

VINCI

Price EUR67.48

Poor performance of Vinci Energy. Tough comp. for order intake. Concessions still steady.

Fair Value EUR74 vs. EUR72 (+10%)

BUY

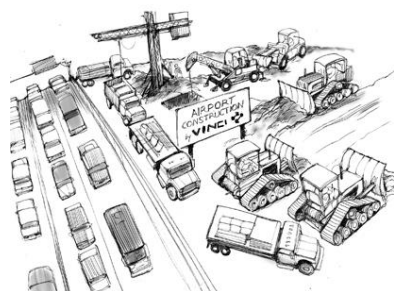
Bloomberg	DG FP
Reuters	SGEF.PA
12-month High / Low (EUR)	69.7 / 56.9
Market Cap (EUR)	40,292
Ev (BG Estimates) (EUR)	51,035
Avg. 6m daily volume (000)	1,471
3y EPS CAGR	7.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.8%	0.4%	3.1%	14.1%
Cons & Mat	-0.8%	6.6%	5.2%	5.5%
DJ Stoxx 600	-0.7%	0.6%	-1.0%	-6.2%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	38,518	37,930	38,844	40,218
% change		-1.5%	2.4%	3.5%
EBITDA	5,664	5,836	6,145	6,369
EBIT	3,758	4,036	4,344	4,582
% change		7.4%	7.6%	5.5%
Net income	2,109	2,299	2,516	2,655
% change		9.0%	9.4%	5.5%

	2015	2016e	2017e	2018e
Operating margin	9.8	10.6	11.2	11.4
Net margin	5.4	6.2	6.6	6.7
ROE	13.9	14.5	14.9	14.8
ROCE	7.4	7.9	8.6	9.0
Gearing	81.5	71.9	59.0	46.8

(EUR)	2015	2016e	2017e	2018e
EPS	3.58	3.90	4.27	4.50
% change		8.8%	9.4%	5.5%
P/E	18.8x	17.3x	15.8x	15.0x
FCF yield (%)	7.5%	7.1%	7.5%	8.1%
Dividends (EUR)	1.84	2.07	2.27	2.39
Div yield (%)	2.7%	3.1%	3.4%	3.5%
EV/Sales	1.4x	1.3x	1.3x	1.2x
EV/EBITDA	9.2x	8.7x	8.1x	7.5x
EV/EBIT	13.9x	12.6x	11.4x	10.5x



Q3 revenues are down -3.4% l-f-l at EUR10bn, c2% below consensus. Concessions sales are up 6.6% l-f-l (c2% above consensus), but Contracting is down -5.4% l-f-l (c3% below consensus). Vinci Energy performance was disappointing in Q3, with a -5.4% l-f-l decline, but margins are not at risk. Order book is fine, but tough comparison base impacted order intake in Q3 (-18%). Guidance roughly unchanged. Share price likely to be under pressure today, as the Energy weakness was unexpected.

Q3 2016 and 9M 2016 revenues by business lines (growth is like-for-like)

EURm	Q3 16	y/y %	vs cons.	9M16	y/y %	H1 16 y/y
Concessions	1,908	6.6	2	4,790	6.1	5.8
Vinci Autoroutes	1,568	4.6	1	3,933	4.8	4.9
Vinci Airports	309	15.4	3	764	12.9	11.4
Others Concessions	32	42.7	-	94	12.4	1.3
Contracting	8,038	-5.4	-3	22,733	-5.0	-4.7
Vinci Energies	2,446	-5.4	-5	7,406	-1.6	0.4
Eurovia	2,268	-1.4	-1	5,551	-2.8	-3.8
Vinci Construction	3,324	-8.1	-2	9,776	-8.4	-8.6
Revenues*	10,008	-3.4	-2	27,628	-2.9	-2.6

Source : Vinci (reported figures and consensus); Bryan Garnier & Co. ests. * includes property and others

ANALYSIS

- On the positive, traffic figures remains steady, both for toll roads (+2.9% in Q3) than for Airports (11.9% in Q3 on a comparable basis). Vinci guidance for the full year performance is actually slightly better for toll roads with revenues growth expected "in excess of" 2015 performance (vs "slightly higher rate" previously). Roadworks dynamics are better too in Q3 in France (-1.1% in France vs -7% in H1 2016), which confirms we are now at the trough of the cycle. Construction remains difficult, which is not exciting - but not a surprise either.
- On the negative side, Vinci Energy performance in Q3 was disappointing, with a -5.4% organic decline, mostly explained by a lower telecom contribution in France plus difficulties in the oil & gas market and in Germany too, the latter being unexpected. Vinci doesn't say whether the Germany counterperformance is explained by a market slowdown or a change in the selectivity policy - some delayed invoices might have impacted the business in Q3 too. Vinci doesn't see any risk to margins. In 2015, Vinci Energy generated EUR1.9bn of sales in this country.
- Order book is fine: EUR28bn, down -2% y/y (-1% excl. SEA) but up +1% YTD (+2% excl. SEA). However order intake is very poor in Q3 (-18%) due to tough comparison basis (+16% in Q3 15, with EUR1.7bn of large projects vs EUR200m this year). Although this is a severe decline, quarterly analysis of order intake are often biased as they can be very volatile. Actually, 9M intake are up +1% y/y. Besides, based on projects below EUR50m, they are up by 1% in Q3.
- Guidance reiterated. Revenue expected to be slightly down, operating and net income up.
- Share price reaction likely to be negative today, as Vinci Energy weakness was unexpected. This is frustrating and not the best case scenario for Q3, but we remain positive : Concessions remain strong (80% of the EV est., 69% of EBIT) and some catalysts should help: Grand Paris announcements, better roadworks in France, improving margins in contracting this year.

VALUATION

- We have lifted our toll roads traffic forecast from 2% to 3.5% in 2016E and from 2% to 2.4% in 2017e, with long term unchanged at 1% This is a mere catch-up, as our previous figures were too conservative. Impact is roughly EUR2 our our SOTP, which now stands at EUR74 (vs EUR72).

NEXT CATALYSTS

- Vinci 2016 Investor Day (dedicated to Vinci Energy) on 2nd December. Bryan Garnier Reverse Roadshow on 5th December 2016.



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SELL ratings 11.5%

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