

VINCI

Price EUR66.00

Q1 2016 sales : great for Concessions, poor for Contracting.

Fair Value EUR72 (+9%)

BUY

Mixed figures in Q1: a 5.7% increase in concessions revenues, with very strong momentum as expected in toll road traffic (+7.2%), while contracting reported a 5.4% lfl decline penalised by lower SEA contribution, oil & gas woes and ongoing difficulties in the French roadworks market. Guidance is unchanged though. The order book was flat and order intake actually rose (+12%) on a 12 month basis. The share price is likely to come under pressure in the short term, following a very strong YTD performance. We remain at Buy however, as we have no worries over our estimates so far.

Vinci's Q1 revenues came in at EUR8,025m at end March, down 1.8% y/y and 3.3% on a like-for-like basis. This was c2% below the consensus and our expectations. By geographical region, the decline was mostly explained by France, down 5.2% like-for-like, while international business was pretty resilient with a limited 0.4% y/y decline. By business, the contrast was clear between a very good Concessions business, up 8.7%, notably thanks to a very good traffic performance (+7.2%, o/w 7.8% for light vehicle and +4.2% for trucks and overall +4% excluding various calendar effects). Like-for-like contracting sales dropped 5.4%, penalised by the 8.2% decline at Eurovia in roadworks (-10.5% in France) and an 8.1% decline for Vinci Construction (13.2% in France) while Vinci Energies sales were flat. Eurovia was affected by a lower contribution from the SEA project (Bordeaux-Tours high speed line), as well as a weather impact and a still difficult market in France penalised by the low level of local authorities capex. Construction was impacted in particular by a lower contribution from SEA in France too and by a difficult oil&gas market outside France. Note that Q1 is not representative of the entire year's trend in roadworks, due to a strong seasonality.

Bloomberg	DG FP
Reuters	SGEF.PA
12-month High / Low (EUR)	66.3 / 51.0
Market Cap (EUR)	38,920
Ev (BG Estimates) (EUR)	49,699
Avg. 6m daily volume (000)	1,750
3y EPS CAGR	7.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.5%	6.7%	9.0%	11.6%
Cons & Mat	4.9%	7.4%	2.9%	1.8%
DJ Stoxx 600	4.1%	4.2%	-7.2%	-4.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	38,518	38,272	39,607	40,984
% change		-0.6%	3.5%	3.5%
EBITDA	5,664	5,772	6,074	6,281
EBIT	3,758	3,972	4,273	4,494
% change		5.7%	7.6%	5.2%
Net income	2,109	2,258	2,469	2,597
% change		7.1%	9.3%	5.2%

	2015	2016e	2017e	2018e
Operating margin	9.8	10.4	10.8	11.0
Net margin	5.4	6.0	6.3	6.4
ROE	13.9	14.2	14.7	14.5
ROCE	7.4	7.8	8.4	8.8
Gearing	81.5	72.4	59.8	47.9

(EUR)	2015	2016e	2017e	2018e
EPS	3.58	3.83	4.19	4.41
% change	-	6.9%	9.3%	5.2%
P/E	18.4x	17.2x	15.8x	15.0x
FCF yield (%)	7.7%	7.2%	7.5%	8.1%
Dividends (EUR)	1.84	2.03	2.22	2.34
Div yield (%)	2.8%	3.1%	3.4%	3.5%
EV/Sales	1.3x	1.3x	1.2x	1.1x
EV/EBITDA	9.0x	8.6x	8.0x	7.5x
EV/EBIT	13.5x	12.5x	11.3x	10.4x

EURm	Q1 sales reported	y/y change	y/y l-f-l change	difference vs Cons
Concessions	1 306	8.7%	8.7%	2.5%
VINCI Autoroutes	1 083	7.9%	8.2%	2.8%
VINCI Airports	193	10.3%	10.0%	-2.0%
Contracting	6 712	-3.6%	-5.4%	-2.6%
VINCI Energies	2 400	4.2%	0.1%	1.6%
Eurovia	1 244	-8.8%	-8.2%	-6.9%
VINCI Construction	3 068	-6.8%	-8.1%	-4.3%
Total revenues	8 025	-1.8%	-3.3%	-2.0%

Source : Company Data; Bryan Garnier & Co. ests.

Outlook is unchanged. 2016 toll road traffic is likely to increase by 1.7%/1.8% (vs 2% in our model), which sounds conservative but Vinci prefers to wait until this summer before updating its guidance if necessary. The contracting order book is flat y/y (up +5.5% since last December) at EUR29.2bn (up 2.2% excl. SEA), equivalent to 11 months of business. More interestingly, order intake stand at EUR8.7bn; up 12% on 12 months, with good trends for every businesses : +10% for Vinci Energies; +12% for Eurovia and +14% for Vinci Construction. In any case, Vinci has reiterated its guidance of a slight decline of 2016 revenues : up for Concessions and Vinci Energies; down for Eurovia and Vinci Construction.

ANALYSIS

- Contracting reported sales below expectations. Of course, there are numerous explanations (SEA, Oil&Gas, poor roadworks market in France), strong seasonality for Eurovia - while order intake is well oriented, the order book is resilient and the outlook has been maintained. Of course, toll roads traffic is strong, but it was anticipated with APRR traffic figures already released (6.5%).
- Some investors could see in these numbers a reason to take their benefit, following the very strong share price performance YTD. Share price might be under pressure in the short term then, as well as Eiffage (Buy, FV EUR73). As far as we are concerned, our estimates remain unchanged and we have no worries on profitability, especially as Concessions sales are strong in Q1. Buy.

VALUATION

- No change to EUR72 Fair Value derived from our SOTP.

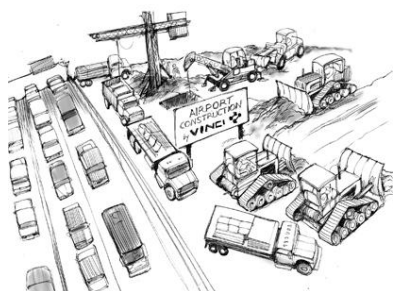
NEXT CATALYSTS

- Interim results on 29th July 2016, before market.

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