INDEPENDENT RESEARCH

12th December 2016

Construction & Materials

Paris Reverse Roadshow feedback

Construction & Materials

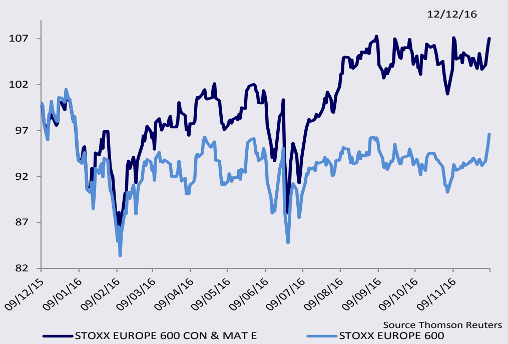
EIFFAGE		BUY	FV EUR78
Bloomberg	FGR FP	Reuters	FOUG.PA
Price	EUR62,94	High/Low	71,76/55,39
Market cap.	EUR6,173m	Enterprise Val	EUR20,512m
PE (2016e)	14.8x	EV/EBIT (2016e)	13.1x

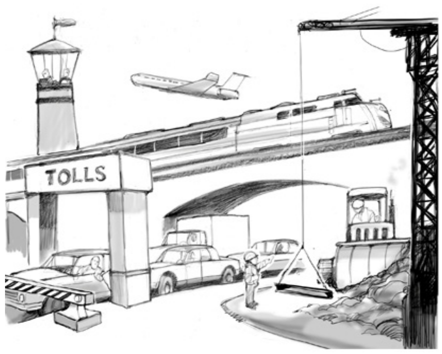
IMERYS		BUY	FV EUR72
Bloomberg	NK FP	Reuters	IMTP.PA
Price	EUR70,26	High/Low	70,26/51,61
Market Cap.	EUR5,591m	Enterprise Val	EUR7,284m
PE (2016e)	17.4x	EV/EBIT (2016e)	14.2x

BOUYGUES		BUY	FV EUR35
Bloomberg	EN FP	Reuters	BOUY.PA
Price	EUR33.27	High/Low	37.3/25.0
Market Cap.	EUR11,555m	Enterprise Val	EUR13,800m
PE (2016e)	31.9x	EV/EBIT (2016e)	18.4x

VICAT		NEUTRAL	FV EUR61
Bloomberg	VCT FP	Reuters	VCT.PA
Price	EUR55,83	High/Low	61,06/46,215
Market Cap.	EUR2,507m	Enterprise Val	EUR3,630m
PE (2016e)	17.8x	EV/EBIT (2016e)	13.7x

VINCI		BUY	FV EUR74
Bloomberg	DG FP	Reuters	SGEF.PA
Price	EUR62,33	High/Low	69,68/56,86
Market Cap.	EUR37,227m	Enterprise Val	EUR47,970m
PE (2016e)	16.0x	EV/EBIT (2016e)	11.9x





This is a compilation of the Morning Notes we've published following the Reverse Roadshow we organized in Paris Monday 5th December.

- **Eiffage**: Some positives have been discussed by top managers C. Cassayre and X. Ombrédanne: the support of the Grand Paris on volumes, the stabilization of roadworks in France in 2017 and the likely improvement of margins. The return of inflation would not be negative for toll road, which might mitigate rates increase on DCF. Refinancing risk look limited.
- **Imerys**: CEO Mr Michel remains very prudent but said the worst regarding steel markets might be behind us, French existing-homes transactions are well-oriented, proppants situation will not deteriorate more and some markets are actually well oriented. Still a Buy but not a top pick anymore.
- **Bouygues**: The insights provided by Mr Marien were positive both on construction and telecom. Colas should benefit from the infrastructures plan in North America, Bouygues Immo. is still steady and Bouygues Constr. margin will increase on the midterm. On the telecom side, P. Marien's insights confirmed our view that good dynamics in mobile and fixed are here to stay and consolidation is still a free option for the sector.
- **Vicat**: While Mr Souchet seemed pretty confident overall (US is strong, competition is stabilizing in markets like Switzerland or Senegal, France is gradually recovering…), Vicat is dealing with numerous difficulties like currency devaluations, demonetisation in India (26% of cement capacities) or security woes (curfew in Egypt). Some positives then, but short-term uncertainties reinforce our Neutral view on the stock.
- **Vinci** : We understand 2017 should be a year of improvement for Vinci, with the combination of toll revenues growth and Contracting margin improvement in most of the divisions. Tolls hike will be implemented in February and comparison base in Contracting will be favourable. All in all, at the current share price, this supports our positive stance on the stock.

Analyst:
Eric Lemarié
33(0) 1.70.36.57.17
elemarie@bryangarnier.com

Table of contents

1. Eiffage 3
2. Imerys 5
3. Bouygues 7
4. Vicat 10
5. Vinci 12
Bryan Garnier stock rating system 15

1. Eiffage

We met with the Eiffage top managers Christian Cassayre (CFO) and Xavier Ombrédanne last Monday on our reverse roadshow. Everything is not rosy, but there are numerous positive factors: the Grand Paris project, which should feed the majors order books in the next decade; roadworks in France, stabilizing after more than 5 years of recession and a likely improvement in margins. Higher rates will mostly impact the concessions DCF, while risk to refinancing is limited. Besides, inflation is positive for the toll roads top line and their cash costs are mostly fixed now. We stick with our Buy.

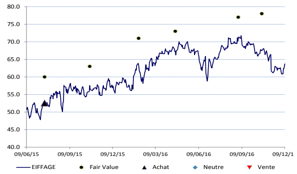
- Le Grand Paris project will provide a very decent amount of work for the next 10 years. The equivalent of EUR3bn of work have been attributed so far and between EUR1.5bn to EUR2.0bn is expected to be attributed each year for the decade. **Next attributions are expected in H1 2017 and work should really kick-off in 2018 onwards**. Besides, some related works will be implemented around the Grand Paris projects. Cumulated works around EUR3.5bn to EUR4bn per annum are possible. The work for the Grand Paris (tunnels, underground stations) is complex. Hence the competition is limited to the majors, more or less. **However, the risk is limited, as the contractors are not involved in the conception -** the Grand Paris design offices deliver the plans. Therefore, any additional and unexpected works will be re-billed. Hence, **margins should not stand above average here** – especially during the initial phases of a project.

