



Healthcare

4th April 2019

LNA SANTÉ

- | Business Services
- | Nursing

BUY

Fair Value	EUR68(+43%)
Share price	EUR47.55
EPS 3Y Cagr	-0.8%

FY results: good results, on track with management's ambitions

Operating result above our forecast

Following the FY2018 revenue released on 6th February (operating revenue of EUR437m, up 5.6% in reported terms with organic growth of 4.4% after growth of 4.3% in Q4), operating EBITDA reached EUR51.2m, up 5.5% representing a margin stable at 11.7% and up 27bp excluding the CICE impact. Current operating EBIT at EUR43.5m was up 3.9% i.e. a margin down 16bp but up 12bp excluding the CICE. Finally, after financial results were down 18% thanks to debt interest rate renegotiations, operating net result was up 8.5% at EUR23.3m. All these numbers were above our estimates. Regarding financials, net debt was broadly flat vs. last year at EUR61m representing leverage of 1.2x (covenant at 4.25x).

Finally, management will propose a dividend of EUR0.38 (our estimate was at EUR0.34) vs. EUR0.32 last year.

2019 outlook: maybe a bit conservative

For top-line growth, management confirmed its guidance for organic operating revenue growth of 3.5% in 2019 (our estimate is at 4%) with an improvement in 2020 bearing in mind that about 15% of the total number of beds (1,100 beds) are still under refurbishment. Adding the current pipeline of 950 beds, this means at least 2,050 beds will contribute to revenue. Moreover, management announced that fresh M&A activity is likely in 2019 and expects to generate total operating revenue above EUR460m which compares with our estimate of EUR477m.

IFRS 16 impacts: Significant changes

Firstly, as a reminder, IFRS16 should have no impact on cash and on bank covenants. Secondly, since LNA santé has exclusively developed an asset light strategy, IFRS16 will have significant impacts on the company balance sheet and P&L. Actually, on LNA Santé estimates, total assets at the value of the usage right calculated on the basis of a capitalisation rate for rents will be increased by around EUR450m based on 31st December 2018 i.e. an increase of 50%. Total debt will increase by EUR450-500m and so total shareholder's equity will be slightly negatively impacted. For the P&L account, IFRS16 will be accretive to EBITDA by EUR55-60m and around EUR10m on EBIT i.e. representing an EBIT margin improvement of 200bp. After an impact of about -EUR10m on financial result, net result will be broadly the same as previously.

Market Data

Bloomberg / Reuters	LNA FP/LNA.PA
Market Cap.	EUR462m
E.V.	EUR648m
Free Float	36
Avg. Daily volume (6m)	6.60
12m high / low	57.6 / 42.8
Ytd Perf.	9.2%

EURM	12/17	12/18e	12/19e	12/20e
Sales	486.7	532.1	521.9	545.1
% Change		9.3%	-1.9%	4.4%
EBITDA	50.2	49.5	53.9	58.0
% Change		-1.3%	8.9%	7.4%
EBIT	43.5	43.1	44.7	48.3
% Change		-0.9%	3.6%	8.1%
Net Income	24.2	21.9	21.3	23.7
% Change		-9.8%	-2.6%	11.1%
ROE	0.13	0.16	0.16	0.17

	12/17	12/18e	12/19e	12/20e
EV/Sales	1.3x	1.2x	1.3x	1.2x
EV/EBITDA	12.9x	13.1x	12.2x	11.6x
EV/EBIT	14.9x	15.0x	14.7x	14.0x
EPS	2.50	2.25	2.19	2.44
% change		-9.8%	-2.6%	11.1%
P/E	19.0x	21.1x	21.7x	19.5x
Div Yield	0.7%	0.7%	0.7%	0.8%

Next Catalyst: Meeting today at 4.00pm (Paris)

Q1 2019 Revenue on 7th May

Last Reports:

[2018-11-7, Q3 organic revenue growth accelerating. Recently upgraded FY guidance confirmed](#)

Bruno de La Rochebrochard

33(0) 1 56 68 75 88

bdelarochebrochard@bryangarnier.com

[Click here to download document](#)

LNA SANTÉ

BUY

Fair Value	EUR68(+43%)
Share price	EUR47.55
Market Cap.	EUR462m
EPS 3Y CAGR	-0.8%

