

VINCI

Price EUR67.08

Strong H1 2016 EBIT; guidance reiterated.

Fair Value EUR72 (+7%)

BUY-Top Picks

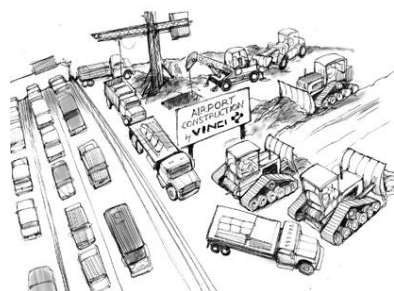
Bloomberg	DG FP
Reuters	SGEF.PA
12-month High / Low (EUR)	68.2 / 52.9
Market Cap (EURm)	39,929
Ev (BG Estimates) (EURm)	50,708
Avg. 6m daily volume (000)	1,788
3y EPS CAGR	7.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	11.1%	1.6%	8.5%	13.4%
Cons & Mat	10.4%	-2.1%	5.2%	-0.3%
DJ Stoxx 600	7.2%	-2.7%	1.4%	-7.2%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	38,518	38,272	39,607	40,984
% change		-0.6%	3.5%	3.5%
EBITDA	5,664	5,772	6,074	6,281
EBIT	3,758	3,972	4,273	4,494
% change		5.7%	7.6%	5.2%
Net income	2,109	2,258	2,469	2,597
% change		7.1%	9.3%	5.2%

	2015	2016e	2017e	2018e
Operating margin	9.8	10.4	10.8	11.0
Net margin	5.4	6.0	6.3	6.4
ROE	13.9	14.2	14.7	14.5
ROCE	7.4	7.8	8.4	8.8
Gearing	81.5	72.4	59.8	47.9

(EUR)	2015	2016e	2017e	2018e
EPS	3.58	3.83	4.19	4.41
% change		6.9%	9.3%	5.2%
P/E	18.7x	17.5x	16.0x	15.2x
FCF yield (%)	7.6%	7.0%	7.4%	8.0%
Dividends (EUR)	1.84	2.03	2.22	2.34
Div yield (%)	2.7%	3.0%	3.3%	3.5%
EV/Sales	1.3x	1.3x	1.2x	1.2x
EV/EBITDA	9.1x	8.8x	8.1x	7.6x
EV/EBIT	13.8x	12.8x	11.5x	10.6x



Revenues are in line with consensus at EUR17,619m in H1, with stronger organic growth in Q2 (-1.9%) than in Q1 (-3.3%). H1 EBIT is good, c4.5% above consensus at EUR1720m, with a 9.8% margin (+c115bps y/y), with better performance for both Concessions (+c30bps at 47.2%) and Contracting (+c20bps at 2.3%). Order book up 1.8%. Guidance unchanged, but tone of the press release suggests Vinci is more confident about the future. Interim dividend at EURO.63. Positive.

Key figures

EURm	Q216	org%	H116	org%	H1 vs CS (%)	H1 vs BG (%)
Sales Concessions	1,575	3.5	2,882	5.8	-	-0.2
Sales Contracting	7,983	-4.1	14,695	-4.7	-	-0.8
Consolidated sales	9,594	-1.9	17,619	1.5	-0.2	-0.2
EBIT Concessions	-	-	1,361	-	-	6.4
EBIT Contracting	-	-	338	-	-	7.6
Consolidated EBIT	-	-	1,720	-	4.4	5.6

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

ANALYSIS

- Strong performance by Vinci in the first semester. Toll roads EBIT margin continue to increase (sales increase, cost control, lower depreciation due to the concession life extension). Other Concessions losses have been reduced. In Contracting, Eurovia in Roadworks and Vinci Energies EBIT margin are better (+c10bps at 5.5% and +c50bps at -0.9%, resp.), but margin is slightly down in Construction (-c10bps at 1.4%) despite breakeven in the UK, due to lower activity in France and Africa.
- Vinci's Consortium (with CDC and Crédit Agricole Assurances) has been named preferred bidder for a 60% stake in ADL (Aéroports de Lyon), which hold the concession contract (ending in 2047) of the two airports in Lyon Airport (Saint-Exupéry and Bron). The press mentions a transaction price of EUR533m. Combined with a net debt at EUR108.5m at end 2014 and EUR53m of EBITDA (2015), the EV/EBITDA of the transaction would stand at 19x (the press mentions 21x). This could sound expensive, but multiples are certainly not the proper approach to value a concession. In any case, with 8.7 millions passengers, the Vinci Airport Portfolio will not change dramatically. But of course this is a step in the right direction, as airports are clearly a priority in the strategy of the group today. The press says Vinci Airports got a 51% stake in the consortium.

VALUATION

- FV at EUR72 derived from the SOTP

NEXT CATALYSTS

- 25th October 2016 : Q3 sales at end September

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