

## Albioma

Price EUR15.24

A strong first semester, but that was anticipated. 2016 targets confirmed.

Fair Value EUR16 (+5%)

BUY

Bloomberg	ABIO.FP
Reuters	ABIO.PA
12-month High / Low (EUR)	15.7 / 11.9
Market Cap (EUR)	461
Ev (BG Estimates) (EUR)	1,100
Avg. 6m daily volume (000)	25.10
3y EPS CAGR	18.4%

As expected, Albioma posted solid YoY Sales, EBITDA and net income growth for H1 2016 thanks to a positive scope effect in Brazil, a positive catch-up effect compared with H1 2015 when Le Moule and Le Gol plants were affected respectively by a strike and technical incidents, and thanks to a retrofit compensation effect concerning the Bois-Rouge power plant. 2016 targets were reiterated, while management's tone was quite positive and reassuring. Positive. Buy, FV @ EUR16.

## ANALYSIS

- Main H1 2016 metrics:** Total sales came out at **EUR177m**, up **8%** YoY thanks to solid growth in biomass thermal assets in France (a 7% pick up in production compared with last year when a strike affected Le Moule plant and when technical incidents stopped production at the Le Gol plant in H1 2015) and a recovery in sales generated by Brazilian activities (+72% following higher output from Rio Pardo and a positive scope effect with the integration of Codora Energia). Solar businesses only posted flat sales performance during the semester. Excluding the negative impact from the deterioration in commodities prices, YoY growth would have been close to **11.4%**. At the EBITDA level, the group benefited from these positive effects as well as from the positive retrofit effect at the Bois-Rouge power plant (for the extra costs of managing combustion by-products and processing liquid waste paid by the group since 2013). EBITDA therefore rose **30%** to **EUR65.4m** while net income was up **53%** to **EUR14.5m** in line with market expectations. The group's net debt remained almost unchanged at **EUR508m** despite an important rise in growth capex (dedicated to future assets, and as such generating no sales yet).
- What to retain from this publication? 1/** Strategy in the anaerobic digestion business is still unclear, although the group will decide in H2 2016 whether it continues or not within this business. We bet on an exit given the lack of synergies with other activities and given the difficulties the industry is facing to develop a franchise in France; **2/** strategy in Brazil very clear however. Management reiterated its aim to expand the group's capacities in the region further (every 12-18 months) and the group still has **EUR295m** to spend there. The recent deal signed with **Vale do Parana** is a perfect example of a low risk profile investment with best-in class sector players. Brazilian spot power prices remain low (BRL80/MWh), yet long term PPA prices remain quite attractive (minimum of BRL190/MWh). We expect a lot from this country given it will drive Albioma's mix toward its 2023 target to be renewable at **80%**. **3/** 2016 targets were reiterated despite this good set of numbers, especially since most of the performance was due to positive base comparison. The group is still targeting **EUR122-130m in EBITDA (+1.6%/+8%)** this year, and **EUR25-30m in net profit (-17%/0%)**. We currently stand respectively at **EUR127m** and **EUR27m**, in line with the consensus, implying a negative YoY EBITDA contribution for H2 2016 (-11.7%). It is important to keep in mind that the group **1/** will no longer benefit from a positive base effect as in H1, and **2/** will suffer from lower ARPU in Brazil compared with H2 2016.
- Conclusion:** This good set of metrics is definitively positive for Albioma's investment case even if the base effect was favourable. We appreciated management's positive tone, especially on the outlook for Brazil. At this stage, we maintain our estimates and still value Albioma at **EUR16/share**.

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.1%	11.2%	18.0%	1.9%
Utilities	11.4%	2.4%	3.2%	-0.5%
DJ Stoxx 600	6.0%	-1.7%	0.6%	-6.7%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	354.0	376.0	427.3	484.4
% change		6.2%	13.6%	13.4%
EBITDA	120	127	147	176
EBIT	76.1	73.9	88.0	112.8
% change		-2.9%	19.1%	28.2%
Net income	30.2	25.9	33.6	50.1
% change		-14.2%	29.8%	48.9%

	2015	2016e	2017e	2018e
Operating margin	21.5	19.7	20.6	23.3
Net margin	8.5	6.9	7.9	10.3
ROE	7.4	6.3	8.0	11.3
ROCE	4.7	4.4	4.5	5.3
Gearing	131.6	155.5	192.2	201.7

(EUR)	2015	2016e	2017e	2018e
EPS	1.04	0.89	1.15	1.72
% change	-	-14.2%	29.8%	48.9%
P/E	14.7x	17.1x	13.2x	8.9x
FCF yield (%)	1.4%	NM	NM	NM
Dividends (EUR)	0.57	0.57	0.58	0.86
Div yield (%)	3.7%	3.7%	3.8%	5.6%
EV/Sales	2.8x	2.9x	3.0x	2.8x
EV/EBITDA	8.3x	8.7x	8.6x	7.7x
EV/EBIT	13.1x	14.9x	14.4x	12.0x



## VALUATION

- At the current share price Albioma is trading at 8.6x its 2016e EBITDA and offers a 3.8% yield
- Buy, FV @ 16

## NEXT CATALYSTS

- Q3 2016 sales: 26th October 2016

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