

18th April 2016

Hotels

Melia Hotels

Price EUR10.99

Convertible bonds: Nearly 100% converted

Fair Value EUR15 (+36%)

BUY-Top Picks

Bloomberg	MEL.SM
Reuters	MELL.MC
12-month High / Low (EUR)	13.7 / 8.4
Market Cap (EURm)	2,188
Avg. 6m daily volume (000)	739.0

	1 M	3 M	6 M	31/12/15
Absolute perf.	7.7%	2.9%	-7.6%	-9.8%
Travel&Leisure	-1.2%	-1.2%	0.3%	-9.1%
DJ Stoxx 600	-0.2%	1.3%	-3.3%	-6.0%
	2015	2016e	2017e	2018e
P/E	56.7x	29.6x	20.8x	17.7x
Div yield (%)	0.3%	0.6%	0.6%	0.7%

ANALYSIS

- Following the decision to force the convertible bonds, conversion period was between 4th and 14th April, Melia informed that it received the request for the conversion of 2,499 bonds representing EUR249,9m i.e. almost 100% of the total issue.
- Remember that the maximum dilution is 17.2% of number of shares with early April short position of around 10%. Exact net number of new shares created will be announced no later than 13th May notably regarding number of treasury shares i.e. 5.05m that could be used.
- Debt is no more an issue and financial cost could be improved. In fact the group's debt position will improve significantly with net debt/EBITDA falling to 1.7x on our estimates from 3.1x. Moreover, this multiple could give the group the opportunity to optimise the average cost of debt which was 4.4% in 2015 (4.8% in 2014).
- Finally, note that the Escarrer family will still control the equity capital with a stake of 52.1% vs. 60% previously.

VALUATION

- At the current share price, the stock is trading on 2016e EV/EBITDA of 9.6x and 8.6% for 2017e compared with an EBITDA CAGR 2015-2018 of 12.7x.
- After strong 2015 results, management is reasonably confident in 2016. In fact, it expects mid-single digit RevPAR growth for FY2016, with Q1 set to show mid-to-high single digit growth benefiting from strong business in **America** (high season) but also strong RevPAR in **Spain** (February was up 28.7% after 14% in January).

NEXT CATALYSTS

- Q1 2016 results on 6th May

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BUY ratings 72%

NEUTRAL ratings 0%

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