- Toll roads new EUR1bn stimulus might be approved but of course nothing is certain, especially as a new government will be in place in 2017. In any case, it is supported by some local authorities, which are ready to pay for some interchanges. The amount will be limited anyway for APRR, around EUR200m-EUR250m, vs EUR500m for the two previous plans. **Toll road traffic has been especially strong this year** (3.8% in 9M 2016) **and it is unlikely to see a similar trend next year,** especially as the comparison base will be more difficult. Admittedly, heavy trucks traffic continues to stand below pre-crisis levels.

- **The roadworks decline has been limited this** year (URSIF discloses a -1.2% YTD decline at end October for the whole industry) **and Eiffage expect a stabilization next year,** combined with, maybe, a bit less competition. The environment has changed, though: the local authorities are not given orders much in advance now and the roadworks order book over one year is more limited. Other infrastructure sales are underpinned by the well-oriented offshore wind sector which has taken over the oil & gas. In Energy, the group believes it can reach around 4.5% of operating margin in the long term, also 4% is more likely this year (vs 3.7% in 2015). The Energy branch of Eiffage is well placed to benefit from the EdF Grand Carénage project (EUR50bn), which has started (although schedule of execution in uncertain).

- Finally, the risk of high interest rates has not been swept away, but Eiffage underlines that APRR has issued in the last couple of years bonds at very attractive yields and will repay next January EUR1bn at 5%. There is of course a refinancing risk on two bonds of EUR500m each to be paid in January 2018 and January 2019, but they are pretty expensive (around 5%). In any case, an interest rate increase of some basis points will not strongly impact earnings. The share price has been under strong pressure though with investors started to point out the risk of higher rates on DCF. The risk exists of course, but is likely to be compensated by inflation though tolls increase. **Besides, inflation is actually good for toll roads**, as the players have made significant efforts to lower the variable part of the cash costs, in particular though automatization (96% today…). FV of EUR78 derived from a SOTP. Eiffage is due to release its FY 2016 results at the end of February 2017, after market.

Eiffage



Ratings		
Date	Ratings	Price
17/07/15	BUY	EUR52,46

Target Price	
Date	Target price
21/10/2016	EUR78
01/09/2016	EUR77
20/04/2016	EUR73
02/02/2016	EUR71
21/10/2015	EUR63
17/07/2015	EUR60

Simplified Profit & Loss Account (EURm)	2013	2014	2015	2016e	2017e	2018e
Revenues	14,264	13,987	13,909	13,835	14,091	14,448
Change (%)	*1.6%*	*-1.9%*	*-0.6%*	*-0.5%*	*1.9%*	*2.5%*
Adjusted EBITDA	1,941	2,035	2,074	2,149	2,227	2,348
Adjusted EBIT	1,318	1,347	1,431	1,564	1,637	1,753
Change (%)	*9.8%*	*2.2%*	*6.2%*	*9.3%*	*4.7%*	*7.1%*
Reported EBIT	1,262	1,280	1,337	1,495	1,573	1,694
Financial results	(778)	(752)	(654)	(590)	(559)	(460)
Pre-Tax profits	484	528	683	905	1,014	1,234
Tax	(167)	(172)	(220)	(308)	(349)	(425)
Profits from associates	5.0	(2.0)	(5.0)	0.0	0.0	0.0
Minority interests	65.0	79.0	146	190	212	258
Net profit	257	275	312	407	453	551
Restated net profit	257	275	312	407	453	551
Change (%)	*10.1%*	*7.0%*	*13.5%*	*30.5%*	*11.3%*	*21.7%*
Cash Flow Statement (EURm)						
Change in working capital	(160)	47.0	46.0	0.0	0.0	0.0
Operating cash flows	770	1,095	1,230	1,210	1,277	1,409
Capex, net	(973)	(723)	(748)	(785)	(748)	(681)
Free Cash flow	(203)	372	482	425	529	728
Dividends	(111)	(115)	(121)	(143)	(147)	(147)
Financial investments, net	(6.0)	297	(33.0)	0.0	0.0	0.0
Net debt change	(275)	565	423	402	383	581
Balance Sheet (EURm)						
Tangible fixed assets	1,480	1,468	1,485	1,485	1,485	1,485
Intangibles assets	15,436	15,117	14,777	14,752	14,690	14,561
current assets	4,712	4,570	4,703	4,656	4,703	4,764
Other assets	3,605	3,401	3,508	3,508	3,508	3,508
Cash & equivalents	2,097	4,265	3,641	2,458	1,450	817
Total assets	27,330	28,821	28,114	26,859	25,835	25,136
Shareholders' funds	2,704	2,902	3,197	3,581	3,887	4,292
Minorities	(7.0)	87.0	275	465	677	935
Provisions	1,004	1,076	1,104	1,141	1,178	1,215
L & ST Debt	15,536	17,078	15,835	14,250	12,859	11,645
Current liabilities	3,243	2,949	3,030	2,983	3,030	3,091
Others liabilities	4,850	4,740	4,673	4,545	4,411	4,260
Total Liabilities	27,330	28,832	28,114	26,965	26,042	25,439
Net debt	13,439	12,813	12,194	11,792	11,409	10,828
Capital employed	18,385	18,206	17,935	17,910	17,848	17,719
Ratios						
EBITDA margin	13.61	14.55	14.91	15.53	15.80	16.25
Operating margin	9.24	9.63	10.29	11.31	11.62	12.13
Apparent cost of the avrg gross debt	4.90	4.51	3.94	3.92	4.06	3.63
Tax rate	34.50	32.58	32.21	34.00	34.43	34.43
Net margin	2.26	2.53	3.29	4.32	4.72	5.60
ROE (after tax)	11.94	11.84	13.19	14.77	14.57	15.48
ROCE (after tax)	4.50	4.74	5.05	5.51	5.78	6.27
Gearing	498	429	351	291	250	207
Net debt / EBITDA (x)	6.92	6.30	5.88	5.49	5.12	4.61
Pay out ratio	33.32	31.28	31.26	24.57	22.07	18.14
Number of shares, diluted	87.43	89.13	92.59	95.93	95.93	96.87
Data per Share (EUR)						
EPS	2.87	2.98	3.27	4.16	4.63	5.63
Restated EPS	2.94	3.09	3.37	4.24	4.72	5.69
% change	*7.8%*	*5.0%*	*9.2%*	*25.9%*	*11.3%*	*20.5%*
BVPS	30.93	32.56	34.53	37.33	40.52	44.30
Operating cash flows	8.81	12.28	13.28	12.62	13.32	14.55
FCF	(2.32)	4.17	5.21	4.43	5.52	7.52
Net dividend	1.20	1.20	1.50	1.50	1.50	1.50

Source: Company Data; Bryan, Garnier & Co ests

2. Imerys

We met with Imerys CEO Gilles Michel last Monday on our reverse roadshow. Mr Michel is still very prudent regarding markets trends, but there are several reasons to be slightly optimistic: the worst regarding steel markets looks to be behind us, French existing-homes transactions are well-oriented, proppants situation will not deteriorate more while there are some discussions at the OPEP levels and some markets are actually well oriented (autos, consumer goods, etc…). All in all, a decent support for our Buy rating, but due to the lack of upside, we remove Imerys from our top pick list.

