

## Sector View

## Construction-Concessions

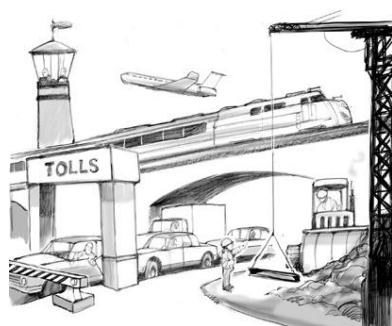
## French toll roads: safe harbour in difficult times

	1 M	3 M	6 M	31/12/15
Cons & Mat	-3.3%	-2.3%	-6.5%	-3.3%
DJ Stoxx 600	-6.6%	-9.0%	-13.8%	-6.6%

\*Stoxx Sector Indices

## Companies covered

<b>EIFFAGE</b>	<b>BUY</b>	<b>EUR71 vs. 63</b>
Last Price	EUR63.87	Market Cap. EUR6,095m
<b>VINCI</b>	<b>BUY vs. NEUTRAL</b>	<b>EUR70 vs. 65</b>
Last Price	EUR63.64	Market Cap. EUR37,495m



While macro uncertainties are persisting in EM and have penalised numerous building materials stocks, visibility is fine for DG and FGR. Toll roads traffic is steady (2.5% 2016e) and tariffs are up (0.8%/1.6%). The French construction market is close to the trough level with a slightly more optimistic outlook. 2016 will not be rosy but order books offer a welcome cushion until 2017, when the Grand Paris projects should start to kick off. Buy reiterated on FGR, FV lifted to EUR71 vs EUR63. DG upgraded to Buy vs Neutral, FV lifted to EUR70 vs EUR65.

- While the building & materials index is down -3% YTD, Vinci and Eiffage share prices have been up 5.5% and 6.3%, respectively, clearly over-performing. We assume investors have penalised cyclical building material companies, in particular those with an EM exposure. Then the two French contractors have benefited from a favourable combination of right geographical exposure, favourable business mix and decent outlook.
- France remains a key driver for Vinci and Eiffage, representing respectively 59% and 82% of sales at end September. Following a challenging year in 2015, 2016 is likely to be flattish. In this context, resilient order books will be useful to prevent any margin disappointment and manage the transition with 2017 expected to be a better year.
- With steady traffic performance and lower political risk, toll roads are more attractive than ever for investors interested by visibility. With respectively 62% and 66% of EBIT derived from toll roads, Vinci and Eiffage are interesting vehicles to play the defensive motorways business.
- Finally, we have upgraded SOTPs in view of stronger traffic growth in 2016 onwards and the roll-over to 2017 (but discounted back), as we consider the market is likely to anticipate next year's results, especially with good visibility on business. Buy reiterated on FGR, with a FV lifted to EUR71. DG upgraded to Buy vs Neutral, with a FV lifted to EUR70.

## VINCI (Back to Buy, (BUY vs. NEUTRAL, Fair Value EUR70 vs. EUR65)

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.

## Eiffage, Positive stance reiterated (EUR71 vs. EUR63, 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.

## NEXT CATALYSTS

- Vinci 2015 FY results on 4th February 2016, post market
- Eiffage 2015 FY results on 24th February 2016, post market

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## Distribution of stock ratings

BUY ratings 59.7%

NEUTRAL ratings 31.3%

SELL ratings 9%

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