

## Orpea

Price EUR74.27

Strong Q2 revenues; FY 2016 guidance upgraded (contact)

Fair Value EUR85 vs. EUR79 (+14%)

BUY

Bloomberg	ORP.FP
Reuters	ORP.PA
12-month High / Low (EUR)	76.7 / 65.0
Market Cap (EUR)	4,461
Ev (BG Estimates) (EUR)	7,454
Avg. 6m daily volume (000)	111.4
3y EPS CAGR	16.5%

After strong organic revenue growth in Q1 (+4.7% excluding the 1.2% positive impact of the 2016 leap year), Q2 was even better having risen 6.6% with total revenue of EUR700m (+19.8% on reported). So, revenue in H1 reached EUR1,381m, up 23% reported driven by acquisitions, with organic up 5.7%. Taking into account those numbers and the recent acquisition of the Sanyres group which will be consolidated in H2 2016 and accretive for EPS from this year, Management upgraded its FY2016 guidance to EUR2,810m from EUR2,720m. Our estimates move to EUR2,813m from EUR2,772m on revenue and to EUR484m from EUR473m on EBITDA. Using a DCF, we increase our FV to EUR85.

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.4%	-0.1%	4.4%	0.7%
Healthcare	8.7%	2.9%	3.1%	-4.5%
DJ Stoxx 600	3.5%	-3.4%	1.3%	-7.8%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	2,392	2,813	2,999	3,140
% change		17.6%	6.6%	4.7%
EBITDA	400	484	535	572
EBIT	303.3	380.1	417.8	443.4
% change		25.3%	9.9%	6.1%
Net income	153.3	183.4	212.7	236.7
% change		19.7%	16.0%	11.3%

	2015	2016e	2017e	2018e
Operating margin	12.7	13.5	13.9	14.1
Net margin	6.4	6.5	7.1	7.5
ROE	8.5	10.1	11.8	13.1
ROCE	3.6	4.3	4.8	5.1
Gearing	166.5	165.3	158.6	150.5

(EUR)	2015	2016e	2017e	2018e
EPS	2.42	2.99	3.45	3.82
% change	-	23.6%	15.3%	10.8%
P/E	30.7x	24.8x	21.5x	19.4x
FCF yield (%)	NM	5.3%	7.0%	7.5%
Dividends (EUR)	0.90	1.05	1.21	1.34
Div yield (%)	1.2%	1.4%	1.6%	1.8%
EV/Sales	3.1x	2.6x	2.4x	2.3x
EV/EBITDA	18.7x	15.4x	13.7x	12.6x
EV/EBIT	24.6x	19.6x	17.6x	16.2x

## ANALYSIS

- **Better revenue growth driven by acquisitions....:** Total revenue reached EUR700.4m in Q2 which was higher than our estimate and consensus of respectively EUR694m and EUR687m taking into account the consolidation of companies acquired in the course of 2015 bringing EUR78m in Q2 after EUR110m in Q1.
- **...and stronger organic than expected:** Organic growth was stronger than anticipated in Q2, up 6.6% after 4.7% in Q1 and compares with our forecast of 4.9% and 4.6% from consensus. All regions registered higher growth, with **France** up 5% after 4.1% in Q1 and **International** (40% of consolidated revenue) up 9% after 6.2% in Q1. Growth was strong in **Belgium** (up 8.2% in Q2 after 1.2% in Q1), thanks to the ramp-up of new facilities; **Austria** was up 13.8% (SeneCura), **Germany** was up 7.8%, **Spain** +3.8%, **Switzerland** +14% and **Italy** +6%.
- **FY guidance upgraded, like our estimates:** Following those numbers and the acquisition of the Sanyres group in Spain which will be consolidated in H2 2016 with a revenue contribution of EUR28m, management raised its guidance to EUR2,810m up EUR90m vs. previous guidance which represents growth of 17.5% vs. 2015. Regarding our estimates, our total revenue moves to EUR2,813m from EUR2,772m with an EBITDA at EUR484m from EUR473m.

## Main changes to our estimates

	2016e			2017e			2018e		
	Old	New	Change%	Old	New	Change%	Old	New	Change%
SALES	2 772	2 813	1,5%	2 920	2 999	2,7%	3 069	3 140	2,3%
EBITDA	473	484	2,4%	513	535	4,2%	553	572	3,5%
EBIT	17,1%	17,2%	15 bp	17,6%	17,8%	25 bp	18,0%	18,2%	21 bp
	370	380	2,6%	399	418	4,6%	427	443	3,9%
EPS	13,4%	13,5%	15 bp	13,7%	13,9%	25 bp	13,9%	14,1%	21 bp
	2,89	2,99	3,5%	3,26	3,45	5,9%	3,65	3,82	4,8%

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

## VALUATION

- Based on our new estimates and using a DCF with a WACC of 6.2%, long-term growth of 2.5%, our FV move to EUR85 from EUR79.
- At the current share price, the stock is trading at 15.4x EV/EBITDA 2016e and 13.7x 2017e which compares with an historical average of 13.1x and an EBITDA CAGR 2015-2018 of 12.7%

## NEXT CATALYSTS

- H1 2016 results on 28<sup>th</sup> August

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