- The question of volumes trends is still a key theme. Of course, **Mr. Michel noted Imerys has several ways to mitigate a difficult environment**: prices increases (Imerys' minerals represents a small part of its client product cost of production), price-mix improvement, notably through innovation (R&D weighed 1.6% of sales and new products represented 12% of sales last year) and acquisitions (4.4% positive impact in the first 9 months this year vs -2.3% organic decline and +0.7% FX). The question of volumes has still to be answered.

- Regarding this issue, Mr Michel doesn't promise the moon, but stressed that: 1) **steel markets are still under pressure, but its looks like the worst is behind us**. This sounds positive as about two thirds of the organic decline in 9M16 revenues was explained by the tepid dynamic of European steel markets. In October 2016, crude steel production was up 0.3% in the EU (down -4.2% YTD); 2) lead indicators are positive for renovation in France (existing-home transactions up 16% YTD at end August), while housing starts are up 6% on a 12-month basis at end October (Imerys is c75% exposed to renovation within the construction sector in France). However, **renovation market is still tepid** (CAPEB says +1% y/y in Q3 following +0.5% in H1 2016). The lack of confidence of the craftsmen may explain the reluctance to hire, despite a growing order book. The French presidential election probably reinforces the uncertain climate, too; 3) finally, this is not a surprise, but some markets are dynamic: talc for the auto industry, minerals for the lithium-ion batteries or to replace chemical additives in the cosmetic industry or in fertilizers in farming.

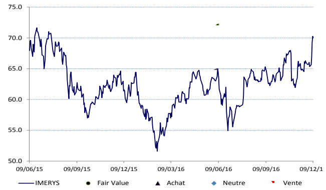
- Proppants… with an oil price above USD60, the proppants market will make a comeback. Of course, Gilles Michel doesn't provide any guidance on the timing. We can note that there are some discussions about oil production at the OPEP level.

- What about leverage? We think operating leverage for Imerys probably stood around 30% since 2011 (1€ in the top line to be translated into 30 cents in the operating income – all based on organic variation). With the current Imerys margin, EBIT organic growth is also roughly equivalent to 2x the top line organic growth. **Hence, any rebound of volumes will have a positive impact on margin. Still, the mix can be slightly penalised**, depending of the nature of the volumes. A few bps of margin deterioration is not an issue for the Imerys management anyway, who remain primarily focused on ROCE.

- Last but not least, Imerys is well placed to benefit from a Donald Trump infrastructure plan, as 25% to 30% of the group sales generated in the US are exposed to infrastructures. At end September, 25% of Imerys 9M revenues is generated in the US and Canada.

- The share price performance has been strong recently, probably underpinned by some asset rotation (in favour of Basics Resources). Due to the lack of sufficient upside, we removed Imerys from our top pick list. EUR72 of Fair Value, based on a combination of historical multiples (EUR68) and DCF (EUR74). FY 2016 results to be released on 16th February 2017.

Imerys



Ratings		
Date	Ratings	Price
08/06/2016	BUY	EUR63,7

Target Price	
Date	Target price
08/06/2016	EUR72

Simplified Profit & Loss Account (EURm)	2013	2014	2015	2016e	2017e	2018e
Revenues	3,698	3,688	4,087	4,141	4,233	4,317
Change (%)	*-4.8%*	*-0.3%*	*10.8%*	*1.3%*	*2.2%*	*2.0%*
Adjusted EBITDA	650	674	745	791	848	875
Adjusted EBIT	425	444	468	512	550	565
Change (%)	*-4.5%*	*4.6%*	*5.4%*	*9.3%*	*7.4%*	*2.7%*
Cost of the net debt	(46.6)	(40.2)	(49.1)	(63.6)	(52.9)	(40.9)
Financial results	(51.5)	(46.6)	(59.1)	(73.6)	(62.9)	(50.9)
Profits from associates	5.3	4.6	8.1	5.0	5.0	5.0
Pre-Tax profits	344	390	125	408	492	519
Tax	(100)	(117)	(56.3)	(117)	(142)	(149)
Minority interests	2.1	1.7	0.70	0.70	0.70	0.70
Net profit	244	273	69.1	291	350	369
Restated net profit	262	276	286	322	350	368
Change (%)	*-1.1%*	*5.5%*	*3.5%*	*12.5%*	*8.6%*	*5.4%*
Cash Flow Statement (EURm)						
Change in working capital	51.8	(44.5)	49.5	(18.3)	(26.4)	(17.8)
Operating cash flows	468	423	554	508	550	589
Capex, net	(253)	(241)	(272)	(300)	(300)	(299)
Free Cash flow	215	182	282	208	250	289
Dividends	(119)	(125)	(133)	(139)	(149)	(156)
Financial investments, net	(109)	25.6	(348)	0.0	0.0	0.0
Other	26.8	(42.0)	(21.6)	(60.0)	(20.0)	(20.0)
Net debt change	14.0	40.0	(220)	9.3	81.6	113
Balance Sheet (EURm)						
Tangible fixed assets	1,833	1,975	2,142	2,208	2,244	2,268
Intangibles assets	1,133	1,173	1,736	1,736	1,736	1,736
current assets	1,246	1,389	1,540	1,560	1,595	1,627
Other assets	220	182	296	329	367	405
Cash & equivalents	441	704	455	1,055	455	455
Total assets	4,873	5,422	6,169	6,889	6,397	6,491
Shareholders' funds	2,248	2,444	2,644	2,735	2,916	3,109
Minorities	24.2	26.1	27.8	28.5	29.2	29.9
Provisions	485	589	646	646	646	646
L & ST Debt	1,327	1,585	1,948	2,539	1,857	1,744
Others liabilities	151	54.8	95.2	95.2	95.2	95.2
Total Liabilities	4,873	5,422	6,169	6,854	6,362	6,456
Net debt	885	882	1,494	1,484	1,403	1,290
Capital employed	3,573	3,815	4,611	4,696	4,758	4,800
Ratios						
EBITDA margin	17.58	18.27	18.23	19.09	20.05	20.26
Operating margin	11.48	12.05	11.46	12.36	12.99	13.08
Apparent cost of the avrg gross debt	4.06	3.26	3.36	2.86	2.43	2.30
Tax rate	27.80	29.20	29.10	29.10	29.10	29.10
Net margin	6.60	7.41	1.69	7.03	8.27	8.55
ROE (after tax)	13.54	12.98	12.92	13.58	13.38	13.16
ROCE (after tax)	8.57	8.52	7.88	7.80	8.25	8.38
Gearing	38.98	35.21	55.41	53.70	47.62	41.09
Net debt / EBITDA (x)	1.36	1.31	2.00	188	165	147
Pay out ratio	41.16	41.79	40.66	40.00	40.00	40.00
Number of shares, diluted	76.34	77.11	80.23	79.73	79.57	79.57
Data per Share (EUR)						
EPS	3.98	4.09	4.24	4.60	4.82	5.04
Restated EPS	3.43	3.58	3.56	4.03	4.39	4.63
% change	*-2.0%*	*4.4%*	*-0.5%*	*13.2%*	*8.9%*	*5.4%*
BVPS	29.48	32.21	33.23	34.38	36.65	39.07
Operating cash flows	6.13	5.49	6.90	6.37	6.91	7.40
FCF	2.82	2.36	3.52	2.61	3.14	3.63

