

ELIOR

Price EUR20.10

On track with 2020 Ambitions (Focus released today)

Fair Value EUR23 (+14%)

BUY-Top Picks

| | |
|----------------------------|-------------|
| Bloomberg | ELIO.FP |
| Reuters | ELIO.PA |
| 12-month High / Low (EUR) | 20.6 / 16.7 |
| Market Cap (EURm) | 3,463 |
| Ev (BG Estimates) (EURm) | 5,051 |
| Avg. 6m daily volume (000) | 219.5 |
| 3y EPS CAGR | 26.9% |

Summary Following H1 2015-16 results and recent developments, management is clearly stepping up the roll-out of its 2020 Ambitions plan. Although we are making no changes to our forecasts since our model takes into account future acquisitions, this move makes us increasingly confident in management's short and medium-term guidance. Based on a DCF valuation using a leverage beta, we are confirming our FV of EUR23. Note that our SOTP yields a valuation of EUR24 per share.

ANALYSIS

- **Confident in management's guidance:** During H1 2015-16 ending 31st March, management accelerated the implementation of its plan focused on operating costs (contract review, purchasing and procurement) and new growth initiatives based on digital solutions (in-house solutions and with start-ups recently presented during the Seeds & Chips fair in Milan), as well as new marketing. Finally, M&A was clearly ramped-up over the first nine months with around EUR400m in total revenue acquired o/w EUR350m in the US.
- **Debt which was largely restructured:** Early last May, the group undertook the early redemption of all the outstanding high yield 6.5% May 2020 Senior Secured Notes for a total amount of EUR186m. Simultaneously, the group raised the same amount from investors via a seven-year private placement at a variable rate Euribor 3m plus 250bps. In all, taking into account recent M&A, we estimate net debt at the end of 2015-16 at around EUR1.6bn up EUR150m vs. last year with an average cost of 2.8% (vs. 3.3%).
- **Transformation well engaged but not fully reflected in valuation:** This momentum should deliver strong results and we definitely confirm that at least the mid-range of management's 2020 targets could be reached i.e. total revenue of c. EUR7.5bn with an EBITDA margin of 9.4%, bearing in mind that the group confirmed its guidance of 9% by the end of 2016-17 vs. 8.4% at the end of 2014-15.

VALUATION

- On EPS, our forecasts point to a 3y CAGR of nearly 27% compared with the current P/E of 17x 2015-16e and 13.6x 2016-17e. Bullet
- Our SOTP yields a valuation of EUR24 per share based on 2016e figures, using the average EV/EBITDA ratios of Sodexo (excluding Benefits & Rewards valued on Edenred's EV/EBITDA multiple of 10.8x) and Compass Group for Contract Catering. Concession Catering is based on the average EV/EBITDA of Autogrill (5.8x) and SSP (9.8x).

NEXT CATALYSTS

- 9m 2015-16 revenue on 28th July
- FY 2015-16 results on 9th December

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| | 1 M | 3 M | 6 M | 31/12/15 |
|----------------|------|-------|-------|----------|
| Absolute perf. | 2.7% | 3.4% | 8.8% | 4.1% |
| Travel&Leisure | 0.2% | -0.4% | -7.6% | -9.2% |
| DJ Stoxx 600 | 0.6% | -0.2% | -4.8% | -7.0% |

| YEnd Sept. (EURm) | 09/15 | 09/16e | 09/17e | 09/18e |
|-------------------|-------|--------|--------|--------|
| Sales | 5,674 | 6,071 | 6,447 | 6,809 |
| % change | | 7.0% | 6.2% | 5.6% |
| EBITDA | 473 | 523 | 580 | 633 |
| EBIT | 315.1 | 358.2 | 405.1 | 445.7 |
| % change | | 13.7% | 13.1% | 10.0% |
| Net income | 130.6 | 194.8 | 248.8 | 279.8 |
| % change | | 49.2% | 27.7% | 12.5% |

| | 09/15 | 09/16e | 09/17e | 09/18e |
|------------------|-------|--------|--------|--------|
| Operating margin | 5.6 | 5.9 | 6.3 | 6.5 |
| Net margin | 2.3 | 3.2 | 3.9 | 4.1 |
| ROE | 7.1 | 10.9 | 13.3 | 13.8 |
| ROCE | 6.4 | 6.8 | 7.4 | 7.9 |
| Gearing | 97.8 | 101.2 | 93.1 | 80.0 |

| (EUR) | 09/15 | 09/16e | 09/17e | 09/18e |
|-----------------|-------|--------|--------|--------|
| EPS | 0.80 | 1.13 | 1.44 | 1.62 |
| % change | - | 42.2% | 27.7% | 12.5% |
| P/E | 25.3x | 17.8x | 13.9x | 12.4x |
| FCF yield (%) | 5.7% | 5.7% | 6.4% | 7.1% |
| Dividends (EUR) | 0.32 | 0.40 | 0.52 | 0.60 |
| Div yield (%) | 1.6% | 2.0% | 2.6% | 3.0% |
| EV/Sales | 0.9x | 0.8x | 0.8x | 0.7x |
| EV/EBITDA | 10.4x | 9.7x | 8.7x | 7.8x |
| EV/EBIT | 15.6x | 14.1x | 12.5x | 11.1x |



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| | |
|---------|---|
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BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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