

INDEPENDENT RESEARCH
UPDATE

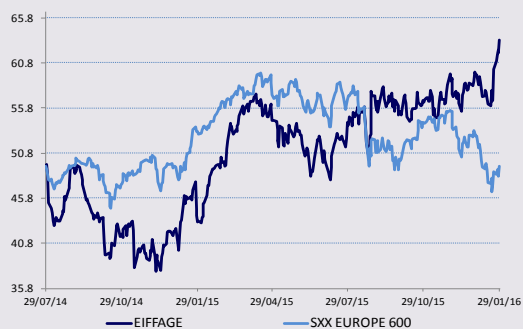
2nd February 2016

Construction & Building Materials

Bloomberg	FGR FP
Reuters	FOUG.PA
12-month High / Low (EUR)	63.3 / 43.0
Market capitalisation (EURm)	6,041
Enterprise Value (BG estimates EURm)	21,061
Avg. 6m daily volume ('000 shares)	276.1
Free Float	50.5%
3y EPS CAGR	17.0%
Gearing (12/14)	429%
Dividend yield (12/15e)	1.90%

YE December	12/14	12/15e	12/16e	12/17e
Revenue (EURm)	13,987	13,281	13,717	13,953
EBIT (EURm)	1,347	1,371	1,471	1,571
Basic EPS (EUR)	2.98	3.23	3.99	4.93
Diluted EPS (EUR)	3.09	3.28	4.01	4.95
EV/Sales	1.53x	1.59x	1.52x	1.48x
EV/EBITDA	10.5x	9.7x	9.2x	8.7x
EV/EBIT	15.9x	15.4x	14.2x	13.1x
P/E	20.5x	19.3x	15.8x	12.8x
ROCE	4.7	4.4	4.8	5.1

Price and data as at close of 29th January



Eiffage

Positive stance reiterated

Fair Value EUR71 vs. EUR63 (price EUR63.30)

BUY

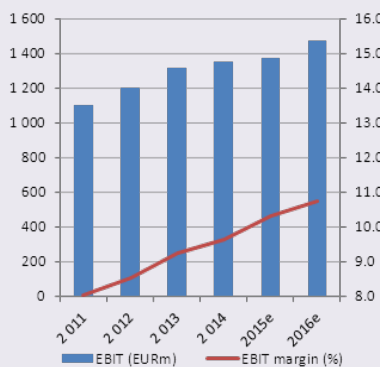
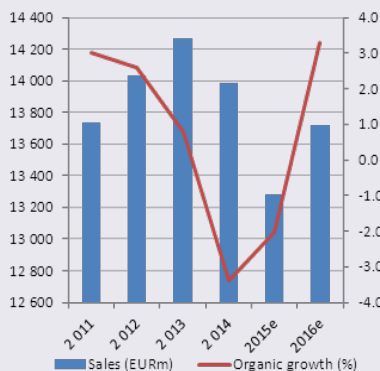
Following steady figures from APRR with healthy traffic growth of 2.7% in 2015, and prior to the full year publication expected on 24th February, we would like to reiterate our positive stance, despite the share price rally in 2015 (41%). Risk/reward looks attractive to us, while momentum should progressively improve over the course of 2016, thanks in particular to French construction trends.

- For 2015e, APRR should represent 16% of Eiffage revenues, 65% of EBIT, half of “group share” EBIT and 60% of the Fair Value. The improvement in traffic is therefore a key driver for the group, especially when combined with lower political risk and a likely profitability improvement (EBITDA margin improved by 60bp in H1).
- Debt refinancing remains a key catalyst. For the 2015-17 period, 50% of the profit before tax improvement is set to stem from lower interest charges, i.e. EUR80m of savings p.a. APRR is refinancing at 1.5% or less. The (adjusted) average cost of net debt is set to fall from 6% in 2014 to 4.3% in 2017.
- French construction will not be rosy in 2016, but we expect a gradual improvement since intake has stopped deteriorating for roadworks in particular, while investors are likely to anticipate 2017, which should benefit from the Grand Paris project kick-off. Moreover, Eiffage is well placed to benefit from positive news from the new residential side since this represents 10% of its consolidated sales.
- Valuation upside is decent at more than 12%, especially as it is combined with limited risk: a traffic decline in 2016 looks unlikely and order books will help to manage 2016. Buy reiterated. New FV at EUR71 (vs 63).



