

## Edenred

Price EUR17.30

Feedback conf call Q1 revenue: Slightly better lfl growth. Again significant negative forex. FY guidance confirmed.

Fair Value EUR19 (+10%)

NEUTRAL

|                            |             |
|----------------------------|-------------|
| Bloomberg                  | EDEN.FP     |
| Reuters                    | EDEN.PA     |
| 12-month High / Low (EUR)  | 25.0 / 13.9 |
| Market Cap (EUR)           | 3,993       |
| Ev (BG Estimates) (EUR)    | 4,630       |
| Avg. 6m daily volume (000) | 1 027       |
| 3y EPS CAGR                | 7.1%        |

Slightly better lfl growth which was up 7.4% (consensus 6.9%) on Issue Volume and 5.2% (consensus 4.6%) on Revenue reflecting more positive momentum in Europe and France. LatAm was sustained despite disappointed figures from Brazil in Employee benefits due to unemployment. Again significant negative impact from currencies (over 12%) in Issue Volume and revenue. Take-up rate slightly down at 4.6% vs. 4.7% in 2015 with negative trend quarter after quarter in LatAm. Financial revenue was down 3.1% on lfl a bit more negative than anticipated (-2%). After Q1, management confirmed its FY guidance i.e. lfl IV growth at the lower end of the Group's historical medium-term target range of 8-14% (our forecast is 7.8%). Stock remains a trading share.

|                | 1 M   | 3 M   | 6 M   | 31/12/15 |
|----------------|-------|-------|-------|----------|
| Absolute perf. | -0.6% | 8.0%  | 7.8%  | -0.9%    |
| Travel&Leisure | -1.2% | -1.2% | 0.3%  | -9.1%    |
| DJ Stoxx 600   | -0.2% | 1.3%  | -3.3% | -6.0%    |

## ANALYSIS

| YEnd Dec. (EURm) | 2014  | 2015  | 2016e | 2017e |
|------------------|-------|-------|-------|-------|
| Sales            | 1,034 | 1,069 | 1,102 | 1,199 |
| % change         |       | 3.4%  | 3.1%  | 8.8%  |
| EBITDA           | 381   | 387   | 399   | 454   |
| EBIT             | 343.0 | 341.0 | 358.3 | 409.0 |
| % change         |       | -0.6% | 5.0%  | 14.2% |
| Net income       | 194.0 | 206.1 | 210.9 | 244.8 |
| % change         |       | 6.2%  | 2.3%  | 16.1% |

- **lfl Issue Volume growth sustained despite disappointed numbers in Brazil:** Issue Volume reached EUR4,284m (consensus at EUR4,315m) up 7.4% on lfl basis. By geography, better numbers from France with IV up 4.2% (4% anticipated) but mostly in Europe up 8.4% (our estimate was 5%) confirming more positive momentum. On the other hand, LatAm reported 7.5% lfl Issue Volume growth (8% estimated) with very disappointed figures from **Brazil** (+5.3%) especially in Employee Benefits (77% of total IV) up only 1.2% while Expense Management (23%) was up 19.2%.
- **Take-up rate falls again:** Total revenue was EUR249m (Consensus at EUR253m) up 5.2%. Operating revenue with Issue Volume was up 5.8% on lfl basis (5% estimated) i.e. 160bps lower compared to IV reflecting a slight decrease of the take-up rate due to Expense Management development, but also current economic environment in Brazil with pressure on price. Financial revenue was down 3.1% at EUR16m (Europe -16.3%, LatAm +7.1%, RoW 14,3%).
- **Significant negative impact from currencies:** Mainly due to the depreciation of BRL and MXN, Issue Volume was impacted by 12.7% and revenue by 12.3%. No improvement anticipated before Q3 regarding comps.
- **FY guidance confirmed:** After Q1, management confirmed its FY guidance i.e. lfl IV growth at the lower end of the Group's historical medium term target range of 8-14% (our forecast is 7.8%).

|                  | 2014  | 2015  | 2016e | 2017e |
|------------------|-------|-------|-------|-------|
| Operating margin | 33.2  | 31.9  | 32.5  | 34.1  |
| Net margin       | 15.9  | 16.6  | 18.7  | 19.9  |
| ROE              | -12.2 | -12.2 | -14.3 | -16.6 |
| ROCE             | -34.2 | -44.8 | -46.3 | -52.0 |
| Gearing          | NM    | NM    | NM    | NM    |

## VALUATION

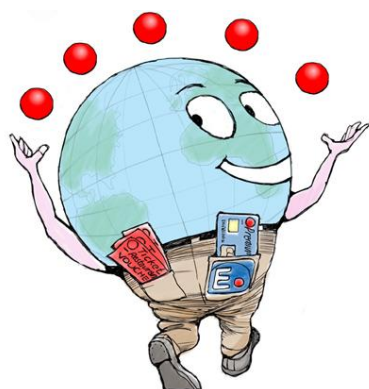
| (EUR)           | 2014  | 2015  | 2016e | 2017e |
|-----------------|-------|-------|-------|-------|
| EPS             | 0.86  | 0.87  | 0.91  | 1.06  |
| % change        | -     | 0.7%  | 5.0%  | 16.1% |
| P/E             | 20.0x | 19.9x | 18.9x | 16.3x |
| FCF yield (%)   | 7.8%  | 7.1%  | 7.8%  | 9.8%  |
| Dividends (EUR) | 0.84  | 0.84  | 0.87  | 1.01  |
| Div yield (%)   | 4.9%  | 4.9%  | 5.0%  | 5.8%  |
| EV/Sales        | 4.1x  | 4.3x  | 4.2x  | 3.8x  |
| EV/EBITDA       | 11.2x | 12.0x | 11.5x | 10.1x |
| EV/EBIT         | 12.4x | 13.6x | 12.9x | 11.2x |

- **After the Q1 revenues, limited adjustment on our estimates with Issue Volume of EUR18,969m up 7.8% on lfl basis and total revenue of EUR1,102m, up 5.6% on lfl growth.**
- **At the current share price, the stock is trading at 12.9x EV/EBIT 2016e and 11.2x 2017e which compares with CAGR EBIT 2015-2017 of 9.5%.**

## NEXT CATALYSTS

- H1 results on 22<sup>nd</sup> July
- Q3 revenue on 13<sup>th</sup> October
- Investor day (London) on 19<sup>th</sup> October

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