

## AccorHotels

Price EUR35.00

## BUY-Top pick confirmed even in a "Stress" scenario

Fair Value EUR48 vs. EUR53 (+37%)

BUY-Top Picks

Bloomberg	AC FP
Reuters	ACCP.PA
12-month High / Low (EUR)	51.3 / 32.2
Market Cap (EURm)	8,237
Ev (BG Estimates) (EURm)	8,390
Avg. 6m daily volume (000)	1 305
3y EPS CAGR	4.9%

Despite very positive trends in tourism market expectations and a challenging short term environment, especially in two main geographies for AccorHotels i.e. France (29% of no. of rooms) and Brazil (over 7% of the offer) weighing on results, the current impact on valuation looks excessive in our view.

AccorHotels is continuing to deploy its strategy, with the implementation of the digital plan, sustained growth in HotelServices and the transformation of HotelInvest. Moreover, AccorHotels has made major moves recently with the finalisation of the alliance with China Lodging and the agreement for the acquisition of FRHI.

After some RevPAR adjustments due to short term uncertainties for our "Base Case" scenario, we have reduced our FV to EUR48 based on a DCF model i.e. upside of c. 40%. Assuming that things could get worse, we have defined a "Stress" scenario taking into account no RevPAR rebound in France in 2016, a further deterioration in Brazil and a slowdown in other geographies compared to 2015. In this case, our FV would be EUR42 nevertheless representing upside of 20%. We are confirming our Buy recommendation ([slideshow presentation attached](#)).

## ANALYSIS

- **A challenging short term environment weighing excessively on valuation in our view:** With France representing 29% of the total group offer in terms of the no. of rooms and Brazil over 7%, AccorHotels' earnings forecasts could come under pressure if we assume a slow recovery after 13th November terrorist attacks, hard competition from the sharing economy related to a lack of control and a worse deterioration in the economic situation especially in Brazil. However even in a such "Stress" scenario, the current valuation is difficult to justify.
- **Our "Stress" scenario:** Taking into account such an environment in 2016, we have estimated RevPAR growth of 1.9% after 3.1% anticipated in 2015 with notably no rebound in France compared to 2015 (+1%) and higher negative RevPAR in the Americas due to Brazil (-6% after -5% in 2015). Our EBIT would reach EUR700m after EUR667m in 2015, up nearly 5% (group guidance for 2015 is between EUR655m and EUR675m). In all, based on a DCF, our FV would be EUR42 representing upside of 20%.
- **Our "Base Case" scenario:** In this case, we have taken into account RevPAR growth of 4.5% in 2016 (vs. 4.8% previously). After a few difficult months following 13th November, we expect France to rebound and hotel activities to be sustained by major events i.e. the EURO 2016 football tournament in June and July or the motor show in Paris in October. In Brazil, the 2016 Summer Olympic Games should sustain RevPAR in a challenging economic environment. In all, our EBIT reaches EUR741m (w/o FRHI) and our DCF valuation points to a FV of EUR48 vs. EUR53.

## VALUATION

- Our FV is based on a DCF valuation using our "Base Case" scenario forecasts. We use a WACC of 8.6% with a cost of capital of 8.7%, a growth to infinity of 2.5% with normal average EBIT margin of 15% as of 2025.
- At the current share price, the stock is trading at 2016e EV/EBITDA of 7.7x which compares with an average for European peers of 8.3x and 9.8x for US Hoteliers. Based on our FV, 2016e EV/EBITDA would stand at 10.5x and under our "Stress" scenario at 9.2x.

## NEXT CATALYSTS

- FY 2015 results on 18th February

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	1 M	3 M	6 M	31/12/15
Absolute perf.	-13.1%	-24.0%	-23.1%	-12.5%
Travel&Leisure	-8.1%	-5.2%	-3.5%	-7.5%
DJ Stoxx 600	-7.4%	-8.9%	-13.1%	-6.4%

YEnd Dec. (€m)	2014	2015e	2016e	2017e
Sales	5,454	5,670	5,848	6,076
% change		4.0%	3.2%	3.9%
EBITDA	923	1,019	1,093	1,201
EBIT	602.0	667.2	741.5	837.0
% change		10.8%	11.1%	12.9%
Net income	386.0	442.3	470.1	536.7
% change		14.6%	6.3%	14.2%

	2014	2015e	2016e	2017e
Operating margin	11.0	11.8	12.7	13.8
Net margin	4.1	6.4	8.0	8.8
ROE	6.2	12.3	18.0	24.0
ROCE	12.4	15.6	19.4	25.2
Gearing	4.1	5.0	5.0	5.1

(€)	2014	2015e	2016e	2017e
EPS	1.68	1.92	1.70	1.94
% change	-	14.6%	-11.6%	14.2%
P/E	20.9x	18.2x	20.6x	18.1x
FCF yield (%)	7.5%	7.2%	7.4%	8.4%
Dividends (€)	0.95	1.00	1.10	1.25
Div yield (%)	2.7%	2.9%	3.1%	3.6%
EV/Sales	1.5x	1.5x	1.4x	1.4x
EV/EBITDA	9.1x	8.2x	7.7x	7.0x
EV/EBIT	13.9x	12.6x	11.3x	10.0x



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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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