

22nd March 2016

Healthcare

Korian

Price EUR26.04

New appointment in Germany + FY 2015 results preview

Fair Value EUR30 (+15%)

BUY

Bloomberg	KORI.FP
Reuters	KORI.PA
12-month High / Low (EUR)	36.3 / 23.2
Market Cap (EURm)	2,069
Avg. 6m daily volume (000)	134.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.1%	-18.3%	-23.4%	-22.7%
Healthcare	-0.9%	-10.1%	-12.4%	-12.8%
DJ Stoxx 600	4.4%	-4.6%	-4.8%	-6.8%

	2014	2015e	2016e	2017e
P/E	18.3x	21.1x	20.4x	18.5x
Div yield (%)	2.3%	2.3%	2.3%	2.3%

ANALYSIS

- After the Board of Directors decision to remove Yann Coléou as CEO last November, the **management reorganisation continues**. In fact, the new management team announced the appointment of Ralf Stiller as CEO for Korian Germany and Group Executive Committee member, replacing the CEO that was set up by Yann Coléou just before his departure. The new CEO for Korian Germany will notably be in charge of the merger of the Curanum and Casa Reha groups.
- **Following the 2015** revenue publication (10th February) up 16.1% in reported terms to EUR2,579m with lfl growth of 2.4% after 1.4% in Q4, the new management team announced that 2015 EBITDA margin is set to drop 100bp vs. the 2014 level of 14.3% compared with previous guidance for “a solid operating margin” due to the reclassification of personnel and IT expenses in France (EUR7m) and Germany (EUR13/14m), plus EUR7m linked to lower than expected operating performance in H2 (60% coming from German bad check charges and the rest from France for social harmonisation costs). In all, we are anticipating an EBITDA of EUR344m with a margin of 13.4% (consensus EUR342m) compared with EUR358m in 2014.
- Regarding 2016 outlook, management expects “significant revenue growth” for 2016 taking into account the first consolidation of **Casa Reha** (total revenue of EUR281m in 2015) as of January 2016 with lfl revenue growth of 3%. With the arrival of **Sophie Boissard** (CEO) on 26th January and **Laurent Lemaire** (CFO) on 26th February, we are waiting for more details regarding the action plan to restore the performance of the group.

VALUATION

- At the current share price, the stock is trading on 2016e and 2017e EV/EBITDA of 10.1x and 9.4x respectively compared with a 2015-2018 CAGR in EBITDA of 7%.

NEXT CATALYSTS

- FY 2015 results on 23rd March (after market). Meeting on 24th March at 10.00am (Paris time)

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