Simplified Profit & Loss Account (EURm)	2016	2017	2018e	2019e	2020e
Revenues	475.0	486.7	532.1	521.9	545.1
<i>Change (%)</i>	11.8%	2.5%	9.3%	-1.9%	-
Adjusted EBITDA	52.3	50.2	49.5	53.9	58.0
EBIT	40.1	43.5	43.1	44.7	48.3
<i>Change (%)</i>	14.7%	8.5%	-0.9%	3.6%	8.1%
Financial results	-7.7	-7.0	-6.7	-6.7	-7.0
Pre-Tax profits	26.6	31.2	36.4	37.9	41.3
Exceptionals	0.0	0.0	0.0	3.0	3.0
Tax	-3.9	-6.0	-13.5	-15.5	-16.5
Profits from associates	0.0	0.0	0.0	0.0	0.0
Minority interests	1.1	1.0	1.1	1.1	1.1
Net profit	21.6	24.2	21.9	21.3	23.7
Restated net profit	7.7	24.2	21.9	21.3	23.7
<i>Change (%)</i>	-30.3%	213.0%	-9.8%	-2.6%	11.1%
Cash Flow Statement (EURm)					
Operating cash flows	45.5	50.7	54.2	56.5	48.3
Change in working capital	3.0	16.9	18.5	18.1	18.9
Capex, net	-6.7	-6.6	-13.1	-14.2	-14.9
Financial investments, net	-2.5	0.7	0.0	0.0	0.0
Dividends	-1.4	-2.3	-3.1	-3.3	-3.2
Other	-	-	-	-	-
Net debt	224.8	185.0	187.4	195.7	213.0
Free Cash flow	22.0	51.2	1.1	-5.0	-14.2
Balance Sheet (EURm)					
Tangible fixed assets	61.5	71.1	73.1	75.4	90.2
Intangibles assets	306.6	309.0	329.7	325.1	335.6
Cash & equivalents	103.1	162.8	189.6	210.5	243.2
current assets	193.5	175.9	192.3	188.6	197.0
Other assets	3.8	4.4	0.0	0.0	0.0
Total assets	668.4	723.2	784.8	799.6	866.0
L & ST Debt	327.9	347.8	377.0	406.2	456.2
Others liabilities	0.0	0.0	0.0	0.0	0.0
Shareholders' funds 100%	163.7	187.8	144.4	141.8	148.7
Total Liabilities	504.7	535.4	640.4	657.8	717.4
Capital employed	449.9	428.5	453.9	450.5	478.2
Ratios					
Operating margin	8.4%	8.9%	8.1%	8.6%	8.9%
Tax rate	-14.6%	-19.2%	-37.0%	-41.0%	-40.0%
Net margin	1.6%	5.0%	4.1%	4.1%	4.3%
ROE	4.9%	13.4%	16.0%	15.9%	16.8%
ROCE (after tax)	10.2%	12.1%	13.0%	14.0%	14.1%
Gearing	137%	99%	130%	138%	143%
Debt/EBITDA	4.30	3.69	3.78	3.63	3.68
FFO/Net debt (%)	20%	27%	29%	29%	23%
Average Cost of the gross debt (%)	2.00%	2.00%	2.00%	2.00%	2.00%
Pay out ratio	14.6%	12.8%	15.0%	15.0%	15.0%
Number of shares, diluted	9.706	9.706	9.706	9.706	9.706
Data per Share (EUR)					
EPS	2.40	2.50	2.25	2.19	2.44
Restated EPS	1.61	2.50	2.25	2.19	2.44
<i>% change</i>	33.4%	55.3%	-9.8%	-2.6%	11.1%
BVPS	16.87	19.35	14.87	14.61	15.32
Operating cash flows	4.69	5.23	5.59	5.83	4.97
FCF	2.27	5.28	0.11	-0.52	-1.46
Net dividend	0.235	0.320	0.338	0.329	0.366

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 53.1%

NEUTRAL ratings 39.5%

SELL ratings 7.3%

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



BRYAN, GARNIER & CO

London

Bryan, Garnier & Co Ltd
Beaufort House
15 St. Botolph Street
London EC3A 7BB
United Kingdom
+44 207 332 2500

Paris

Bryan, Garnier & Co Ltd
26 Avenue des Champs-
Elysées
75008 Paris
France
+33 1 56 68 75 20

Munich

Bryan, Garnier & Co. GmbH
Widenmayerstrasse 29
80538 Munich
Germany
+49 89 2422 62 11

Zurich

Bryan, Garnier & Co
Theaterstrasse 4
8001 Zurich
Switzerland
+41 44 991 3300

New York

Bryan Garnier Securities
750 Lexington Avenue
16th floor
New York, NY 10022
United States
+1 212 337 7000

IMPORTANT INFORMATION

This document is classified under the FCA Handbook as being investment research (independent research). Bryan, Garnier & Co Limited has in place the measures and arrangements required for investment research as set out in the FCA's Conduct of Business Sourcebook.

