

AccorHotels

Price EUR36.25

RevPAR downgraded due to France.

Fair Value EUR45 vs. EUR48 (+24%)

BUY

Bloomberg	AC FP
Reuters	ACCP.PA
12-month High / Low (EUR)	48.3 / 30.0
Market Cap (EUR)	8,620
Ev (BG Estimates) (EUR)	8,425
Avg. 6m daily volume (000)	1 499
3y EPS CAGR	4.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.4%	-1.8%	-9.3%	-9.4%
Travel&Leisure	-9.4%	-5.7%	-15.2%	-15.8%
DJ Stoxx 600	-6.4%	-3.9%	-12.1%	-12.0%

YEnd Dec. (€m)	2014	2015	2016e	2017e
Sales	5,454	5,581	6,063	6,616
% change		2.3%	8.6%	9.1%
EBITDA	923	986	1,079	1,261
EBIT	602.0	665.0	714.7	877.8
% change		10.5%	7.5%	22.8%
Net income	386.0	441.8	435.1	541.3
% change		14.5%	-1.5%	24.4%

	2014	2015	2016e	2017e
Operating margin	11.0	11.9	11.8	13.3
Net margin	4.1	4.4	7.2	8.2
ROE	6.2	6.8	11.1	15.2
ROCE	12.4	14.5	11.4	15.4
Gearing	4.1	-4.9	18.7	18.5

(€)	2014	2015	2016e	2017e
EPS	1.68	1.88	1.69	1.93
% change	-	12.4%	-10.4%	14.1%
P/E	21.6x	19.2x	21.5x	18.8x
FCF yield (%)	7.1%	7.2%	7.5%	8.9%
Dividends (€)	0.95	1.00	1.10	1.25
Div yield (%)	2.6%	2.8%	3.0%	3.4%
EV/Sales	1.6x	1.5x	1.7x	1.4x
EV/EBITDA	9.5x	8.5x	9.6x	7.3x
EV/EBIT	14.6x	12.7x	14.5x	10.5x

Our new “base case” scenario and DCF valuation have prompted us to move our FV to EUR45 from EUR48. The main changes in our forecasts are due to France where we now anticipate flat RevPAR growth in 2016 compared to last year vs. +3% previously. Indeed, RevPAR was still negative at -4.3% at end-May, largely affected by Paris and Ile de France with RevPAR respectively at -13.6% and -7.7%. In all, 2016 RevPAR growth for the group is estimated at 3.5% vs. 4.4% and 4.5% in 2017 vs. 5.3%. On a “stress case” scenario, with flat RevPAR growth in 2016 and 2.9% in 2017, our DCF values the share at EUR38. Buy confirmed.

ANALYSIS

- Uncertain RevPAR rebound in France...:** Even if the contribution is decreasing and will continue to decrease due to the group's new expansion, France generated c.25% of consolidated EBIT in 2015 o/w about 60% from Paris/Ile de France. The current economic environment in France still looks challenging and RevPAR remains really volatile. In fact, YTD at the end of May, RevPAR was still negative at -4.3% after -1.6% in May, -9.4% in April, +2.1% in March, -3.6% in February and -5.1% in January. Negative RevPAR is mainly due to Paris where it was down 13.6% and Ile de France (down 7.7%) while RevPAR in provinces is largely positive (c.+5% since the beginning of the year). Looking ahead, RevPAR in France should benefit from the EURO 2016 football tournament in June and July, the motor show in Paris in October and better comps. In all, after taking into account of all these elements, we have decided to reduce our estimate for AccorHotels in France with RevPAR flat in 2016 vs. 2015 and compared to 3% previously. Remember that AccorHotels reported RevPAR down 2.5% in Q1 2016 in France (-2% for the market)
- Our new “Base case” and “Stress case” scenario:** All other things remaining equal in other geographies, our 2016e RevPAR growth in our new “Base case” scenario is reduced to +3.5% vs. 4.4% previously and to +4.5% in 2017e vs. 5.2%. Based on EBIT sensitivity to RevPAR (1% increase generates EUR15m), our EBIT 2016e and 2017e move respectively to EUR715m vs. EUR726m and EUR878m vs. EUR901m. Note that our estimates take into account FRHI consolidation for six months in 2016 (closing schedule early July), which will negatively impact 2016e EBIT by EUR10m. Positive impact estimated at EUR80m on 2017e. **On our “Stress case” scenario** with RevPAR broadly flat in 2016e vs. 2015 and 2.9% growth in 2017e, EBIT 2016e is EUR666m and EUR790m in 2017e.
- Other things:** On currencies, Brexit will have a negative impact on consolidation bearing in mind that AccorHotels generates about 15% of total EBIT in the UK (+/-10% GBP/EUR impacts EBIT by EUR10m) and on revenue due to less British citizens traveling abroad. The **FRHI** deal (155 hotels o/w 40 under construction with over 56,000 rooms) is due to close in early July and should be positive, strengthening AccorHotels portfolio in the luxury segment, in the US market with 42 more hotels in gateway cities and the high-end client databases mostly in the US. **Speculative** appeal remains with **Jin Jiang** having crossed the threshold of 15% (12.6% after FRHI) of AccorHotels' capital, **Colony Capital+Eurazeo** controlling 11.1% (9.3% after FRHI). After FRHI, **Qatar Investment Authority (QIA)** and **Kingdom Holding Company (KHC)** will become together the main shareholders with 16.4% of AccorHotels capital.

VALUATION

- Based on a DCF using a WACC of 9.1%, our “base case” scenario values the share at EUR45. In our “stress case” the valuation is EUR38.
- At the current share price in our “base case” scenario, the stock is valued at 9.63x EV/EBITDA 2016e and 7.3x 2017e.

NEXT CATALYSTS

- H1 results on 28th July 2016

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