

Bloomberg	SEV FP
Reuters	SEVI.PA
12-month High / Low (EUR)	18.0 / 12.9
Market Cap (EURm)	7,944
Ev (BG Estimates) (EURm)	19,007
Avg. 6m daily volume (000)	1 136
3y EPS CAGR	-0.8%

Suez unveiled its 9M-16 results this morning. EBITDA and EBIT were EUR1,957m and EUR932m respectively, both above consensus' expectations. EUR40m of additional savings from 2017 have been announced with the company aiming to speed-up its transformation plan, as expected. Suez confirmed its FY16 guidance thanks to a solid performance in Q3-16 (+5.7% organic growth). We estimated a 5.1%+ organic growth needs to be reached in Q4-16 to achieve the 2%+ guidance level. Positive. Buy rating confirmed and FV unchanged at EUR17.5. Conference call @ 8:30am.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.7%	-0.6%	-12.8%	-18.5%
Utilities	-1.8%	-7.3%	-4.2%	-7.8%
DJ Stoxx 600	-0.7%	0.6%	-1.0%	-6.2%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	15,135	15,550	16,191	16,685
% change		2.7%	4.1%	3.0%
EBITDA	2,751	2,681	2,848	2,977
EBIT	1,381	1,286	1,380	1,471
% change		-6.9%	7.3%	6.6%
Net income	559.8	431.0	513.1	567.0
% change		-23.0%	19.0%	10.5%

	2015	2016e	2017e	2018e
Operating margin	9.1	8.3	8.5	8.8
Net margin	3.7	2.8	3.2	3.4
ROE	8.2	6.1	7.3	8.0
ROCE	8.0	7.2	7.6	8.0
Gearing	121.6	118.1	122.4	125.4

(EUR)	2015	2016e	2017e	2018e
EPS	1.04	0.77	0.92	1.02
% change		-25.8%	19.1%	10.5%
P/E	13.5x	18.2x	15.3x	13.9x
FCF yield (%)	3.4%	4.9%	4.6%	5.1%
Dividends (EUR)	0.65	0.65	0.65	0.68
Div yield (%)	4.6%	4.6%	4.6%	4.9%
EV/Sales	1.3x	1.2x	1.2x	1.2x
EV/EBITDA	7.0x	7.1x	6.8x	6.6x
EV/EBIT	13.9x	14.8x	14.0x	13.4x

## ANALYSIS

- Main 9M-16 metrics:** Suez reported this morning its 9M-16 results. Revenues amounted to **EUR11,225m** up **1.4%** on an organic basis still driven by the international division up 6.3% organically over the period. Performance in water (**-0.8%** organic growth for 9M revenues) and waste (**+0.1%** organic growth for 9M revenues) divisions is still being impacted by an unsupportive macro environment with low volumes and no inflation in the water business and negative price effects on secondary price materials in the waste business. **EBITDA reached EUR1,957m** down 0.6% organically, about 1% above consensus' estimates (EUR1,931m) and BG estimates (EUR1,933m). EBIT reached **EUR932m** up 0.4% organically (vs. BG and consensus estimates at EUR915m and EUR907m respectively). The main driver remains the company's Compass programme with cost-savings amounting to **EUR123m** over the first nine months of the year. While initially expected in Q4-16, the commissioning of three new waste-to-energy units came into operation in Q3-16 which positively impacted the company's key metrics. **Suez confirmed its 2016 guidance**, which implies a 2.0%+ organic growth at the revenues level and an EBIT organic growth higher than that of revenues.
- As expected, the company is **strengthening its transformation plan**. From 2017, the plan is expected to generate **EUR40m of additional savings** on a full-year basis. Assuming the EUR40m saving is achieved in 2017, **this would have a 1.1% and a 4.3% positive impact on our 2017e EBITDA and EPS estimates respectively**. We expect more information to be unveiled regarding this transformation plan during the conference call.
- What to retain from this publication? 1/**Adjusted from the EUR20m negative one-offs due to more favourable climate in Q3-2015, **Q3-16 EBIT organic growth reached 5.7%**. According to our estimates, the 2.0%+ EBIT organic growth target for FY-16e **implies a 5.1% organic growth in Q4-16**. This should be reachable given the still strong contribution from the company's Compass programme (EUR180m expected for the full-year) and the positive impact from the commissioning of new waste plants over the quarter; **2/ More information are awaited regarding the speeding-up of the company's transformation plan**. As a reminder, following recent speculation over the 600 potential job cuts in the company's support functions (not mentioned in Suez's press release today), we estimate this could save additional EUR30m; **3/ Suez's international business** posted a 6.3% organic growth in revenues over the period, which is bang in line with the company's guidance (6-8%), but which implies a **substantial organic decrease in Q3-16** as H1-16 organic growth was at 11.6%. **We expect more information to be unveiled** regarding this unexpected decrease.
- Conference call @ 8:30am**

## VALUATION

- At current share price, the stock is trading at **7.1x** its 2016e EV/EBITDA multiple

## NEXT CATALYSTS

- March 1<sup>st</sup> 2017 : FY16 results



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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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