

5th July 2016

Healthcare

Orpea

Price EUR74.46

Further significant expansion in Spain and another Schuldschein

Fair Value EUR79 (+6%)

BUY

Bloomberg	ORP.FP
Reuters	ORP.PA
12-month High / Low (EUR)	76.7 / 61.6
Market Cap (EURm)	4,472
Ev (BG Estimates) (EURm)	7,468
Avg. 6m daily volume (000)	116.4
3y EPS CAGR	14.6%

With the acquisition of the Sanyres group, Orpea has nearly doubled its size in Spain adding 3,300 beds in 18 facilities, most of all in fully-owned property. The deal represents an estimated amount of between EUR150m and EUR160m and has been entirely paid for in cash. In addition, Orpea announced a new successful Schuldschein (the eighth) for a total amount of EUR277m. Sanyres will be consolidated in H2 2016 and will be accretive (c.2%) on EPS as from 2016. Positive.

ANALYSIS

- New expansion in Spain which significantly strengthens Orpea's network:** With Sanyres this is the acquisition of 18 facilities fully owned with 3,300 beds compared with the current Orpea network in Spain of 4,034 at the end of 2015 with 25 facilities. Sanyres seems to fit perfectly with Orpea's requirements i.e. with 67% of private beds, 60% of single rooms with around 150 beds by facility. In addition, Orpea has acquired most of the real estate which is recent (average age of 10 years) with facilities located in main cities.
- Deal set to be accretive as of 2016...:** Sanyres' total revenue was around EUR55m in 2015 with EBITDAR and EBITDA of 21% (Orpea's EBITDAR margin in Spain was 23.8% in 2015). The transaction was mainly a real estate deal valuation (between 180,000m2 and 200,000m2) and we estimate the total amount paid at between EUR150m and EUR160m (12x EV/EBITDA). Entirely paid in cash, we estimate that Sanyres, which will be consolidated in H2 2016 will be accretive by c.2% on EPS.
- ... with upside in the near future:** In fact, with 80% of occupancy and 67% of private beds, the aim is clearly to optimise total revenue and margin and we can easily anticipate total revenue of at least EUR60m in the next three years with an EBITDA margin of 25% i.e. Orpea's expectation in Spain for the current network.
- New Schuldschein:** Orpea issued a new Schuldschein for a total amount of EUR277m (initial size of EUR100m) with maturity between five and seven years and another low spread with for example, the five year maturity at 1.5%. Note that the deal was signed after Brexit.

VALUATION

- At the current share price, the stock is trading at 15.8x EV/EBITDA 2016e and 14.3x 2017e which compares with historical median 12FWD of 13.1x an EBITDA CAGR 2015-2018 of 11.4%.

NEXT CATALYSTS

- H1 results on 20th July (before market)

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