

Melia Hotels

Price EUR11.16

First take 9m results: Sustained results but no surprise**Fair Value EUR15 (+34%)****BUY-Top Picks**

Bloomberg	MEL.SM
Reuters	MELL.MC
12-month High / Low (EUR)	12.9 / 8.4
Market Cap (EURm)	2,562
Avg. 6m daily volume (000)	524.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.9%	2.3%	4.4%	-8.4%
Travel&Leisure	1.4%	-4.2%	-5.4%	-17.8%
DJ Stoxx 600	-1.7%	-2.2%	0.7%	-8.7%

	2015	2016e	2017e	2018e
P/E	57.6x	34.6x	23.2x	19.4x
Div yield (%)	0.3%	0.5%	0.5%	0.5%

ANALYSIS

- **9m results in line with expectations:** After **total revenue** of EUR1,388m, up 2.6% in reported terms and 6.6% excluding capital gains, **EBITDA** reached EUR238.3m reported and EUR233.4m excluding capital gains, up 8.2% and representing an EBITDA margin of 16.8% vs. 16.6% last year. As expected, the summer season was pretty good with **RevPAR** growth of 15.1% in the first 9m (+14.2% after 6 months) mainly driven by ADR up 12%. Note that RevPAR in the Mediterranean was up 42.7% o/w 24.5% from ADR.
- **Financial structure continues to strengthen:** Net debt fell to EUR529m at the end of September, down EUR240m from December 2015 (EUR556m at the end of June) with the average interest rate down 70bps to 3.6% vs. 4.3% at the end of 2015. In all, financial costs were reduced by over EUR20m to EUR27.5m. Management confirmed its medium term guidance for leverage between 2.5x and 3x excluding capital gains. Our 2016e estimate is for net debt of EUR484m with net debt/EBITDA of 1.8x.
- **FY guidance confirmed:** After these 9m results and the “positive evolution” of the hotel business in October and current bookings for Q4, management confirmed its guidance for mid-to-high single digit RevPAR growth over the FY, o/w 80% explained by ADR. We have based our forecast on 5.9% RevPAR growth.

VALUATION

- At the current share price, the stock is trading on 2016e and 2017e EV/EBITDA multiples of 11.1x and 9.8x respectively compared with an EBITDA CAGR of 12.5%

NEXT CATALYSTS

- FY 2016 results at the end of February 2017

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