29th July 2016

Business Services

ELIOR

Price EUR20.00

9m revenue (contact): Some improvement in lfl growth. FY guidance confirmed

Fair Value EUR23 (+15%) **BUY-Top Picks**

Bloomberg	ELIO FP
Reuters	ELIO.PA
12-month High / Low (EUR)	20.6 / 16.7
Market Cap (EUR)	3,447
Avg. 6m daily volume (000)	232.6

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.6%	6.2%	9.9%	3.6%
Travel&Leisure	7.7%	-6.8%	-7.0%	-15.3%
DJ Stoxx 600	7.2%	-2.7%	1.4%	-7.2%

	09/15	09/16e	09/17e	09/18e
P/E	25.1x	18.4x	14.7x	13.0x
Div yield (%)	1.6%	1.9%	2.5%	2.8%

ANALYSIS

- **Slightly ahead of expectations:** Total 9m revenue reached EUR4,421m up 3.3% in reported terms and 1.8% on a lfl basis taking into account a 1.7% negative effect from voluntary contract exits. The numbers were slightly better than anticipated by the consensus (EUR4,412m with 1.5% lfl growth) and our estimates of EUR4,402m with lfl of 1.6%. In Q3 alone, revenue was EUR1,506m up 3.3% in reported terms with lfl growth of 2.4% after 1.9% in Q2 and 1.1% in Q1. By segment:
  - **Contract catering (74% of consolidated revenue)** was up 5.1% at EUR3,278m with lfl growth of 1.7% after 4% in Q3 (positive calendar effect of 1%) i.e. accelerating quarter after quarter (Q2 was up 1% and Q1 0.2%). **France** was up 2.2% ona lfl basis over 9m after 3.9% in Q3 (1.8% in Q2 and 1% in Q1) driven by strong business development, a calendar effect and average customer spend. **International** (48.5% of consolidated revenue) was up 1.1% in 9m after 4.2% in Q3 (0.1% in Q2 and -0.9% in Q1).
  - **Concession revenue** fell 1.6% in reported terms as expected to EUR1,143m, entirely due to France which was down 8.8% in reported terms with the impact of Roissy, termination of motorway contracts and the effect of flooding, and the current global environment (terrorist attacks, strikes). Lfl was 2.1% after -1.3% in Q3 (4.8% in Q2 and 3.6% in Q1) o/w -5.5% in **France** after 9.3% in Q3 (-3% in Q2 and -3.3% in Q1) and a strong 7.7% **abroad** after 4.5% in Q3 (10.5% in Q2 and 9.2% in Q1).
- **FY guidance confirmed:** In all, management confirmed positive trends, anticipating **organic growth** at or above 3%, excluding the impact of voluntary contract exits which is expected to be less than 200bps. **EBITDA margin** should improve by 20bp or more to 8.6%. With the consolidation of Preferred meals in Q4, adding a $50m contribution to revenue with no contribution to EBITDA due to the seasonal nature of the business in the education segment, the integration will be slightly negative by 10bp on margin. Finally, a significant rise is still expected in **reported and adjusted EPS** (our estimates is an improvement of respectively c.35% and 27%).

VALUATION

- At the current share price, the stock is trading at 10x EV/EBITDA 2015-2016e and 9x 2016-17e compared with EBITDA CAGR 2015-2018 of 8.5%

NEXT CATALYSTS

- FY results on 9th December (before market)

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BUY ratings 55% NEUTRAL ratings 34,2% SELL ratings 10,7%

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