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Eiffage



Company description

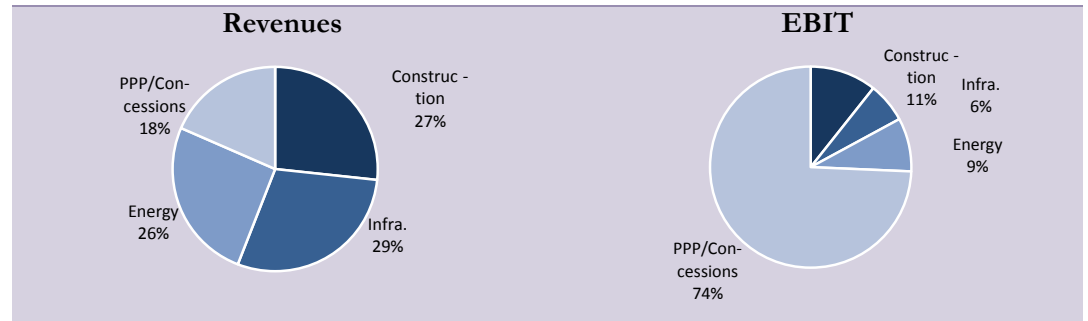
Eiffage is a contractor present in over 80% in France in the building, public works and energy businesses. If the Concessions division represents less than 20% of its revenues, it weighs almost two thirds of the EBIT and the entire debt. In particular, Eiffage holds 50% of APRR, second French motorway network with nearly 2300 km in service. Its 66,000 employees hold more than 25% of its capital.

Simplified Profit & Loss Account (EURm)		2012	2013	2014	2015e	2016e	2017e
Revenues		14,035	14,264	13,987	13,281	13,717	13,953
Change (%)		2.2%	1.6%	-1.9%	-5.0%	3.3%	1.7%
Adjusted EBITDA		1,810	1,941	2,035	2,181	2,281	2,381
Adjusted EBIT		1,199	1,318	1,347	1,371	1,471	1,571
Change (%)		8.6%	9.9%	2.2%	1.8%	7.4%	6.8%
Reported EBIT		1,142	1,262	1,280	1,304	1,404	1,504
Cost of the net debt		(729)	(727)	(726)	(635)	(585)	(500)
Financial results		(755)	(778)	(752)	(660)	(610)	(525)
Pre-Tax profits		387	484	528	644	794	979
Tax		(133)	(167)	(172)	(245)	(302)	(372)
Profits from associates		3.0	5.0	(2.0)	(1.9)	(2.0)	(2.0)
Minority interests		37.0	65.0	79.0	88.6	109	135
Net profit		220	257	275	309	381	470
Restated net profit		232	257	275	309	381	470
Change (%)		4.3%	10.6%	7.0%	12.2%	23.5%	23.3%
Cash Flow Statement (EURm)		2012	2013	2014	2015e	2016e	2017e
Change in working capital		138	(160)	47.0	0.0	0.0	0.0
Operating cash flows		1,029	770	1,095	1,183	1,291	1,374
Capex, net		(490)	(523)	(407)	(820)	(960)	(945)
Free Cash flow		539	247	688	363	331	429
Dividends		(120)	(111)	(115)	(111)	(115)	(115)
Financial investments, net		(155)	(456)	(10.0)	0.0	0.0	0.0
Others		(58.0)	45.0	48.0	117	0.0	0.0
Net debt change		206	(275)	611	370	216	314
Balance Sheet (EURm)		2012	2013	2014	2015e	2016e	2017e
Tangible fixed assets		1,442	1,480	1,468	1,468	1,468	1,468
Intangibles assets		15,647	15,436	15,117	15,077	15,177	15,262
current assets		4,724	4,712	4,570	4,390	4,473	4,506
Other assets		3,216	3,651	3,448	3,436	3,424	3,412
Cash & equivalents		1,956	2,097	4,265	2,899	1,529	153
Total assets		26,985	27,376	28,868	27,270	26,071	24,801
Shareholders' funds		2,318	2,704	2,902	3,217	3,484	3,839
Minorities		(78.0)	4.0	87.0	176	285	420
Provisions		942	1,004	1,076	1,129	1,182	1,235
L & ST Debt		15,727	15,536	17,078	15,342	13,756	12,065
Current liabilities		3,176	3,243	2,949	2,769	2,852	2,885
Others liabilities		4,900	4,885	4,776	4,637	4,512	4,356
Total Liabilities		26,985	27,376	28,868	27,270	26,071	24,801
Net debt		13,771	13,439	12,813	12,443	12,227	11,912
Capital employed		18,637	18,385	18,206	18,166	18,266	18,351
Ratios		2012	2013	2014	2015e	2016e	2017e
EBITDA margin		12.90	13.61	14.55	16.42	16.63	17.07
Operating margin		8.54	9.24	9.63	10.32	10.73	11.26
Apparent cost of the avrg gross debt		4.88	4.90	4.51	4.40	4.25	4.14
Tax rate		34.37	34.50	32.58	38.00	38.00	38.00
Net margin		1.83	2.26	2.53	2.99	3.58	4.34
ROE (after tax)		11.47	11.89	11.84	11.71	13.02	14.21
ROCE (after tax)		4.02	4.50	4.74	4.45	4.77	5.08
Gearing		615	496	429	367	324	280
Net debt / EBITDA (x)		7.61	6.92	6.30	5.71	5.36	5.00
Pay out ratio		40.72	33.32	31.28	28.83	23.34	18.92
Number of shares, diluted		85.63	87.43	89.13	94.13	95.03	95.03
Data per Share (EUR)		2012	2013	2014	2015e	2016e	2017e
EPS		2.52	2.87	2.98	3.23	3.99	4.93
Restated EPS		2.71	2.94	3.09	3.28	4.01	4.95
% change		4.3%	8.3%	5.0%	6.2%	22.3%	23.3%
BVPS		27.07	30.93	32.56	34.18	36.66	40.40
Operating cash flows		12.02	8.81	12.28	12.57	13.58	14.46
FCF		6.29	2.83	7.72	3.86	3.48	4.51
Net dividend		1.20	1.20	1.20	1.20	1.20	1.20

