

11th February 2016

Business Services

Edenred

Price EUR15.51

FY 2015 results: Strong lfl growth but again results largely impacted by FX

Fair Value EUR20 (+29%)

NEUTRAL

| | |
|----------------------------|-------------|
| Bloomberg | EDEN.FP |
| Reuters | EDEN.PA |
| 12-month High / Low (EUR) | 25.5 / 14.4 |
| Market Cap (EURm) | 3,579 |
| Ev (BG Estimates) (EURm) | 3,969 |
| Avg. 6m daily volume (000) | 1 107 |
| 3y EPS CAGR | 6.3% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|----------------|-------|--------|--------|----------|
| Absolute perf. | 2.5% | -6.0% | -31.1% | -11.1% |
| Travel&Leisure | -9.8% | -11.2% | -10.2% | -13.6% |
| DJ Stoxx 600 | -7.7% | -16.2% | -21.2% | -13.8% |

| YEnd Dec. (EURm) | 2014 | 2015e | 2016e | 2017e |
|------------------|-------|-------|-------|-------|
| Sales | 1,034 | 1,058 | 1,072 | 1,172 |
| % change | | 2.4% | 1.2% | 9.4% |
| EBITDA | 381 | 387 | 386 | 443 |
| EBIT | 343.0 | 347.3 | 345.9 | 399.0 |
| % change | | 1.3% | -0.4% | 15.3% |
| Net income | 194.0 | 207.4 | 204.2 | 239.7 |
| % change | | 6.9% | -1.5% | 17.4% |

| | 2014 | 2015e | 2016e | 2017e |
|------------------|-------|-------|-------|-------|
| Operating margin | 33.2 | 32.8 | 32.3 | 34.0 |
| Net margin | 15.9 | 19.2 | 18.7 | 20.1 |
| ROE | -12.2 | -15.4 | -17.5 | -20.0 |
| ROCE | -34.2 | -40.6 | -50.8 | -56.5 |
| Gearing | NM | NM | NM | NM |

| (EUR) | 2014 | 2015e | 2016e | 2017e |
|-----------------|-------|-------|-------|-------|
| EPS | 0.86 | 0.90 | 0.88 | 1.04 |
| % change | - | 4.0% | -1.5% | 17.4% |
| P/E | 17.9x | 17.3x | 17.5x | 14.9x |
| FCF yield (%) | 8.7% | 2.9% | 1.3% | 9.2% |
| Dividends (EUR) | 0.84 | 0.85 | 0.84 | 0.99 |
| Div yield (%) | 5.4% | 5.5% | 5.4% | 6.4% |
| EV/Sales | 3.7x | 3.7x | 3.7x | 3.4x |
| EV/EBITDA | 10.1x | 10.3x | 10.3x | 9.0x |
| EV/EBIT | 11.2x | 11.4x | 11.5x | 9.9x |

Again a strong lfl performance which was largely impacted by currencies. In fact, Issue Volume was up 3.2% on a reported basis at EUR18.3bn with organic growth of 8.7% before a negative currency effect of 6.4% mainly due to Brazilian Real (-15.4%). Revenue reached EUR1,069m, up 3.3% with lfl growth of 6.4% before FX of -6.6%, and the EBIT at EUR341m was down 0.6% on reported vs. last year (in line with group guidance of between EUR340m and EUR355m) and up 9.7% on a lfl basis with a negative currency impact of EUR41m. Strong cash flow generation up 12.5% at EUR280m in line with the group's target. Regarding 2016, Management expects to be in line with historic target i.e. an Issue Volume up between 8% to 14% on lfl basis even if in 2016 as in 2015 IV should be at the lower end of that range due to Brazilian economy, with an FFO growth above 10%.

ANALYSIS

- **Sustained lfl growth but again largely impacted by currency:** Issue Volume was up 8.7% o/w 8.4% in Q4 after 7% in Q3, 9.3% in Q2 and 10% in Q1. By geography, France (16.5% of consolidated IV) was up 3.7%, Rest of Europe (30.9%) up 4.4%, Latam (48.4%) up 12.4% o/w 8.5% from Brazil. **Revenue** was up 6.4% on lfl basis with operating revenue with IV up 7.4% and financial revenue slightly down on lfl basis (-0.5%) at EUR69m. EBIT at EUR341m was broadly stable vs. last year again largely impacted by currency effects. On lfl basis EBIT should be up 9.7% or EUR33m.
- **2016 outlook again under pressure due to the group exposure to Brazilian economy:** Management expects to be in line with historic target with Issue Volume lfl growth at the lower end of the bracket (8%), an operating flow-through ratio above 50% and FFO up of more than 10%. Regarding EBIT, sensitivity to FX, as revised in 2015, is EUR7.6m to a 5% change of the BRL, EUR1.5m of the MXN and EUR0.4m of the VEF (BRL is currently down over 16% in 2016 on average compared with average 2015).

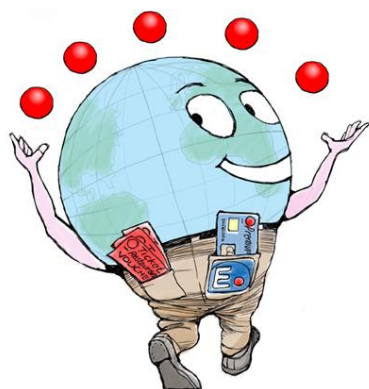
VALUATION

- At the current share price, the stock is trading at 11.5x EV/EBIT 2016e and 9.9x 2017e which compares with CAGR EBIT 2015-2017 of 6.5%.
- Management will propose a dividend of EUR0.84 per share, flat vs. last year, representing a P/O ratio of 96% of recurring net profit after tax (97% in 2014).

NEXT CATALYSTS

- Meeting at 9.00am (CET)
- Q1 2016 revenue on 14th April

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| | |
|---------|---|
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