

16th September 2016

Construction & Building Materials

Eiffage

Price EUR68.76

TP Ferro Concession contract to be terminated

Fair Value EUR77 (+12%)

BUY

Bloomberg	FGR FP
Reuters	FOUG.PA
12-month High / Low (EUR)	71.8 / 54.3
Market Cap (EURm)	6,744
Avg. 6m daily volume (000)	341.1

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.2%	9.7%	4.3%	15.5%
Cons & Mat	-1.1%	9.2%	6.3%	3.5%
DJ Stoxx 600	-1.7%	5.2%	-0.2%	-7.0%

	2015	2016e	2017e	2018e
P/E	20.4x	16.5x	14.8x	12.3x
Div yield (%)	2.2%	2.2%	2.2%	2.2%

ANALYSIS

- TP Ferro, 50% owned by Eiffage, is the concession company in charge of the high-speed rail line between Perpignan in the South of France and Figueras in Spain. It is going into liquidation.
- Since the opening in 2010, TP Ferro has faced numerous difficulties, in particular lower-than-expected traffic, the absence of private operators and the difficult Spanish macro situation. In March 2015, the concessionaire was unable to repay the debt as scheduled and declared a suspension of payment. EUR557m TP Ferro debt is non-recourse (and not consolidated in Eiffage's balance sheet): Eiffage, as well as ACS, will not be requested to repay it. The operation of the line will be transferred to a (French and Spanish) state-owned company and the concession contract will be terminated.
- We don't expect any pressure on Eiffage's share price, as TP Ferro has been under administration since 2015. Apparently, the termination of the concession contract was, unfortunately, the likely outcome.

VALUATION

- EUR77 FV is derived from a SOTP. TP Ferro value in our FV was equal to zero.

NEXT CATALYSTS

- Q3 sales of APRR on 20 October 2016; Q3 sales of Eiffage on 7th November 2016.

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