

AccorHotels

Price EUR37.32

Lower EBIT despite top line resilience. Broad range FY EBIT guidance to reflect uncertainties

Fair Value EUR45 (+21%)

BUY

Bloomberg	AC FP
Reuters	ACCP.PA
12-month High / Low (EUR)	46.1 / 30.0
Market Cap (EURm)	10,619
Ev (BG Estimates) (EURm)	10,424
Avg. 6m daily volume (000)	1 461
3y EPS CAGR	4.7%

Despite AccorHotels exposure to France (28% of total number of rooms) and Brazil (7%) largely hit by major events, consolidated H1 revenue reached EUR2,598m, in line with consensus at EUR2,611m, and was up 2% on lfl vs. -0.2% from consensus. Nevertheless, EBIT at EUR239m was definitely lower than anticipated by the consensus (EUR260m) or our estimate of EUR266m with a margin lower 40bps vs last year at 9.2%. Beyond, AccorHotels expansion was really strong with the opening of over 19,000 rooms and H1 was marked by major transforming actions and deals for the coming years. For H2 2016, uncertainties remain, largely reflected in Management broad range EBIT guidance of between EUR670m and EUR720m (consensus at EUR716m).

	1 M	3 M	6 M	31/12/15
Absolute perf.	13.5%	-6.5%	9.9%	-6.7%
Travel&Leisure	10.5%	-6.3%	-7.6%	-14.8%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

YEnd Dec. (€m)	2014	2015e	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	2015e	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	22.3x	19.8x	22.1x	19.4x
FCF yield (%)	6.9%	7.0%	7.3%	8.6%
Dividends (€)	0.95	1.00	1.10	1.25
Div yield (%)	2.5%	2.7%	2.9%	3.3%
EV/Sales	2.0x	1.9x	2.0x	1.7x
EV/EBITDA	11.7x	10.6x	11.5x	8.9x
EV/EBIT	17.9x	15.7x	17.3x	12.8x

ANALYSIS

- Pretty resilient consolidated revenue despite major negative impacts:** Actually, with revenue at EUR2,598m, down 4.7% on reported but up 2% on lfl basis after 1.9% in Q1, this is definitely positive numbers taking into account the group exposure to **France** (revenue down 2.6% in H1 after -2.5% in Q1) where RevPAR was down -2.2% (market down 3.6%) o/w -12% in **Paris** (market down 14.2%) still affected by November events. Revenue in **Americas** (10% of total number of rooms) was up 1.7% (+3.1% in Q1) despite **Brazil** (70% of the group offer in that area) down 5.5%. Positive figure in **NCEE** (25% of rooms) which was up 4.1% on lfl basis, in **ASPAC** (26%) up 4.8% and in **MMEA** (11%) up 3.2% o/w 11.5% in the **Iberian Peninsula**. On reported revenue (-4.7%), development contributed 1.7% while disposals impacted revenue by 5.2% and currency effects by -3.2%.
- But lower EBIT down 4% on lfl basis:** At EUR239m, EBIT was down 8.9% on reported with lfl down 4% (+1.4% anticipated by the consensus). By geography, strong lfl growth in **NCEE**, **MMEA** and **Asia-Pacific** up respectively 10.5%, 9.9% and 27.8% but more than offsetting by **France** down 4.2%, **Americas** down 54.5% and the impact of the digital plan and the acquisition & development of onefinestay and FastBooking.
- Cash flow remains robust:** FFO amounted to EUR320m compared with EUR364m last year. Development expenditure was EUR135m up vs. EUR88m last year with maintenance capex of EUR84m (EUR64m in 2015). All in all recurring cash flow was just over EUR100m. Net debt is at EUR511m up EUR705m vs. end of December 2015 due to acquisitions. Cost of debt is again down to 2.85% (an all-time low) vs. 2.89% end of December.
- Consensus on top of the FY 2016 EBIT guidance:** Taking into account the consolidation of Fairmont Raffles Hotels in H2, Management expects to generate an EBIT between EUR670m and EUR720m, a broad range reflecting current uncertainties which should weigh on attending major events scheduled i.e. OG in Brazil or Paris Motor Show. In fact, the consensus anticipates EUR716m with FRHI EBIT contribution for 6 months of EUR44m and compared to EUR661m last year.

VALUATION

- At the current share price, the stock is trading 11.5x EV/EBITDA 2016e and 8.9x 2017e compares with average European peer valuation of respectively 10.1x and 9.2x
- Remember that mid-July, the Board of Directors has given the go-ahead for the project to turn HotelInvest into a subsidiary. A new assets valuation will be given in September having in mind that HotelInvest assets were valued at c. EUR7bn at the end of December 2015 representing a cap rate of 6.2%.

NEXT CATALYSTS

- Conference call today at 8.30am CET
- Q3 revenue on 18th October + Capital market day in October (date to be defined)



Analyst :

Bruno de La Rochebrochard
33(0) 1 56 68 75 88
bdelarochebrochard@bryangarnier.com

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London	Paris	New York	Munich	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	Widenmayerstrasse 29	The Imperial Hotel Janpath
15 St. Botolph Street	75008 Paris	New York, NY 10022	80538 Munich	New Delhi 110 001
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Germany	Tel +91 11 4132 6062
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	+49 89 2422 62 11	+91 98 1111 5119
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member		Fax +91 11 2621 9062
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Financial Conduct Authority (FCA)	Autorité de Contrôle prudentiel et de			rue de Grenus 7
	resolution (ACPR)			CP 2113
				Genève 1, CH 1211
				Tel +4122 731 3263
				Fax+4122731 3243
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