Source: Company Data; Bryan, Garnier & Co ests

Please see the section headed "Important information" on the back page of this report.

3. Bouygues

We met with Philippe Marien, deputy CEO of Bouygues, yesterday on our reverse roadshow. The insights provided by Mr Marien were positive both on construction and telecom activities, supporting our investment case. On the construction side, Colas should benefit from the infrastructures plan in North America, while Bouygues Immobilier is still steady. Bouygues Construction margin will increase, but in the mid-term. On the telecom side, Philippe Marien's insights confirmed our view that good dynamics in mobile and fixed are here to stay and consolidation is still a free option for the sector.

- In roadworks, with 23% of sales generated in North America, **Colas is well placed to benefit from any infrastructure plans.** Ramp-up will be gradual, however, and the FAST plan (signed by Obama) impact is expected more in 2018. 2016 activity was decent in North America, even if the Canada business has been penalized by lower oil prices in some regions (2017 should be better). In France, the market should be nearly stable in 2016, with stability expected again next year. **Bouygues considers the lack of maintenance in recent years will eventually be translated into larger, more costly works** (regular maintenance works usually regards first layers of the pavement, but this is more expensive when several layers are involved when maintenance capex have been neglected). Hence, roadworks might be slightly better in 2017.

- **In property development, the group should benefit from better volumes,** which means in particular lower discounts offered to clients and margins should also gradually improve. Bouygues Immobilier has been under pressure in the past when the group was forced to offer discounts in order to limit inventories. This is, of course, much less the case today thanks to a very favourable environment (low rates, buy-to-let Pinel scheme, zero-rate loans). **Finally, rates increase hasn't penalised the business so far.**

- **In Construction, the group is focused on sophisticated projects, in countries where the legal environment is secure**. In that context, competition is usually lower and it is therefore possible for **Bouygues to be the lowest bidder, but with a decent margin**. It is true, however, that sophisticated projects tend to generate lower margins initially, as those projects are managed very carefully before they generate stronger margins eventually. The key is to balance various projects duration in order to control profitability. In any case, Bouygues Construction margin should improve in the next years and could generate 3.0-3.5% operating margin in 3 years (2.9% in 2016e).

- **Regarding Bouygues Telecom Philippe Marien reiterated confidence in growing the business on a standalone basis**, confirming an EBITDA target of 25% in 2017, and generation of several hundred million euros of free cash flow within a few years.

- **On the mobile side**, Philippe Marien highlighted that **promotional activity is still very strong** on the low-end segment, noting the trend was slightly improving, but that promotions were less intense in the high-end segment. He said Bouygues Telecom's strategy to replicate most aggressive promotions on the market proved successful: in that case, the net adds effect is positive for Bouygues Telecom, Philippe Marien said, highlighting **Bouygues Telecom's quality oriented strategy was appropriate in this highly competitive market**. Philippe Marien said **Bouygues Telecom's advance in 4G will be hard to catch up for competitors**, as the company continues to **invest heavily** in the development of its mobile network, more than **EUR1bn OPEX+CAPEX** every year. The number of Bouygues Telecom's antennas in very dense areas should increase by 50% within 5 years. Also, he noted Bouygues Telecom's large portfolio of frequencies was a major competitive assets, given the group's smaller customer base.

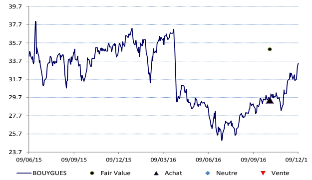
- **On the fixed side**, Philippe Marien said that Bouygues Telecom's strategy was focused on **acquiring new customers**, and that **focusing on DSL** was still the best way to do so. He confirmed the objective of 1 million additional wireline customers by 2017 (vs end 2014) was still **well on track**. Besides, Philippe Marien highlighted the regulatory framework for fiber allowed Bouygues Telecom to be **present in fiber** without investing as much as Orange or SFR, thanks to rental or flexible co-investment models. Moreover, Philippe Marien sounded confident that **some evolution in the Fibre regulatory framework** would eventually correct Orange's dominant position in FTTH and facilitate deployment from competitors.

- **Regarding consolidation of the French Telecom** Market, Philippe Marien said the group was open to examine any deal which would meet the two following requirements: **1/strengthen Bouygues' position in telecom**, and **2/ensure successful outcome**. Philippe Marien said there was no such project on the table at the moment. In the event Bouygues would chose to raise debt to finance an acquisition, Philippe Marien said Bouygues would make sure it still keeps an **investment grade** rating.

