

Orpea

Price EUR74.70

Contact-Q3 Revenue: Acceleration of organic growth in Q3. FY results upgraded.

Fair Value EUR86 vs. EUR85 (+15%)

BUY

Bloomberg	ORP.FP
Reuters	ORP.PA
12-month High / Low (EUR)	80.6 / 65.8
Market Cap (EURm)	4,487
Ev (BG Estimates) (EURm)	7,776
Avg. 6m daily volume (000)	88.90
3y EPS CAGR	21.7%

Another strong quarter with Q3 total revenue up 16.8% ahead of the consensus particularly on lfl growth up 6.3% vs. 5.4% anticipated. After the first 9m, with total revenue up 20.8% and 5.9% on lfl basis (+5.7% after 6 months), we slightly revise our forecasts and upgrade our FV to EUR86. Buy opinion confirmed.

ANALYSIS

- **A strong quarter with sustained lfl growth:** Q3 total revenue reached EUR725m (consensus at EUR722m as our forecast) up 16.8% with sustained lfl growth of 6.3%.
 - As previously, **on reported basis**, Q3 revenue benefited from the consolidation of companies acquired in the course of 2015 bringing EUR65m after EUR78m in Q2 and EUR110m in Q1.
 - **On a lfl basis**, all regions registered strong lfl growth, notably with an acceleration in **France** (59% consolidated revenue) up 5.3% after 5% in Q2 and 4.1% in Q1 and **International** up 8.2% after 9% in Q2 and 6.2% in Q1. No major surprises by country excepted in **Belgium** (5.6% of consolidated revenue) with lfl remaining volatile (+4.8% in Q3, 8.2% in Q2 and 1.2% in Q1) due notably to the ramp up of new facilities. **Germany** (17.5% of revenue) was up 9.6% (+7.8% in Q2, 9.4% in Q1), **Switzerland** (5%) up 10.4% (+14% in Q2, +12.7% in Q1).
- **FY results upgraded:** Following 9m revenue, we revise our FY estimates with total revenue of EUR2,841m vs. EUR2,814m (w/o any improvement in Q4 vs. Q3 consolidated revenue would be EUR2,830m). Remember that management upgraded its forecast after H1 results to EUR2,810m notably taking into account the acquisition of Sanyres in Spain which has been consolidated since Q3 2016.

Main changes

	2015	2016e	2017e	2018e
Operating margin	12.7	13.0	13.8	14.3
Net margin	6.4	6.1	6.8	7.5
ROE	8.5	10.3	12.2	14.1
ROCE	3.5	4.1	4.6	5.0
Gearing	170.5	195.4	189.6	181.8

(EUR)	2015	2016e	2017e	2018e
EPS	2.12	2.84	3.34	3.82
% change	-	33.8%	17.6%	14.4%
P/E	35.2x	26.3x	22.4x	19.6x
FCF yield (%)	NM	0.5%	6.7%	7.2%
Dividends (EUR)	0.90	0.99	1.17	1.34
Div yield (%)	1.2%	1.3%	1.6%	1.8%
EV/Sales	3.2x	2.7x	2.5x	2.4x
EV/EBITDA	18.9x	16.6x	14.6x	13.3x
EV/EBIT	25.0x	21.1x	18.4x	16.6x

	2016e			2017e			2018e		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
SALES	2 814	2 841	1,0%	2 999	3 041	1,4%	3 141	3 172	1,0%
EBITDA	463	468	1,0%	516	528	2,2%	560	568	1,5%
	16,5%	16,5%	-0 bp	17,2%	17,4%	14 bp	17,8%	17,9%	10 bp
EBIT	365	368	1,0%	408	418	2,4%	447	454	1,7%
	13,0%	13,0%	-0 bp	13,6%	13,8%	14 bp	14,2%	14,3%	10 bp
EPS	2,80	2,84	1,3%	3,24	3,34	3,1%	3,74	3,82	2,1%

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

VALUATION

- Based on our new estimates and using a DCF with a WACC of 5.9% and long-term growth of 2.5%, our FV moves to EUR86 from EUR85.
- At the current share price, the stock is trading at 16.6x EV/EBITDA 2016e and 14.6x 2017e which compares with an historical average of 13.1x and an EBITDA CAGR 2015-2018 of 12.4%.

NEXT CATALYSTS

- FY 2016 revenue on 8th February (before market)

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