

2nd March 2016

Utilities

Albioma

Price EUR12.20

Good 2015 metrics after all, but timid 2016 outlook

Fair Value EUR20 (+64%)

BUY

Bloomberg	ABIO.FP
Reuters	ABIO.PA
12-month High / Low (EUR)	19.6 / 11.9
Market Cap (EURm)	363
Ev (BG Estimates) (EURm)	946
Avg. 6m daily volume (000)	25.20
3y EPS CAGR	6.2%

Albioma posted relatively good 2015 metrics this morning with the high range EBITDA target beaten by 2.5%. EBITDA came out at EUR120m vs. EUR116m expected while net income stood at EUR30.2m in line with our expectations. As expected, Brazilian activities were affected by the lower BRL and lower power prices, although the healthy performance in traditional activities offset a part of this decline. The group's 2016 guidance nevertheless looks quite timid, with the group only targeting +5% for mid-range EBITDA growth vs. 2015 (BG at >10%). Negative.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.3%	-18.4%	-18.8%	-18.4%
Utilities	-5.7%	-9.7%	-2.9%	-6.8%
DJ Stoxx 600	-0.8%	-11.8%	-4.0%	-7.4%

ANALYSIS

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	354.1	376.3	385.7	447.3
% change		6.3%	2.5%	16.0%
EBITDA	129	116	135	160
EBIT	74.8	66.4	79.6	99.4
% change		-11.3%	19.9%	24.9%
Net income	37.9	29.7	32.9	45.4
% change		-21.6%	10.7%	38.0%

- 2015 metrics:** 2015 EBITDA came out at EUR120m ahead of our EUR116m estimates and ahead of the group's EBITDA guidance (EUR113-117m - revised down during the year), while attributable net income stood at EUR30.2m in line with our expectations. Most of the EBITDA outperformance compared with our estimates came from the French overseas department business unit (EUR89m). EBITDA contributions from the solar business (EUR33m) and from Brazilian thermal activities (EUR4.6m) were in line with expectations. Reported net income (group share) was in line with annual guidance (EUR31-33m) and with our EUR30.2m forecast although the dividend proposed by the board was lower than we expected at EUR0.57/share (vs. our EUR0.64/share estimate, as in 2014) as the 50% pay-out ratio was maintained despite a atypical year (negatively) in 2015. Net debt increase by EUR70m to EUR502m, below our EUR529m estimate.

	2014	2015e	2016e	2017e
Operating margin	21.1	17.6	20.6	22.2
Net margin	10.7	7.9	8.5	10.1
ROE	9.6	7.4	8.1	10.6
ROCE	4.8	4.8	4.6	5.2
Gearing	110.3	133.8	169.2	187.5

- What about 2016?** The group announced it is targeting EBITDA of between EUR122m and EUR130m, representing growth of 5% at mid-range, compared with 2015. However in our model, we were expecting an EBITDA contribution above this guidance, at EUR135m in line with the consensus. As for net income (group share) the target is to generate between EUR25m and EUR30m while we currently stand at EUR33m. We believe most of the difference with our estimates could be explained by assumptions for Brazilian activities (spot power prices) and by the group's load factor in its traditional overseas department thermal units (no guidance unveiled).

(EUR)	2014	2015e	2016e	2017e
EPS	1.30	1.02	1.13	1.56
% change		-21.6%	10.7%	38.0%
P/E	9.4x	12.0x	10.8x	7.8x
FCF yield (%)	19.3%	NM	NM	NM
Dividends (EUR)	0.64	0.64	0.59	0.78
Div yield (%)	5.2%	5.2%	4.8%	6.4%
EV/Sales	2.4x	2.5x	2.9x	2.7x
EV/EBITDA	6.6x	8.2x	8.2x	7.6x
EV/EBIT	11.4x	14.3x	13.8x	12.2x

- What to retain from this publication?** 1/ The separation of the roles of Chairman of the board of directors and CEO, with the appointment of Frédéric Moyne as CEO of the group, while Mr. Pétry will remain Chairman of board of directors. 2/ the signing of amendments to contracts with EDF for emission treatment at the Albioma Le Gol plant and for compensation for the extra costs incurred since 2013 by Albioma Le Gol in connection with combustion by-products and liquid effluents. 3/ The timid 2016 EBITDA and net income guidance, despite the likely full recovery in the group's thermal assets in French overseas departments, the commissioning (end 2016) of TAC La Réunion unit, and the progress of the industrial performance of the group's anaerobic digestion business unit. We assume the group's guidance is based on poor Brazilian power prices, and a poor EUR/BRL rate.

- Conclusion:** We struggle to build the growth bridge for 2016 EBITDA and NRI (group share) when looking at the group's targets for the year since 2016 was supposed to be a recovery year for the group. We hope to get more details during the analysts' meeting at 09.00am CET.



VALUATION

- At the current share price, the stock trades at 8.1x its 2016e EBITDA and offers a 5% yield
- Buy, FV @ EUR20

NEXT CATALYSTS

- Analyst meeting at 9.00 am CET

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