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

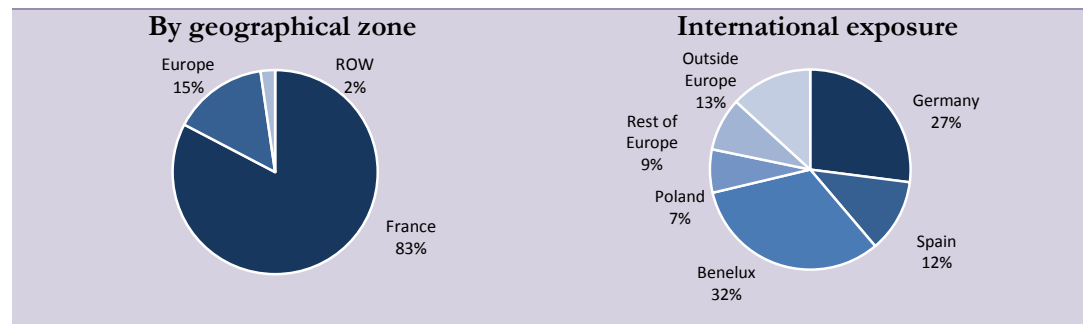
1. Business in chart

Fig. 1: Breakdown by business (2015e)



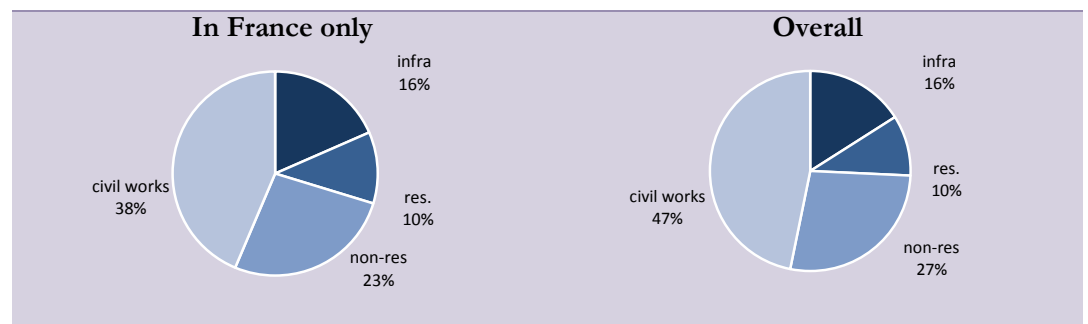
Sources: Eiffage, Bryan, Garnier & co

Fig. 2: Sales breakdown (2014)



