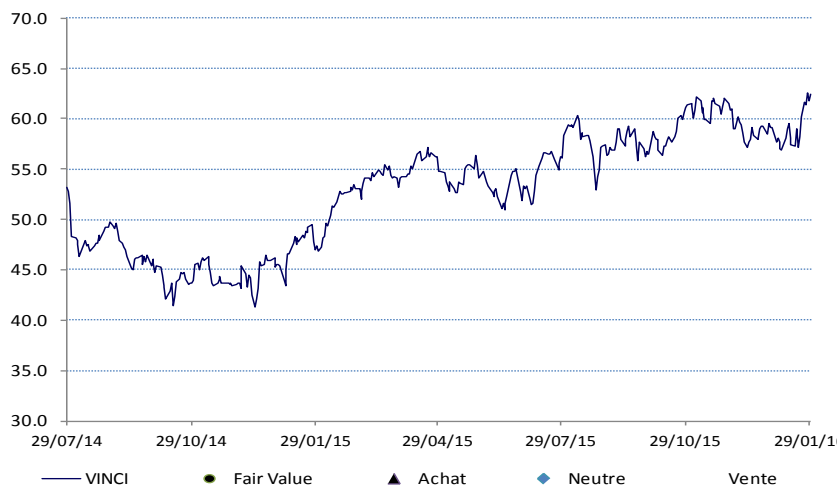
Fig. 6: EBIT by business

EBIT (EURm)	2013	2014	2015e	2016e	2017e
Vinci Autoroutes	2031	2149	2251	2379	2516
Vinci Airports	65	231	257	276	292
Concessions	2155	2428	2458	2605	2758
Energy & Information	517	519	561	573	592
Road	230	249	239	230	275
Construction	680	380	292	416	614
Contracting	1427	1148	1092	1218	1481
Property	59	28	29	30	30
Eliminations	29	38	38	38	38
Total	3670	3642	3617	3891	4308
EBIT margin (%)	2013	2014	2015e	2016e	2017e
Vinci Autoroutes	44.2	45.2	46.2	46.9	47.7
Vinci Airports	20.6	32.2	31.7	32.7	33.2
Concessions	38.4	41.7	42.6	43.4	44.1
Energy & Information	5.6	5.6	5.6	5.6	5.6
Road	2.7	3.0	3.0	3.0	3.5
Construction	4.1	2.5	2.0	2.7	4.0
Contracting	4.1	3.5	3.3	3.6	4.4
Property	7.2	4.8	5.0	5.0	5.0
Total	9.1	9.4	9.4	9.8	10.8

Source : Vinci, Bryan, Garnier & co

Price Chart and Rating History

VINCI



Ratings

Date	Ratings	Price
30/11/15	NEUTRAL	EUR62.11
17/07/15	BUY	EUR56.09

Target Price

Date	Target price
23/10/15	EUR65
17/07/15	EUR62

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Stock rating

BUY	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
NEUTRAL	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
SELL	Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 59.7%

NEUTRAL ratings 31.3%

SELL ratings 9%

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