- **Regarding Bouygues's 28% stake in Alstom**, of which 20% is currently lent to the French State, Philippe Marien said Bouygues was **focused on Alstom's operational performance**, and **refused to say what the group's intention was** regarding the future of its participation. He said Bouygues's position will be different whether it owns 8%, 13% or 28%. Indeed, the French State has an option to buy the 20% stake at a floor price of EUR35 (Alstom is currently trading around EUR25), and in October 2017 the French State will have an option to retain a 15% stake at market price.

- We stick to our fair value of EUR35 with a Buy recommendation. Full year 2016 results expected end of February 2017.

Bouygues



Ratings		
Date	Ratings	Price
12/10/2016	BUY	EUR29,52

Target Price	
Date	Target price
12/10/2016	EUR35

Simplified Profit & Loss Account (EURm)	**2014**	**2015**	**2016e**	**2017e**	**2018e**	**2019e**
Revenues	33,138	32,428	31,906	32,822	34,018	35,058
Change (%)	*-%*	*-2.1%*	*-1.6%*	*2.9%*	*3.6%*	*3.1%*
Adjusted EBITDA	2,418	2,411	2,637	2,888	3,136	3,355
EBIT	1,133	668	748	1,145	1,387	1,550
Change (%)	*-%*	*-41.0%*	*12.0%*	*53.0%*	*21.2%*	*11.7%*
Financial results	(301)	(269)	(246)	(226)	(230)	(230)
Pre-Tax profits	1,252	598	592	1,057	1,310	1,477
Tax	(188)	(118)	(191)	(315)	(397)	(453)
Minority interests	257	77.0	40.6	77.0	77.0	77.0
Net profit	1,064	480	401	742	913	1,024
Restated net profit	1,064	480	401	742	913	401
Change (%)	*-%*	*-54.9%*	*-16.5%*	*85.2%*	*23.1%*	*-56.1%*

Cash Flow Statement (EURm)						
Operating cash flows	2,266	2,270	2,576	2,885	3,139	3,024
Change in working capital	8.0	203	145	9.6	(3.2)	(297)
Capex, net	(1,362)	(1,890)	(1,678)	(1,656)	(1,716)	(1,737)
Dividends	(198)	(737)	(639)	(642)	(642)	(642)
Net debt	3,216	2,561	2,563	2,633	2,595	2,634
Free Cash flow	405	(13.0)	459	688	796	603

Balance Sheet (EURm)						
Tangible fixed assets	11,470	10,818	10,064	10,127	10,241	10,365
Intangibles assets	7,034	7,392	7,392	7,392	7,392	7,392
Cash & equivalents	4,144	3,785	4,181	4,111	4,149	4,110
current assets	16,364	15,590	16,570	16,917	17,520	18,238
Other assets	12,220	11,840	12,389	12,806	13,371	14,128
Total assets	34,868	33,835	34,027	34,436	35,153	35,995
L & ST Debt	8,308	7,562	7,755	7,755	7,755	7,755
Others liabilities	17,105	16,980	17,430	17,740	18,187	18,646
Shareholders' funds	9,455	9,293	8,842	8,941	9,212	9,594
Total Liabilities	34,868	33,835	34,027	34,436	35,153	35,995
Capital employed	13,619	13,035	12,416	12,585	12,818	13,239

Ratios						
Operating margin	3.42	2.06	2.34	3.49	4.08	2.34
Tax rate	(15.02)	(19.73)	(32.34)	(29.82)	(30.30)	(30.64)
Net margin	3.21	1.48	1.26	2.26	2.68	1.26
ROE (after tax)	10.28	5.12	4.77	8.78	10.76	11.74
ROCE (after tax)	5.93	3.09	2.90	5.28	6.52	7.16
Gearing	87.87	81.37	87.71	86.74	84.19	80.84
Pay out ratio	NM	NM	NM	NM	NM	NM
Number of shares, diluted	337,657	341,525	345,500	345,282	345,282	345,282

Data per Share (EUR)						
EPS	2.39	1.18	1.04	1.93	2.42	2.74
Restated EPS	2.39	1.18	1.04	1.93	2.42	1.04
% change	*-%*	*-50.6%*	*-11.7%*	*84.8%*	*25.8%*	*-57.0%*
BVPS	23.26	23.03	21.86	21.93	22.49	23.38
Operating cash flows	6.71	6.65	7.46	8.36	9.09	7.46
FCF	1.20	(0.04)	1.33	1.99	2.31	1.75
Net dividend	1.60	1.60	1.60	1.60	1.60	1.60

Source: Company Data; Bryan, Garnier & Co ests

4. Vicat

We met with Vicat CFO Jean-Pierre Souchet on our reverse roadshow. While Mr Souchet seemed pretty confident overall (US is strong, competition is stabilizing in markets like Switzerland or Senegal, France is gradually recovering), Vicat is dealing with numerous difficulties like currency devaluations (Turkey, Kazaghstan, Egypt), demonetisation in India (26% of capacities) or security woes (curfew in Egypt). Some positives then, but short-term uncertainties reinforce our Neutral view on the stock.

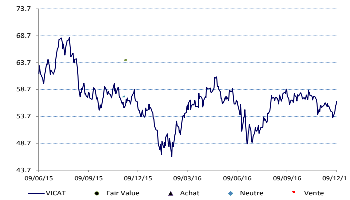
- India is a key country for Vicat. In 2015, this country weighed 11% of Vicat consolidated sales and 14% of EBITDA. 26% of Vicat cement capacities are located in India (17% excluded minorities). On 8th November 2016, President Modi has announced the demonetisation of INR500 and INR1000 notes, which represented more than 85% of cash in circulation. This might impact the economy and the cement market, but it is too early to quantify it. Besides, this demonetisation will mostly impact the cement market exposed to the private residential segment, which equals to 60% to 65% of the cement market as a whole. With roughly one third of the transactions in cash (totally or partially), **this means 20% of the cement market might be directly impacted**. Plus, the very good volume performance for Vicat in the first 9 months (+21%) was underpinned by infrastructure-related projects (irrigation, sanitary networks…), which are not directly affected by the demonetisation. Finally, the negative impact of demonetisation is not supposed to stay for very long. Eventually, the outcome is supposed to be positive, with less black market activity.

