

VINCI

Price EUR60.29

Strong 2015 results. Cautious 2016 outlook but margins expected to improve further.

Fair Value EUR70 (+16%)

BUY

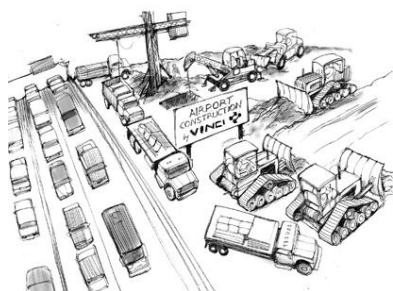
Bloomberg	DG FP
Reuters	SGEF.PA
12-month High / Low (EUR)	63.6 / 49.4
Market Cap (EURm)	35,531
Ev (BG Estimates) (EURm)	46,961
Avg. 6m daily volume (000)	1,807
3y EPS CAGR	10.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.4%	0.4%	1.7%	1.9%
Cons & Mat	-5.7%	-8.0%	-11.4%	-7.9%
DJ Stoxx 600	-7.8%	-13.5%	-17.6%	-10.1%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	38,703	38,518	38,955	40,287
% change		-0.5%	1.1%	3.4%
EBITDA	5,561	5,664	6,003	6,672
EBIT	3,642	3,758	3,991	4,427
% change		3.2%	6.2%	10.9%
Net income	1,906	1,992	2,236	2,538
% change		4.5%	12.3%	13.5%

	2014	2015e	2016e	2017e
Operating margin	9.4	9.8	10.2	11.0
Net margin	6.5	5.4	5.8	6.4
ROE	12.9	12.8	13.3	13.9
ROCE	7.4	7.7	8.3	9.4
Gearing	89.3	80.2	69.4	57.3

(EUR)	2014	2015e	2016e	2017e
EPS	3.23	3.39	3.80	4.32
% change	-	4.9%	12.3%	13.5%
P/E	18.7x	17.8x	15.8x	14.0x
FCF yield (%)	6.2%	6.3%	6.2%	7.5%
Dividends (EUR)	2.22	1.86	2.02	2.30
Div yield (%)	3.7%	3.1%	3.4%	3.8%
EV/Sales	1.2x	1.2x	1.2x	1.1x
EV/EBITDA	8.6x	8.3x	7.7x	6.7x
EV/EBIT	13.1x	12.5x	11.6x	10.1x



2015 EBIT at EUR3.758bn, up 3.6% (excluding Vinci Park), 4% above our expectations, thanks in particular to a further strong improvement at Vinci Airports. Contracting EBIT 1% above our expectations at EUR1.100bn, despite a very difficult environment. The orderbook was solid, up 1.3% excluding SEA and represents 10 months of business. Order intake increased by 3% in 2015. Contracting revenues are expected to drop slightly in 2016. Toll roads top line should be similar to 2015, which means less dynamic traffic. Airport volumes are also expected to be less buoyant. 2016 consolidated sales are set to fall slightly although operating and net results should increase – as well as the margin then. Still a Buy.

2015 was a tough year for French contractors. Despite this difficult environment, results were solid. Consolidated sales were flat (+0.2% excluding Vinci Park) at EUR38.518bn (in line), EBITDA rose 3.6% (excl. Vinci Park) to EUR5,664m (3% above our estimates) and EBIT was up 5.7% (excl. Vinci park) to EUR3.758m (4% above). Toll road traffic increased by 3.0%, with +3.3% in Q4 alone. ASF in particular, benefited from the Spanish macro recovery and reported 3.1% traffic growth last year, including 3.5% for Q4 only. Concessions EBITDA margins, both for toll roads and airports, continued to increase: +75bps to 72.2% and +255bps to 50.2%, respectively. Contracting EBIT margin was in line, at 3.4% in 2015, almost flat vs last year (3.5%), despite difficulties for the construction sub-division (UK contract in Nottingham, oil&gas-related woes). Consolidated EBIT margin improved by 60bps at 9.8% (some of this improvement being explained by lower toll roads depreciation related to concession life extensions). The orderbook was down 0.9% to EUR27.7bn at end December but up +1.3% excluding SEA.

The outlook is fine but not buoyant for the top line, which is not surprising. Toll roads sales growth is expected to be similar to 2015, i.e. around 3%, including a tariff effect that should be close to 1.5%. That means traffic might rise by 1.5% only in 2016, versus 3% last year. Vinci Airport growth is also set to slow but the 2015 growth was impressive. Margins will remain a priority, contrary to volumes. Hence, consolidated sales should be slightly down (due to contracting) while results should increase.

EUR1.84 dividend announced vs EUR1.77 last year (excluding extra EUR0.44 dividend)

ANALYSIS

- 2015 performance is solid for all divisions, except Construction penalised by specific issues, as expected. We forecast margin improvement in 2016 (comparison basis for Contracting, further top line growth for Concessions).
- We are slightly disappointed by the toll roads traffic guidance for 2016, as we would have expected stronger figures. We see potential positive surprises here.
- The market reaction should be neutral this morning. It might even be positive depending on management's comments on outlook at the press conference at 8.30am and analysts' meeting at 11.00am.

VALUATION

- We have slightly adjusted our forecast. Mid-term toll road traffic unchanged (2017 onwards), 2016 traffic at 2% vs 2.5% previously, due to Vinci's guidance (we are still more optimistic). In contracting, we have lowered our forecast by 2.4% for sales in 2016 (-1.5% on consolidated basis), 2017 unchanged.
- This is fully offset by stronger EBIT margin for the Concessions division (+4% upgrade on EBIT in 2016 and 2017), while Contracting margins are unchanged. Consolidated 2016e and 2017e EBIT upgraded by 2.6% and 2.8%. SOTP virtually unchanged at EUR70.

NEXT CATALYSTS

- Analysts' meeting today at 11.00am.

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BUY ratings 61.2%

NEUTRAL ratings 29.9%

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