

## AccorHotels

Price EUR33.04

Conference call Q3 revenue: stronger than anticipated. FY guidance narrowed as expected.

Fair Value EUR42 (+27%)

BUY

Bloomberg	AC FP
Reuters	ACCP.PA
12-month High / Low (EUR)	46.1 / 30.0
Market Cap (EUR)	9,405
Ev (BG Estimates) (EUR)	9,210
Avg. 6m daily volume (000)	1,142
3y EPS CAGR	10.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.4%	-11.9%	-13.7%	-17.4%
Travel&Leisure	-4.5%	-3.2%	-9.3%	-17.9%
DJ Stoxx 600	1.4%	1.1%	-0.5%	-6.4%

YEnd Dec. (€m)	2014	2015e	2016e	2017e
Sales	5,454	5,581	5,711	6,277
% change		2.3%	2.3%	9.9%
EBITDA	923	987	1,040	1,205
EBIT	602.0	665.0	686.5	828.1
% change		10.5%	3.2%	20.6%
Net income	386.0	441.8	435.0	514.2
% change		14.5%	-1.5%	18.2%

	2014	2015e	2016e	2017e
Operating margin	11.0	11.9	12.0	13.2
Net margin	4.1	4.4	6.6	7.9
ROE	6.2	6.8	10.2	14.7
ROCE	12.4	14.5	11.4	15.2
Gearing	4.1	-4.9	20.1	19.9

(€)	2014	2015e	2016e	2017e
EPS	1.52	1.59	1.67	2.03
% change	-	4.6%	5.0%	21.1%
P/E	21.7x	20.7x	19.7x	16.3x
FCF yield (%)	6.5%	6.6%	6.4%	7.9%
Dividends (€)	0.95	1.00	1.00	1.10
Div yield (%)	2.9%	3.0%	3.0%	3.3%
EV/Sales	1.8x	1.7x	1.8x	1.6x
EV/EBITDA	10.4x	9.3x	9.8x	8.4x
EV/EBIT	15.9x	13.8x	14.9x	12.2x



Q3 numbers were higher than expected with total revenue reaching EUR1.538bn (consensus at EUR1.502bn and BG at EUR1.509bn) up 3% in reported terms with lfl revenue growth of 1.8% while the consensus was forecasting 0.4% (BG at 1.3%). Q3 performance was even more remarkable given summer season headwinds especially in France and Belgium. After 9m, management narrowed its FY guidance as expected to EUR670m-EUR690m vs. EUR670m-EUR720m previously (consensus at EUR675m) reflecting uncertainties in France. Positive.

## ANALYSIS

- **Ahead of expectations with Q3 trend in line with previous quarters:** Definitely positive numbers in Q3 up 1.8% on a lfl basis, after 1.9% in Q2 and 2% in Q1, with robust growth in all regions except in France and Belgium:
  - **Americas** (12.5% Q3 consolidated revenue) was up 19% lfl basis largely sustained by the Olympic Games, **Asia-Pacific** (14.4%) up 6.9%, **MMEA** (10.9%) up 4.1% mainly driven by double-digit growth in Spain and Portugal (+10.1%).
  - **NCEE** (42.1%) was up 2.4% after 5.1% in Q2 and 2.5% in Q1 affected by a significant decline of 14.3% in Belgium while Germany was up 3% and UK 2.2%.
  - Finally regarding **France** (28.4%) revenue declined by 4.7% on lfl basis largely affected by leisure travel in Paris.

By business, **HotelServices** revenue (EUR442m) was up 6.7% lfl with notably France stable (+0.3%) due to a positive summer season in the provinces. FRHI consolidated since Q3 contributed EUR65m to HotelServices. **HotelInvest** revenue (EUR1,247m) was down 0.1% on lfl basis largely impacted by France (-6.9% on lfl basis) due to HotelInvest exposure to Paris. FRHI contribution was EUR87m to HotelInvest.

- **RevPAR still positive despite France:** Q3 RevPAR was up 1.1% after 1.6% in Q2 and 0.4% in Q1 taking into account -5.8% in France after -2.2% in Q2 and -2.5% in Q1. In fact, RevPAR in France was largely affected by leisure travel slowdown in Paris with RevPAR down 17.9% in Q3 while provinces was up by 1%.
- **As seen in H1, AccorHotels' expansion accelerated with FRHI integration:** The system size has increased by over 51,000 rooms and 167 hotels of which 116 hotels and over 43,000 from FRHI in the luxury & upscale segment. On an organic basis, this means over 27,700 rooms opened YTD, up 18% vs. 2015. As a reminder, during CMD, management confirmed the pipeline was stronger than ever, which could give the group sustainable growth over the long term with a new mid-term annual guidance of between 40-45k rooms compared with 30-35k rooms between 2010-2015. Moreover, and following the FRHI acquisition, new openings will concern 25% luxury segment (vs. 20%), 30% midscale and 45% economy (vs. 50%), which will increase some of the fees generated by the luxury segment to around 50% vs. 30% today.

## VALUATION

- Confirming our estimate, at the current share price, the stock is trading 9.8x EV/EBITDA 2016e and 8.4x 2017e.
- Assuming a HotelInvest valuation of EUR7.3bn, the implied valuation of HotelServices is c. EUR3.7bn i.e. 2017e EV/EBITDA of 7.3x vs. an asset-light comparable valuation of c.12x for IHG or Marriott/Starwood.

## NEXT CATALYSTS

- FY results on 22nd February 2017

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