- Some others countries face some uncertainties too. Egypt (5% of 2015 sales) is still dependant on the level of security (the curfew is still in place and obviously, this is not favourable for day-to-day business); Turkey (10% of sales) recent political turmoil doesn't help. Currency devaluations (Egypt, Turkey, Kazakhstan) don't help, either. Some other countries have benefited from a slightly better competition landscape though, like Switzerland for instance (c16% of sales), where competition pressure should ease; or Senegal (9% of sales including Mali and Mauritania), where market share is stabilizing. France (32% of sales) is better oriented. **Ready-mix concrete, where prices have been under strong pressure, should start to benefit from a better environment**. RMX prices should recover and positively impact cement prices. Finally, the US (14% of sales) is very well oriented (9M revenues up 6% l-f-l).

- Vicat is guiding for gearing around 35% to 40% (34% estimated) and leverage at 2.0x (similar) for 2016e. The target is a 35% gearing and 1.5x leverage (we got 28% and 1.6x in 2017e). In that context, Vicat will start to be in a position to make some acquisitions again - nothing is expected in the short term (i.e. in the next couple of years) however. **Anyway, the group is keen to reinforce its geographical diversification and is not interested in greenfield projects any more** (at least in the near future). The group has strongly invested in greenfield projects since 2006 to reach 30mt of capacity (vs 14 mt) but it was justified by excessive M&A prices. Before 2006, Vicat actually used to make significant deals every 3-4 years. In future, as it takes up to 4 years to generate sufficient CF with a greenfield, acquisitions should be the preferred way to grow again.

- As far as we are concerned, we can see some reasons to be more positive on the share price here (Jean-Pierre Souchet seemed pretty confident on the future on various key markets, some M&A deals are possible in the mid-term) but timing doesn't look good in the short term (currencies devaluation, India demonetisation). Our Neutral rating seems to us pretty well balanced then. EUR61 FV is derived from the application of historical multiples to our 2018 estimates, disc. back. FY 2016 results due to be released on 27th February 2017.

Vicat



Ratings		
Date	Ratings	Price
17/11/2015	NEUTRAL	EUR55,66

Target Price	
Date	Target price
04/11/2016	EUR61
12/02/2016	EUR56

Simplified Profit & Loss Account (EURm)	2013	2014	2015	2016e	2017e	2018e
Revenues	2,287	2,423	2,458	2,446	2,526	2,664
Change (%)	*-0.2%*	*5.9%*	*1.4%*	*-0.5%*	*3.3%*	*5.5%*
Adjusted EBITDA	427	442	448	454	493	543
Adjusted EBIT	234	263	250	266	307	357
Change (%)	*-3.6%*	*12.3%*	*-4.8%*	*6.0%*	*15.6%*	*16.3%*
Reported EBIT	230	256	250	266	307	357
Cost of the net debt	(44.0)	(47.6)	(37.0)	(31.0)	(26.9)	(23.3)
Financial results	(53.0)	(58.1)	(48.2)	(41.0)	(36.9)	(33.3)
Pre-Tax profits	177	198	202	225	270	324
Tax	(57.2)	(59.5)	(63.7)	(67.4)	(81.0)	(97.2)
Profits from associates	3.9	4.7	4.9	4.9	5.0	5.3
Minority interests	3.0	15.1	21.2	24.1	28.9	34.5
Net profit	120	128	121	138	165	197
Restated net profit	123	133	122	138	165	197
Change (%)	*-4.4%*	*8.0%*	*-8.4%*	*13.1%*	*19.8%*	*19.5%*
Cash Flow Statement (EURm)						
Change in working capital	45.5	(19.1)	(55.9)	0.07	(21.3)	(32.8)
Operating cash flows	337	302	300	349	356	382
Capex, net	(166)	(154)	(167)	(150)	(155)	(163)
Free Cash flow	171	148	133	199	201	219
Dividends	(79.9)	(81.0)	(78.4)	(78.4)	(78.4)	(78.4)
Financial investments, net	(13.5)	(70.6)	(15.9)	0.0	0.0	0.0
Net debt change	81.9	71.9	40.7	120	123	140
Net debt	1,065	1,022	1,018	898	775	635
Balance Sheet (EURm)						
Tangible fixed assets	2,102	2,149	2,121	2,082	2,052	2,030
Intangibles assets	1,047	1,131	1,176	1,176	1,176	1,176
current assets	866	929	988	983	1,016	1,071
Other assets	293	297	341	343	345	348
Cash & equivalents	242	268	254	254	254	254
Total assets	4,549	4,774	4,880	4,839	4,843	4,879
Shareholders' funds	2,010	2,177	2,252	2,311	2,398	2,517
Minorities	282	282	292	316	345	380
Provisions	NM	NM	NM	NM	NM	NM
L & ST Debt	1,307	1,290	1,272	1,152	1,030	889
Current liabilities	479	516	519	514	525	548
Others liabilities	294	286	301	301	301	301
Total Liabilities	4,549	4,774	4,880	4,839	4,843	4,879
Ratios						
EBITDA margin						
Operating margin	10.24	10.86	10.19	10.86	12.16	13.41
Apparent cost of the avrg gross debt	3.98	4.56	3.98	3.24	3.22	3.30
Tax rate	32.42	29.99	31.61	30.00	30.00	30.00
Net margin	5.39	5.92	5.81	6.63	7.69	8.71
ROE (after tax)	6.14	6.12	5.42	5.97	6.89	7.85
ROCE (after tax)	4.98	5.58	5.10	5.60	6.51	7.60
Gearing	46.47	41.56	40.02	34.17	28.26	21.92
Net debt / EBITDA (x)	2.49	2.31	2.27	1.98	1.57	1.17
Pay out ratio	65.74	54.62	54.94	48.38	40.39	34.52
Number of shares, diluted	43.96	43.96	43.96	43.96	43.96	43.96
Data per Share (EUR)						
EPS	2.68	2.86	2.71	3.07	3.68	4.40
Restated EPS	2.81	3.03	2.78	3.14	3.76	4.49
% change	*-4.4%*	*8.0%*	*-8.4%*	*13.1%*	*19.8%*	*19.5%*
BVPS	44.76	48.49	50.15	51.47	53.41	56.06
Operating cash flows	7.65	6.87	6.82	7.93	8.09	8.69
FCF	3.88	3.37	3.02	4.52	4.57	4.97
Net dividend	1.50	1.50	1.50	1.50	1.50	1.50

