

**Plastic Omnium**

Price EUR29.57

An impressive set of numbers

Fair Value EUR36 (+22%)

BUY-Top Picks

Bloomberg	POM FP
Reuters	PLOF.PA
12-month High / Low (EUR)	31.2 / 23.7
Market Cap (EURm)	4,508
Ev (BG Estimates) (EURm)	4,986
Avg. 6m daily volume (000)	185.6
3y EPS CAGR	20.8%

Plastic Omnium has posted a solid Q3 sales performance, with total consolidated sales up 22.2% YoY and 12.6% on a LfL basis, reflecting an acceleration compared with Q1 and H1 (respectively +9% and +11.9%). As in the first quarters, the group continued to outperform market growth in Q3, thanks to solid performances in all regions (even in Europe), helped by impressive sales growth in the SCR segment. All 2016 targets were reiterated. Buy, with FV unchanged at EUR36/share.

## ANALYSIS

- Main Q3 2016 metrics:** consolidated sales for Q3 2016 came out at **EUR1.456m**, up **22.2%** YoY and **12.6%** on a LfL basis, in line with our expectations (*BGe @ EUR1.461m*). The group consolidated **FAE** for the first time, explaining the strong positive perimeter effect. More importantly, we noted that the group was able to strongly outpace global automotive production in Q3, as in Q1 and Q2, thanks to a solid performance in all regions (*even in Europe*), but also thanks to impressive sales growth in the **SCR segment** (+37% YoY over first nine months, reaching *EUR200m* of sales, *o/w two-thirds achieved in Europe*). The group's outperformance was close to **8%** in Q3, compared with **7.8%** in Q1 and **12%** (*BGe*) in Q2 despite less favourable country mix compared with first quarters (*auto production is up 5% in Q3 mainly thanks to Asia, which represent around 30% of market vs. only 19% for Plastic Omnium while in H1 production was up +2.2% with Europe being a strong contributor were Plastic Omnium is strong*).
- What to retain from this publication?** **1/** All Q3 metrics were strong and in line with our expectations. **2/** The group continued to strongly outpace global automotive production in Q3 thanks to higher business from JLR and the SCR segment. **3/** 2016 sales guidance was confirmed (*pro-forma economic sales of around EUR7.5bn*). **4/** The group indicated it continued its ongoing effort to optimise its industrial footprint with the closing of its exterior body parts production site in Norcross (*Georgia, U.S.*) with transfer of production to the Chattanooga and Anderson sites. **5/** The **EUR70m in potential synergies** coming from the FAE integration were confirmed, while the group indicated that the disposal process for the French sites and a Spanish site for the bumper business and of the front-end assembly business in Germany is ongoing (*representing in total around EUR700m of sales*).
- Conclusion:** Given the quality of this publication and the recent pressure that affected the entire automotive sector in recent days, we expect a positive share price reaction this morning. We confirm our **Buy recommendation with FV and estimates unchanged at EUR36/share**.

## VALUATION

- At current share price the stock is trading at **4.7x** its 2017e EBITDA & at **11.3x** its 2017e earnings
- Buy, FV @ EUR36**

## NEXT CATALYSTS

- 21st October** – Breakfast with IR & Executive Vice President of Communications @ Bryan Garnier
- 23rd February 2017** – 2016 annual results

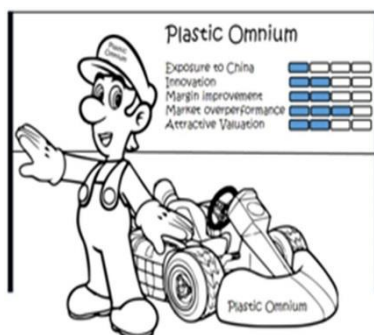
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	1 M	3 M	6 M	31/12/15
Absolute perf.	3.4%	9.4%	-1.6%	2.9%
Auto & Parts	3.0%	8.3%	-2.3%	-12.9%
DJ Stoxx 600	0.7%	1.9%	-1.6%	-6.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	5,010	5,813	6,878	7,310
% change		16.0%	18.3%	6.3%
EBITDA	691	774	982	1,057
EBIT	470.0	533.3	630.6	701.6
% change		13.5%	18.3%	11.2%
Net income	258.7	323.8	400.7	453.8
% change		25.2%	23.8%	13.2%

	2015	2016e	2017e	2018e
Operating margin	9.4	9.2	9.2	9.6
Net margin	5.2	5.6	5.8	6.2
ROE	20.4	21.4	22.0	21.0
ROCE	20.0	15.7	19.0	20.0
Gearing	20.8	54.8	24.7	12.2

(EUR)	2015	2016e	2017e	2018e
EPS	1.68	2.12	2.62	2.97
% change	-	25.7%	23.8%	13.2%
P/E	17.6x	14.0x	11.3x	10.0x
FCF yield (%)	4.6%	2.7%	6.0%	6.5%
Dividends (EUR)	0.41	0.53	0.65	0.74
Div yield (%)	1.4%	1.8%	2.2%	2.5%
EV/Sales	0.9x	0.9x	0.7x	0.6x
EV/EBITDA	6.4x	6.4x	4.7x	4.2x
EV/EBIT	9.5x	9.3x	7.3x	6.3x



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## Distribution of stock ratings

BUY ratings 56,7%

NEUTRAL ratings 31,2%

SELL ratings 12,1%

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