

ELIOR

Price EUR19.56

FY 2015-16 results first take: All in line with expectations

Fair Value EUR24 (+23%)

BUY-Top Picks

Bloomberg	ELIO.FP
Reuters	ELIO.PA
12-month High / Low (EUR)	21.0 / 16.8
Market Cap (EURm)	3,371
Ev (BG Estimates) (EURm)	4,974
Avg. 6m daily volume (000)	233.2
3y EPS CAGR	18.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.9%	-6.3%	-4.0%	1.3%
Travel&Leisure	3.2%	-2.6%	-6.2%	-14.7%
DJ Stoxx 600	5.1%	0.8%	2.1%	-3.8%

YEnd Sept. (EURm)	09/15	09/16e	09/17e	09/18e
Sales	5,674	5,866	6,151	6,496
% change		3.4%	4.9%	5.6%
EBITDA	473	497	551	604
EBIT	315.1	338.3	384.5	425.7
% change		7.4%	13.6%	10.7%
Net income	130.6	169.8	204.0	230.7
% change		30.0%	20.2%	13.1%

	09/15	09/16e	09/17e	09/18e
Operating margin	5.6	5.8	6.3	6.6
Net margin	2.3	2.9	3.3	3.6
ROE	7.1	9.3	10.6	11.2
ROCE	6.4	6.4	7.1	7.7
Gearing	97.8	101.8	90.6	78.6

(EUR)	09/15	09/16e	09/17e	09/18e
EPS	0.80	0.99	1.18	1.34
% change	-	23.8%	20.2%	13.1%
P/E	24.6x	19.9x	16.5x	14.6x
FCF yield (%)	5.9%	5.3%	6.2%	7.0%
Dividends (EUR)	0.32	0.34	0.42	0.48
Div yield (%)	1.6%	1.7%	2.1%	2.5%
EV/Sales	0.9x	0.8x	0.8x	0.7x
EV/EBITDA	10.2x	10.0x	8.9x	8.0x
EV/EBIT	15.3x	14.7x	12.8x	11.4x

No surprises with FY numbers bang in line with expectations. In fact, consolidated revenue reached EUR5,896m up 3.9% on reported and 1.4% on organic (consensus at EUR5,556m with 1.4% lfl growth) with EBITDA of EUR501m (consensus at EUR499m) representing an EBITDA margin of 8.5% up 10bps. At EUR135m, net result improved significantly compared with 2015 (EUR107m) and was in line with consensus of EUR133m. For 2016-17, as anticipated, management confirms an acceleration in the profitability and expects an organic growth of at least 3% excluding the impact of voluntary contract exits (expected to be less than 100bps) in line with consensus with an EBITDA margin up 20 to 30bps (consensus 30bps).

ANALYSIS

- **Bang in line with anticipations: Total revenue** was up 3.9% on reported at EUR5,896m with organic of 1.4% (3.1% excluding voluntary contract exits). By segment, no surprise either with Contract Catering (72% of consolidated revenue) up 5.8% on reported at EUR4,228m (consensus at EUR4,205m) with organic of 1.3% (consensus 1.4%) and 3.4% excluding voluntary contract exits. Concession catering (28%) reached EUR1,668m, down 0.6% and up 1.7% on organic (consensus was at EUR1,650m with 1.5% on organic). At EUR501m, **EBITDA** was also in line with anticipation with Contract Catering at EUR325m i.e. a margin of 7.7% up 10bps (consensus EUR329m) and Concession of EUR183m with margin up 30bps at 11% (consensus EUR178m). Finally, after significant improvement in the **financial result** (financial expense of EUR63m vs. EUR107m in 2015) and **non-recurring items** higher than expected (EUR-50m vs. EUR-40m from consensus), **net result** reached EUR135m (consensus at EUR133m) compared with EUR107m in 2015 up 26%.
- **Outlook confirmed:** Group strategy is well engaged and management expects an acceleration in the profitability during FY 2016-17. **Organic** is expected to be at least 3% excluding voluntary contract exits which is expected to be less 100bps (consensus is at 2.1% and BG at 2.3%) with an **EBITDA margin** up between 20 to 30bps (consensus 30bps and BG 40bps). **Acquisitions** are still part of the group strategy expansion and management confirmed that acquisitions closed to date represented c.EUR250m non-consolidated sales in FY 2015-16. Due to those deals for a total amount of EUR277m, at the end of 2016, **net debt reached** EUR1,706m up EUR254m representing a financial leverage of 3.2x (group objective is to be between 2.5x and 3x).

VALUATION

- At the current share price, the stock is trading at 8.9x EV/EBITDA 2016-17e and 8x 2017-18e compared with EBITDA CAGR 2015-2018 of 8.5%

NEXT CATALYSTS

- Meeting at 9.30am (Paris time)

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