

Eiffage

Price EUR65.55

Q2 APRR traffic in line and still healthy

Fair Value EUR73 (+11%)

BUY

Bloomberg	FGR FP
Reuters	FOUG.PA
12-month High / Low (EUR)	70.1 / 50.1
Market Cap (EURm)	6,429
Ev (BG Estimates) (EURm)	20,380
Avg. 6m daily volume (000)	387.5
3y EPS CAGR	17.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.6%	-1.0%	15.8%	10.1%
Cons & Mat	-0.2%	-2.0%	7.9%	-1.7%
DJ Stoxx 600	0.2%	-2.6%	3.7%	-6.9%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	13,909	13,810	14,055	14,321
% change		-0.7%	1.8%	1.9%
EBITDA	2,074	2,089	2,171	2,286
EBIT	1,431	1,505	1,581	1,691
% change		5.1%	5.1%	7.0%
Net income	312.0	384.1	427.9	523.5
% change		23.1%	11.4%	22.4%

	2015	2016e	2017e	2018e
Operating margin	10.3	10.9	11.2	11.8
Net margin	3.3	4.1	4.5	5.4
ROE	13.2	14.1	14.0	15.0
ROCE	5.1	5.3	5.6	6.0
Gearing	351.2	295.3	255.9	214.2

(EUR)	2015	2016e	2017e	2018e
EPS	3.37	4.00	4.46	5.40
% change	-	18.8%	11.4%	21.2%
P/E	19.5x	16.4x	14.7x	12.1x
FCF yield (%)	7.9%	5.8%	7.9%	10.9%
Dividends (EUR)	1.50	1.50	1.50	1.50
Div yield (%)	2.3%	2.3%	2.3%	2.3%
EV/Sales	1.5x	1.5x	1.4x	1.3x
EV/EBITDA	10.0x	9.8x	9.2x	8.4x
EV/EBIT	14.5x	13.5x	12.7x	11.3x

Eiffage's 50%-owned toll road subsidiary has reported decent 1.8% traffic growth for Q2, in line with our expectations, but lower than Q1, which was exceptionally strong at +6.5%. Don't be disappointed: calendar discrepancies between Q1 and Q2 explain a lot and H1 2016 traffic growth was still steady with a 4.1% increase, to be compared with our FY forecast of 2.5%. Besides, heavy vehicle traffic is very healthy with an 8% increase in Q2. Consensus certainly not at risk.

ANALYSIS

- Following an exceptional Q1 2016, with 6.5% traffic growth, the Q2 2016 volume increase looks obviously less exciting with an 1.8% increase only. However, this was mostly explained by light vehicle traffic (+7.1% in Q1, +0.7% in Q2), positively impacted by the positive calendar effect in Q1 in particular (leap year and the Easter week-end); while of course Q2 was penalised on the contrary. In addition, truck traffic accelerated in Q2, with an impressive +8%, following an already decent +3.9% in Q1. Heavy vehicle traffic benefited from more working days in May this year. Eiffage said some truck volumes also benefited from some traffic reports due to bad weather.
- Note that heavy vehicle traffic growth was finally very steady in H1 2016 with a 6% increase (vs 3.7% for light vehicles). This has been translated into a positive price mix effect, as trucks pay more than cars (in 2015, trucks weighted 15% of traffic but 32% of revenues for APRR).
- APRR H1 2016 revenues increased by 5.6% to EUR1.116m, with toll revenues representing 97% of this figure. Note that in February, APRR benefited from a tariff hike of approx. 1.25% for cars.

Quarterly traffic - APRR

	Q114	Q214	Q314	Q414	Q115	Q215	Q315	Q415	Q116	Q216
m-km travelled										
Cars	4026	4551	5720	4126	4099	4674	5896	4236	4388	4709
Trucks	813	826	788	810	829	843	815	844	861	910
Total	4839	5377	6508	4936	4928	5517	6712	5080	5249	5619
y/y change (%)										
Cars	0.5	3.2	0.6	2.6	1.8	2.7	3.1	2.7	7.1	0.7
Trucks	1.9	2.5	1.3	0.4	2.0	2.1	3.5	4.1	3.8	8.0
Total	0.7	3.1	0.7	2.2	1.8	2.6	3.1	2.9	6.5	1.8
YTD y/y change (%)										
VL	0.5	1.9	1.4	1.6	1.8	2.3	2.6	2.6	7.1	3.7
PL	1.9	2.2	1.9	1.5	2.0	2.0	2.5	2.9	3.9	6.0
Total	0.7	2.0	1.4	1.6	1.8	2.2	2.6	2.7	6.5	4.1

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

VALUATION

- EUR73 FV derived from a SOTP

NEXT CATALYSTS

- Eiffage Q2 2016 on 31st August 2016

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