This report is prepared by Bryan, Garnier & Co Limited, registered in England Number 03034095 and its MIFID branch registered in France Number 452 605 512. Bryan, Garnier & Co Limited is authorized and regulated by the Financial Conduct Authority (Firm Reference Number 178733) and is a member of the London Stock Exchange. Registered address: Beaufort House 15 St. Botolph Street, London EC3A 7BB, United Kingdom.

This Report is provided for information purposes only and does not constitute an offer, or a solicitation of an offer, to buy or sell relevant securities, including securities mentioned in this Report and options, warrants or rights to or interests in any such securities. This Report is for general circulation to clients of the Firm and as such is not, and should not be construed as, investment advice or a personal recommendation. No account is taken of the investment objectives, financial situation or particular needs of any person.

The information and opinions contained in this Report have been compiled from and are based upon generally available information which the Firm believes to be reliable but the accuracy of which cannot be guaranteed. All components and estimates given are statements of the Firm, or an associated company's, opinion only and no express representation or warranty is given or should be implied from such statements. All opinions expressed in this Report are subject to change without notice. To the fullest extent permitted by law neither the Firm nor any associated company accept any liability whatsoever for any direct or consequential loss arising from the use of this Report. Information may be available to the Firm and/or associated companies which are not reflected in this Report. The Firm or an associated company may have a consulting relationship with a company which is the subject of this Report.

This Report may not be reproduced, distributed or published by you for any purpose except with the Firm's prior written permission. The Firm reserves all rights in relation to this Report.

Past performance information contained in this Report is not an indication of future performance. The information in this report has not been audited or verified by an independent party and should not be seen as an indication of returns which might be received by investors. Similarly, where projections, forecasts, targeted or illustrative returns or related statements or expressions of opinion are given ("Forward Looking Information") they should not be regarded as a guarantee, prediction or definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. A number of factors, in addition to the risk factors stated in this Report, could cause actual results to differ materially from those in any Forward Looking Information.

Disclosures specific to clients in the United Kingdom This Report has not been approved by Bryan, Garnier & Co Limited for the purposes of section 21 of the Financial Services and Markets Act 2000 because it is being distributed in the United Kingdom only to persons who have been classified by Bryan, Garnier & Co Limited as professional clients or eligible counterparties. Any recipient who is not such a person should return the Report to Bryan Garnier & Co Limited immediately and should not rely on it for any purposes whatsoever.

This Report is based on information obtained from sources that Bryan, Garnier & Co Limited believes to be reliable and, to the best of its knowledge, contains no misleading, untrue or false statements but which it has not independently verified. Neither Bryan, Garnier & Co Limited and/or Bryan Garnier Securities LLC make no guarantee, representation or warranty as to its

accuracy or completeness. Expressions of opinion herein are subject to change without notice. This Report is not an offer to buy or sell any security.

Bryan Garnier Securities, LLC and/or its affiliate, Bryan Garnier & Co Limited may own more than 1% of the securities of the company(ies) which is (are) the subject matter of this Report, may act as a market maker in the securities of the company(ies) discussed herein, may manage or co-manage a public offering of securities for the subject company(ies), may sell such securities to or buy them from customers on a principal basis and may also perform or seek to perform investment banking services for the company(ies).

Bryan Garnier Securities, LLC and/or Bryan, Garnier & Co Limited are unaware of any actual, material conflict of interest of the research analyst who prepared this Report and are also not aware that the research analyst knew or had reason to know of any actual, material conflict of interest at the time this Report is distributed or made available.

Notice to US investors

This research report (the "Report") was prepared by Bryan Garnier & Co Limited for information purposes only. The Report is intended for distribution in the United States to "Major US Institutional Investors" as defined in SEC Rule 15a-6 and may not be furnished to any other person in the United States. Each Major US Institutional Investor which receives a copy of this Report by its acceptance hereof represents and agrees that it shall not distribute or provide this Report to any other person. Any US person that desires to effect transactions in any security discussed in this Report should call or write to our US affiliated broker, Bryan Garnier Securities, LLC, 750 Lexington Avenue, New York NY 10022. Telephone: 1-212-337-7000.