Source: Company Data; Bryan, Garnier & Co ests

5. Vinci

We met with Vinci CFO Christian Labeyrie last Monday on our reverse roadshow. We understand 2017 should be a year of improvement for Vinci, with the combination of toll revenues growth and Construction margin improvement. Of course, traffic on motorways is unlikely to be as dynamic as 2016, but tolls hike will be implemented in February. On the contrary, the comparison base in Contracting will be favourable, after various woes (oil&gas, France) have impacted 2016. All in all, at the current share price, this supports our positive stance on the stock

- 2016 was an exceptional year for traffic, with volumes up 3.1% y/y on the 9M. Heavy vehicle traffic is still slightly below the pre-crisis level (3.1% below Q4 2007). Vinci Autoroutes has benefited from various supports: Spanish macro recovery (explained c30% of ASF traffic growth), low oil prices, rail market share decline vs road (car-sharing, buses), indirect impact of terrorist attacks (travellers avoid public transport). **In 2017, traffic growth at 1.0% to 1.5% looks reasonable for Vinci** (we are more optimistic today with a 2.4% increase. Our SOTP would be down EUR3 with 1.5% growth in 2017, still tapering to 1% on the long term).

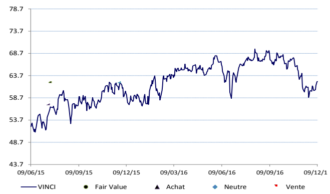
- Tariffs will increase in February 2017: c1.2% for ASF and c0.5% for Cofiroute and Escota, based on formula and an inflation at 0.36%. If the new EUR1bn stimulus plan currently under negotiation is validated, that would imply a bit less than EUR500m of additional capex for Vinci Autoroutes, offset by c0.3% to c0.4% additional tariffs increase between 2018 and 2020. **This new plan has still to be agreed by the regulator (Arafer) and validated by the French Council of State.** Of course, we do not know if the plan can be signed before April, while a new government can decide to review it. Finally, it worth noting the Arafer has recently published a preliminary report regarding the compensation of the 2015 tariff freeze, but has not provided any opinion on the fairness of the compensation. However, the regulator has warned it will come back with a deeper analysis of the concession returns. This might delay the negotiation on the stimulus plan, in our view.

- Operating margin in the contracting businesses. 2016 has been a difficult year for Vinci Contracting business. Oil & gas woes have penalised it in some countries of Africa sensitive to oil prices and the Oil Majors of course. Vinci sales in Africa have declined, as well as operating margin; while revenues from subsidiary like Entreprose have been significantly reduced. This, of course, combined with difficulties in France for Construction, has penalised the margin of Vinci Construction (2.1% in 2015 vs 4% to 5% historically – and 1.4% in H1 2016, down 10bps**.). In 2017, this division will benefit from easier comparison base in the oil&gas segment and from the reorganisation of France** (where the size of Vinci has maybe not been an advantage here, we think). However, the construction market environment in France is better for infrastructures/non-residential in Paris and the largest cities, but remains difficult and competitive in the rest of France. Residential is well-oriented though, but represents less than 10% of Vinci revenues. Roadworks are stabilizing.

- All in all, these various comments support our positive stance on the stock. We recognise some investors are likely to sell the stock if interest rates increase, but **we think it can be compensated by stronger inflation (positive impact on tariffs, limited impact on cash costs, of which 44% only are fixed today)**. Besides, c60% of the gross debt is fixed and Cofiroute has recently launched a EUR1.3bn bond with coupon between 0.375% and 0.75%.

- FV EUR74 derived from a SOTP. FY 2016 results due to be released on 7th February 2017

VINCI



Ratings		
Date	Ratings	Price
02/02/2016	BUY	EUR62,42
30/11/2015	NEUTRAL	EUR62,11
17/07/2015	BUY	EUR56,09

Target Price	
Date	Target price
26/10/2016	EUR74
11/04/2016	EUR72
02/02/2016	EUR70
23/10/2015	EUR65
17/07/2015	EUR62