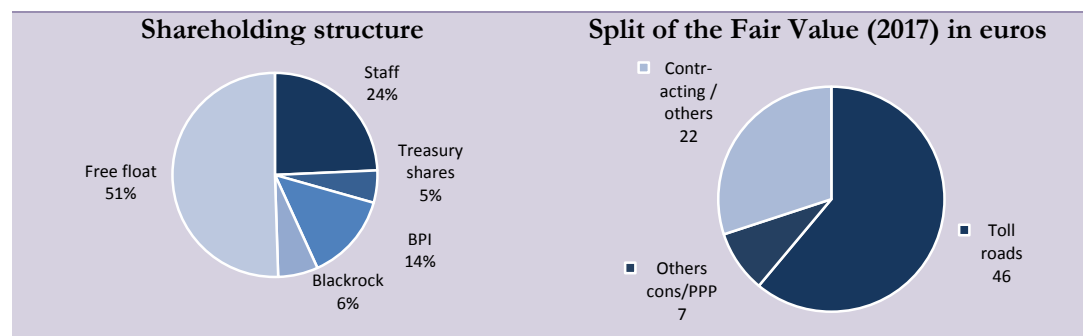
Sources: Eiffage, Bryan, Garnier & co

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



Sources: Eiffage, Bryan, Garnier & co

Fig. 4: Miscellaneous



Sources: Eiffage, Bryan, Garnier & co

2. Key forecasts by business

Fig. 5: Revenues by business

Revenues (EURm)	2013	2014	2015E	2016E	2017E
Construction	3715	3733	3545	3658	3703
Infrastructures	4215	3957	3884	4008	4057
Energy	3159	3025	3403	3511	3554
Metal	914	894			
Contracting	12003	11609	10831	11177	11314
APRR	2099	2149	2214	2296	2385
Others	162	229	236	244	254
Concessions	2261	2378	2449	2541	2638
Total	14264	13987	13281	13717	13953
Organic growth (%)	2013	2014	2015E	2016E	2017E
Construction	-2.0	0.6	-5.0	3.2	1.2
Infrastructures	6.0	-7.3	-10.0	3.2	1.2
Energy	-2.3	-3.4	7.5	3.2	1.2
Metal	-6.5	-18.5			
Contracting	0.2	-4.7	-3.1	3.2	1.2
APRR	3.0	2.4	3.0	3.7	3.9
Others	19.7	15.0	3.0	3.7	3.9
Concessions	4.0	3.3	3.0	3.7	3.9
Total	0.8	-3.4	-2.0	3.3	1.7

Source: Eiffage, Bryan, Garnier & co

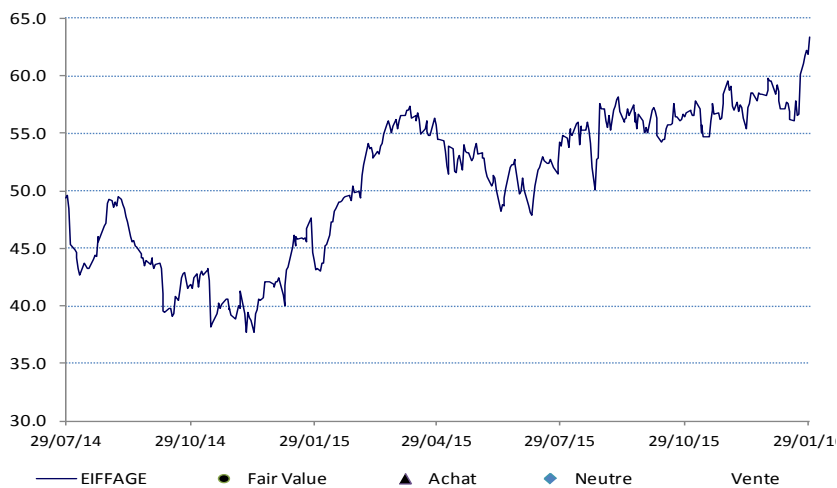
Fig. 6: EBIT by business

EBIT (EURm)	2013	2014	2015E	2016E	2017E
Construction	156	156	148	153	156
Infrastructures	93	95	89	116	142
Electrical works	98	112	119	132	142
Metal works	37	17			
Contracting	384	380	357	401	440
APRR/Eiffarie	848	872	914	966	1023
Others infras	106	113	118	122	127
Concessions	954	985	1032	1088	1150
Others (Holding)	-20	-18	-18	-18	-18
Total	1318	1347	1371	1471	1571
EBIT margin (%)	2013	2014	2015E	2016E	2017E
Construction	4.2	4.2	4.2	4.2	4.2
Infrastructures	2.2	2.4	2.3	2.9	3.5
Electrical works	3.1	3.7	3.5	3.8	4.0
Metal works	4.0	1.9			
Contracting	3.2	3.3	3.3	3.6	3.9
APRR/Eiffarie	40.4	40.6	41.3	42.1	42.9
Others infras	65.5	49.3	50.0	50.0	50.0
Concessions	42.2	41.4	42.1	42.8	43.6
Others (Holding)	-	-	-	-	-
Total	9.2	9.6	10.3	10.7	11.3

Source: Eiffage, Bryan, Garnier & co

Price Chart and Rating History

Eiffage



Ratings

Date	Ratings	Price
17/07/15	BUY	EUR52.46

Target Price

Date	Target price
21/10/15	EUR63
17/07/15	EUR60

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Stock rating

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Distribution of stock ratings

BUY ratings 59.7%

NEUTRAL ratings 31.3%

SELL ratings 9%

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