

Hotels

Melia Hotels

Price EUR11.00

Contact: Positive opinion confirmed

Fair Value EUR15 (+36%)

BUY-Top Picks

Bloomberg	MEL.SM
Reuters	MELL.MC
12-month High / Low (EUR)	12.9 / 8.4
Market Cap (EURm)	2,527
Ev (BG Estimates) (EURm)	3,010
Avg. 6m daily volume (000)	524.2
3y EPS CAGR	44.0%

Market reaction a bit surprising following results, as expected, and FY guidance confirmed. As in previous quarters, Q3 results took into account the Strategic Plan (mainly IT opex) and higher rentals following new major contracts. In all, minor adjustments to our forecasts with a positive impact on reported figures notably in view of capital gains (more should be undertaken by the end of the year). Positive opinion confirmed.

ANALYSIS

- Sustained Q3 results:** Q3 results were sustained even if in line with expectations, benefiting particularly from strong activity in the Mediterranean despite high comps (revenue up 23% in Q3). Indeed, **consolidated revenue** excluding capital gains was up 8% (+4% in Q2 and +7.7% in Q1), **EBITDAR** was up 14.6% with an EBITDAR margin of 30.3% up 170bps and an EBITDA up 9.1% representing a margin of 19.1% up 20bps. Note that **EBITDA** (as anticipated and as in previous quarters) was again affected by new rentals with the opening of new significant contracts with Hotels still in a ramp-up phase (NY, Paris La defense, Manchester).
- Some adjustments to reported results due to disposals:** Albeit limited, management confirmed new disposals made in early November representing a total amount of EUR8m with EUR4m in capital gains. Going forward, management aims to sell off additional property from a limited number of non-core hotel assets.

Main changes

	2016			2017			2018		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
SALES	1 809	1 824	0,9%	1 952	1 957	0,3%	2 095	2 100	0,3%
EBITDA	274	281	2,3%	313	314	0,5%	349	351	0,5%
	15,2%	15,4%	22 bp	16,0%	16,0%	4 bp	16,7%	16,7%	4 bp
EBIT	168	170	1,1%	197	198	0,7%	222	224	0,6%
	9,3%	9,3%	2 bp	10,1%	10,1%	4 bp	10,6%	10,6%	4 bp
EPS	0,32	0,33	1,7%	0,48	0,48	0,7%	0,57	0,58	0,7%

Source : Company Data; Bryan Garnier & Co. ests.

FY guidance confirmed: After 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 (9m Owned & leased RevPAR was up 9.9% on reported)

VALUATION

- At the current share price, the stock is trading on 2016e and 2017e EV/EBITDA multiples of 10.7x and 9.7x respectively compared with an EBITDA CAGR of 12.5%.

NEXT CATALYSTS

- FY 2016 results at the end of February 2017

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BUY ratings 56,7%

NEUTRAL ratings 31,8%

SELL ratings 11,5%

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