Simplified Profit & Loss Account (EURm)	**2013**	**2014**	**2015**	**2016e**	**2017e**	**2018e**	**2019e**
Revenues	40,338	38,703	38,518	37,930	38,844	40,218	41,620
Change (%)	*4.4%*	*-4.1%*	*-0.5%*	*-1.5%*	*2.4%*	*3.5%*	*3.5%*
Adjusted EBITDA	5,596	5,561	5,664	5,836	6,145	6,369	6,675
Adjusted EBIT	3,670	3,642	3,758	4,036	4,344	4,582	4,900
Change (%)	*0.0%*	*-0.8%*	*3.2%*	*7.4%*	*7.6%*	*5.5%*	*7.0%*
Cost of the net debt	(598)	(616)	(557)	(510)	(485)	(443)	(397)
Financial results	(650)	(677)	(581)	(534)	(509)	(467)	(421)
Pre-Tax profits	3,023	3,566	3,135	3,496	3,830	4,105	4,470
Tax	(1,070)	(1,050)	(1,055)	(1,158)	(1,272)	(1,406)	(1,577)
Profits from associates	95.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	84.3	30.0	34.0	38.2	41.8	44.1	47.3
Net profit	1,963	2,486	2,046	2,299	2,516	2,655	2,845
Restated net profit	1,899	1,905	2,109	2,299	2,516	2,655	2,845
Change (%)	*-0.9%*	*0.3%*	*10.7%*	*9.0%*	*9.4%*	*5.5%*	*7.2%*
Cash Flow Statement (EURm)							
Change in working capital	6.0	(158)	307	0.0	0.0	0.0	0.0
Operating cash flows	3,648	3,633	4,522	4,394	4,694	4,929	5,234
Capex, net	(1,468)	(1,436)	(1,527)	(1,556)	(1,707)	(1,709)	(1,660)
Free Cash flow	2,180	2,197	2,995	2,838	2,987	3,221	3,574
Dividends	(1,072)	(1,287)	(1,044)	(1,036)	(1,168)	(1,278)	(1,349)
Financial investments, net	(3,220)	310	(412)	(435)	0.0	0.0	0.0
Other	536	(397)	(674)	(487)	(358)	(358)	(358)
Net debt change	(1,576)	823	865	880	1,462	1,585	1,868
Balance Sheet (EURm)							
Tangible fixed assets	4,541	4,316	4,241	4,762	4,848	4,938	5,031
Intangibles assets	33,018	31,548	31,598	31,103	30,759	30,427	30,056
current assets	16,429	16,460	16,295	16,046	16,433	17,014	17,607
Other assets	3,295	3,856	3,850	3,852	3,775	3,595	3,291
Cash & equivalents	6,695	7,912	6,966	6,966	6,966	6,966	6,966
Total assets	63,076	63,030	62,147	61,927	61,978	62,137	62,148
Shareholders' funds	14,142	14,743	15,119	15,911	16,920	17,960	19,120
Minorities	118	125	137	159	183	207	233
Provisions	5,657	6,226	6,517	6,612	6,707	6,807	6,907
L & ST Debt	20,798	21,193	19,402	18,522	17,060	15,475	13,607
Others liabilities	3,560	2,684	2,562	2,562	2,562	2,562	2,562
Total Liabilities	63,076	63,030	62,147	61,928	61,980	62,140	62,152
Net debt	14,103	13,281	12,436	11,556	10,094	8,509	6,641
Capital employed	35,187	33,935	33,660	33,687	33,429	33,186	32,908
Ratios							
EBITDA margin	13.87	14.37	14.70	15.39	15.82	15.84	16.04
Operating margin	9.10	9.41	9.76	10.64	11.18	11.39	11.77
Apparent cost of the avrg gross debt	3.29	3.21	3.02	2.90	2.90	2.90	2.90
Tax rate	35.41	29.45	34.64	34.00	34.00	35.00	36.00
Net margin	5.08	6.50	5.40	6.16	6.59	6.71	6.95
ROE (after tax)	13.43	12.92	13.95	14.45	14.87	14.79	14.88
ROCE (after tax)	6.47	7.07	7.43	7.90	8.57	8.95	9.51
Gearing	98.90	89.33	81.52	71.91	59.02	46.84	34.31
Net debt / EBITDA (x)	2.52	2.39	2.20	1.98	1.64	1.34	1.00
Pay out ratio	50.44	49.54	49.85	50.00	50.00	50.00	50.00
Number of shares, diluted	602	590	588	589	589	589	589
Data per Share (EUR)							
EPS	3.16	3.23	3.58	3.90	4.27	4.50	4.83
Restated EPS	3.16	3.23	3.58	3.90	4.27	4.50	4.83
% change	*-4.9%*	*2.3%*	*11.0%*	*8.8%*	*9.4%*	*5.5%*	*7.2%*
BVPS	23.50	24.98	25.69	26.99	28.70	30.47	32.44
Operating cash flows	6.06	6.16	7.68	7.45	7.96	8.36	8.88
FCF	3.62	3.72	5.09	4.82	5.07	5.46	6.06
Net dividend	1.77	2.22	1.84	2.07	2.27	2.39	2.56

Source: Company Data; Bryan, Garnier & Co ests

Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

Stock rating

BUY Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

NEUTRAL Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

SELL Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 55,6% NEUTRAL ratings 34% SELL ratings 10,5%

Research Disclosure Legend

1	Bryan Garnier shareholding in Issuer	Bryan Garnier & Co Limited or another company in its group (together, the "Bryan Garnier Group") has a shareholding that, individually or combined, exceeds 5% of the paid up and issued share capital of a company that is the subject of this Report (the "Issuer").	No
2	Issuer shareholding in Bryan Garnier	The Issuer has a shareholding that exceeds 5% of the paid up and issued share capital of one or more members of the Bryan Garnier Group.	No
3	Financial interest	A member of the Bryan Garnier Group holds one or more financial interests in relation to the Issuer which are significant in relation to this report	No
4	Market maker or liquidity provider	A member of the Bryan Garnier Group is a market maker or liquidity provider in the securities of the Issuer or in any related derivatives.	No
5	Lead/co-lead manager	In the past twelve months, a member of the Bryan Garnier Group has been lead manager or co-lead manager of one or more publicly disclosed offers of securities of the Issuer or in any related derivatives.	No
6	Investment banking agreement	A member of the Bryan Garnier Group is or has in the past twelve months been party to an agreement with the Issuer relating to the provision of investment banking services, or has in that period received payment or been promised payment in respect of such services.	No
7	Research agreement	A member of the Bryan Garnier Group is party to an agreement with the Issuer relating to the production of this Report.	No
8	Analyst receipt or purchase of shares in Issuer	The investment analyst or another person involved in the preparation of this Report has received or purchased shares of the Issuer prior to a public offering of those shares.	No
9	Remuneration of analyst	The remuneration of the investment analyst or other persons involved in the preparation of this Report is tied to investment banking transactions performed by the Bryan Garnier Group.	No
10	Corporate finance client	In the past twelve months a member of the Bryan Garnier Group has been remunerated for providing corporate finance services to the issuer or may expect to receive or intend to seek remuneration for corporate finance services from the Issuer in the next six months.	No
11	Analyst has short position	The investment analyst or another person involved in the preparation of this Report has a short position in the securities or derivatives of the Issuer.	No
12	Analyst has long position	The investment analyst or another person involved in the preparation of this Report has a long position in the securities or derivatives of the Issuer.	No
13	Bryan Garnier executive is an officer	A partner, director, officer, employee or agent of the Bryan Garnier Group, or a member of such person's household, is a partner, director, officer or an employee of, or adviser to, the Issuer or one of its parents or subsidiaries. The name of such person or persons is disclosed above.	No
14	Analyst disclosure	The analyst hereby certifies that neither the views expressed in the research, nor the timing of the publication of the research has been influenced by any knowledge of clients positions and that the views expressed in the report accurately reflect his/her personal views about the investment and issuer to which the report relates and that no part of his/her remuneration was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.	Yes
15	Other disclosures	Other specific disclosures: Report sent to Issuer to verify factual accuracy (with the recommendation/rating, price target/spread and summary of conclusions removed).	No

A copy of the Bryan Garnier & Co Limited conflicts policy in relation to the production of research is available at www.bryangarnier.com

BRYAN, GARNIER & CO

London	Paris	New York	Munich
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	Widenmayerstrasse 29
15 St. Botolph Street	75008 Paris	New York, NY 10022	80538 Munich
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Germany
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	**+49 89 2422 62 11**
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member	
Authorised and regulated by the Financial Conduct Authority (FCA)	Financial Conduct Authority (FCA) and the Autorité de Contrôle prudential et de resolution (ACPR)		