

Sector View

Construction-Infrastructures

What about the new French toll road stimulus plan?

	1 M	3 M	6 M	31/12/15
Cons & Mat	5.9%	6.8%	9.6%	6.5%
DJ Stoxx 600	2.7%	2.7%	2.6%	-4.2%

*Stoxx Sector Indices

Companies covered

EIFFAGE	BUY	EUR77
VINCI	BUY	EUR72

French daily, Les Echos, today reviews the new stimulus plan for toll roads mentioned by François Hollande last July. We suspect there are some political communication issues here and that works are unlikely to kick off in the short term (2017? later?). Indeed, we have no information on most of the details. However, we view this type of communication as positive for Vinci and Eiffage: we think it reflects a decline in political risks for the French toll roads environment.

ANALYSIS

- A new stimulus plan would be positive for the sector, in particular Vinci and Eiffage through their exposure to toll roads. But the timing is uncertain. It looks like the French government wants to progress rapidly on this issue but that the works from previous stimulus plan are only starting this year, whereas negotiations began in November 2012.
- In addition, there is a lot we don't know. The extent of the works? Compensation for toll roads groups? This could prompt either additional tariff increases or concession contract extensions or a combination. According to Les Echos, the most likely scenario would be a modest tariff increase, which suggests that the stimulus plan would not be very significant in size anyway. Les Echos states that works under this new plan should not start before end-2017, which seems likely indeed.
- As suggested by the newspaper, François Hollande might be interested in communicating on this subject before the various elections organised in France next year: Presidential (in April/May) and "Legislatives" (for the Lower House in June). After all, no public money would be needed.
- In any case, in our view, this communication from François Hollande suggests to us that political risk in the toll road sector is much lower today, which is of course positive for Vinci or Eiffage.

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Distribution of stock ratings

BUY ratings 72%

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