

Edenred

Price EUR19.93

H1 ahead of expectations. FY guidance in line with estimates after another negative forex effect.

Fair Value EUR19 (-5%)

NEUTRAL

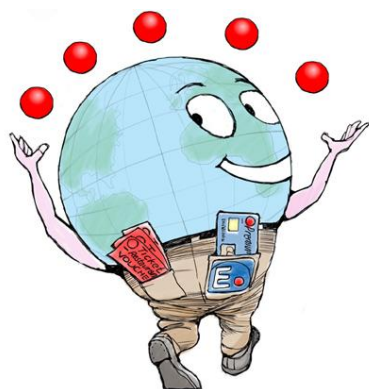
| | |
|----------------------------|-------------|
| Bloomberg | EDEN.FP |
| Reuters | EDEN.PA |
| 12-month High / Low (EUR) | 23.8 / 13.9 |
| Market Cap (EUR) | 4,657 |
| Ev (BG Estimates) (EUR) | 5,270 |
| Avg. 6m daily volume (000) | 958.0 |
| 3y EPS CAGR | 9.2% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|----------------|-------|-------|-------|----------|
| Absolute perf. | 17.1% | 8.6% | 28.5% | 14.2% |
| Travel&Leisure | -6.6% | -5.3% | -4.6% | -15.1% |
| DJ Stoxx 600 | 0.2% | -2.6% | 3.7% | -6.9% |

| YEnd Dec. (EURm) | 2015 | 2016e | 2017e | 2018e |
|------------------|-------|-------|-------|-------|
| Sales | 1,069 | 1,117 | 1,202 | 1,272 |
| % change | | 4.5% | 7.6% | 5.8% |
| EBITDA | 388 | 410 | 457 | 494 |
| EBIT | 341.0 | 363.6 | 406.5 | 439.9 |
| % change | | 6.6% | 11.8% | 8.2% |
| Net income | 206.0 | 214.5 | 243.1 | 264.9 |
| % change | | 4.1% | 13.3% | 9.0% |

| | 2015 | 2016e | 2017e | 2018e |
|------------------|-------|-------|-------|-------|
| Operating margin | 31.9 | 32.5 | 33.8 | 34.6 |
| Net margin | 16.6 | 18.7 | 19.7 | 20.3 |
| ROE | -12.2 | -14.2 | -15.7 | -17.4 |
| ROCE | -44.8 | -45.2 | -47.6 | -51.9 |
| Gearing | NM | NM | NM | NM |

| (EUR) | 2015 | 2016e | 2017e | 2018e |
|-----------------|-------|-------|-------|-------|
| EPS | 0.87 | 0.92 | 1.04 | 1.13 |
| % change | - | 5.5% | 13.3% | 9.0% |
| P/E | 22.9x | 21.7x | 19.2x | 17.6x |
| FCF yield (%) | 6.2% | 7.7% | 9.4% | 8.4% |
| Dividends (EUR) | 0.84 | 0.87 | 0.99 | 1.08 |
| Div yield (%) | 4.2% | 4.4% | 5.0% | 5.4% |
| EV/Sales | 5.0x | 4.7x | 4.4x | 4.1x |
| EV/EBITDA | 13.6x | 12.8x | 11.5x | 10.6x |
| EV/EBIT | 15.5x | 14.5x | 12.9x | 11.9x |



Lfl growth in Issue Volume improved slightly, rising 8.4% (BG and consensus at 8%) as did total revenue up 6.1% (BG at 5.4% and consensus 5.5%) reflecting continued acceleration in Europe and not so bad growth in Latam despite the challenging economic environment in Brazil and high comps in Mexico. EBIT reached EUR161m, up 13%, compared with our estimate of EUR153m and the consensus at EUR154m. The negative impact from currencies was EUR28m. FY guidance is in line with our estimates and the historical trend notably with EBIT between EUR350m and EUR370m (our estimate of EUR364m and consensus EUR360m) taking into account EUR35m. Another mixed picture albeit with a better lfl trend compared with FY start, with results largely impacted by forex. Neutral.

ANALYSIS

- **Better lfl growth with improvement in Q2 vs. Q1:** H1 total IV reached EUR9,079m, ahead of our forecast of EUR8,962m and the consensus of EUR8,876m with lfl growth of 8.4% (BG and consensus at 8%) after 7.4% in Q1 thanks to a sustained trend in Europe up 8.3% (8.4% in Q1) and better in Latam, up 8.1% after 7.5% in Q1. Total revenue was up 6.1% on lfl at EUR526m (BG at EUR525m and consensus at EUR522m).
- **Higher EBIT than forecasted but again largely impacted by forex:** In fact, EBIT at EUR161m (BG at EUR153m and consensus EUR154m) was down 2.2% on reported and up 13% on lfl (Europe +27.7% and Latam 10.8%) after another significant negative currency effect of EUR28m. Operating EBIT reached EUR129m, up 0.7% on reported with lfl growth of 17.1% and financial revenue of EUR32m vs. EUR36m last year was down respectively 12.6% on reported and 1.6% on lfl.
- **Nevertheless, FY guidance is in line with the current consensus and the historical trend:** Management expects "solid" Issue Volume growth in H2 and FY lfl growth of between 8% and 14% (our FY estimate at 8% vs. consensus 8.4%) taking into account unfavourable calendar effects in Europe, improvement in Latam mainly from Mexico and expansion in expense management in Brazil. As such, FY 2016 EBIT should be between EUR350m and EUR370m compared with EUR341m in 2015 and our estimate of EUR364m (consensus at EUR360m), with again an estimated negative currency impact of EUR35m. Lfl growth in FFO is expected to be in line with the historical guidance of more than 10% (our estimate is 12%).

VALUATION

- At the current share price, the stock is trading at 14.5x EV/EBIT 2016e and 12.9x 2017e, which compares with a 2015-2018 CAGR in EBIT of 8.9%.

Main currency impacts

| Exchange rates: +/-5% change in: | Impact on EBIT (€m) | Implicit group EBIT | Implicit LatAm EBIT |
|----------------------------------|---------------------|---------------------|---------------------|
| Brazil | 7,6 | 44,6% | 75,2% |
| Venezuela | 0,4 | 2,3% | 4,0% |
| Mexico | 1,5 | 8,8% | 14,9% |

Source : Company Data; Bryan Garnier & Co. ests.

NEXT CATALYSTS

- Conference call at 8.00am (CET)
- Q3 revenue on 13th October
- Capital market day on 19th October (London)

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| | |
|---------|---|
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SELL ratings 10,7%

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