

Eiffage

Price EUR69.45

APRR H1 2016: Strong positive impact from lower interest expenses

Fair Value EUR73 (+5%)

BUY

Bloomberg	FGR FP
Reuters	FOUG.PA
12-month High / Low (EUR)	71.1 / 54.3
Market Cap (EUR)	6,812
Ev (BG Estimates) (EUR)	20,763
Avg. 6m daily volume (000)	351.2
3y EPS CAGR	17.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.0%	3.2%	6.3%	16.7%
Cons & Mat	4.2%	3.5%	10.5%	5.1%
DJ Stoxx 600	0.4%	-1.8%	2.8%	-6.2%

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	20.6x	17.3x	15.6x	12.8x
FCF yield (%)	7.5%	5.5%	7.4%	10.3%
Dividends (EUR)	1.50	1.50	1.50	1.50
Div yield (%)	2.2%	2.2%	2.2%	2.2%
EV/Sales	1.5x	1.5x	1.5x	1.4x
EV/EBITDA	10.2x	9.9x	9.4x	8.5x
EV/EBIT	14.7x	13.8x	12.9x	11.5x

Whereas Eiffage's comprehensive H1 2016 figures are expected Wednesday after trading, its 50%-owned toll road subsidiary APRR has reported good figures for the period. EBITDA margin was slightly under pressure at 74.4% down by c45bps, penalised by the AFITF contribution (75.9% excluding this infrastructure payment). However, net profit growth was very strong (+24%), as net financing charges were slashed by EUR26.7m. This is a positive read-across for Eiffage.

APRR traffic quarterly change

y/y change (%)	Q115	Q215	Q315	Q415	Q116	Q216
Cars	1.8	2.7	3.1	2.7	7.1	0.7
Trucks	2.0	2.1	3.5	4.1	3.9	8.0
Total	1.8	2.6	3.1	2.9	6.5	1.8

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

APRR key figures in H1 2016

EURm	H115	H215	H116
Revenues	1057	1157	1116
EBITDA	792	797	831
EBITDA margin (%)	74.9	68.9	74.4
Δbps	60	149	-46
EBIT	580	579	625
EBIT margin (%)	54.9	50.0	56.0
Net profit	271	268	335

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

ANALYSIS

- Revenues had already been reported. After very strong traffic in Q1 (+6.5% y/y) Q2 was a bit less buoyant (+1.8%), mostly due to calendar effects. The effect of Easter weekend falling in Q1 this year vs Q2 last year was positive for light vehicles in Q1 (+7.1%) but not in Q2 (+0.7%). Heavy vehicle traffic gained momentum with an 8% y/y increase in Q2 following an already strong +3.9% in Q1. Combined with a toll increase of approx. 1.25% on 1st February (for class 1 vehicles), APRR's revenues rose 5.6% to EUR1116m in H1 2016.
- Penalised by the full impact of the new AFITF contribution (negotiated as part of the stimulus plan) of EUR15.8m in H1, EBITDA increase by 5.1% at EUR831m, i.e. a 74.4% margin vs 74.9% in H1 2015. This slight pressure was expected, as the AFITF contribution was already known.
- The net profit increase was impressive at nearly 24%. Net profit of EUR335m benefited from the substantial fall in net financing charges of EUR26.7m, while we expect a EUR50m decline for Eiffage's net interest charges on a consolidated basis for the full year. We prefer to wait for Eiffage's analyst meeting on Wednesday night before taking any action, but obviously we feel comfortable with our current Eiffage forecast following this publication.

VALUATION

- Our EUR73 FV is derived from an SOTP.

NEXT CATALYSTS

- Consolidated H1 2016 results on Wednesday post market. We expect EBIT to stand at around EUR640m (median Inquiry Financial consensus at EUR654m, before this APRR release).

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Analyst :
Eric Lemarié
33(0) 1.70.36.57.17
elemarie@bryangarnier.com

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Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	Widenmayerstrasse 29	The Imperial Hotel Janpath
15 St. Botolph Street	75008 Paris	New York, NY 10022	80538 Munich	New Delhi 110 001
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Germany	Tel +91 11 4132 6062
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	+49 89 2422 62 11	+91 98 1111 5119
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member		Fax +91 11 2621 9062
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Financial Conduct Authority (FCA)	Autorité de Contrôle prudentiel et de			rue de Grenus 7
	resolution (ACPR)			CP 2113
				Genève 1, CH 1211
				Tel +4122 731 3263
				Fax+4122731 3243
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