

7th February 2019

VINCI

| Smart Industries
| Innovative Materials & Construction

BUY

Fair Value EUR92(+19%)
Share price EUR77.52
EPS 3Y Cagr 10.8%

Analyst meeting feedback: positive stance reinforced

Solid 2018 figures

2018 figures have been good with a 40bp EBIT margin improvement for the concession division and +30bps for the contracting division. Basically, apart from the Vinci Autoroutes margin decline due to the impact of social events in France in Q4 2018, all businesses reported margin improvement last year. The cost of net debt remains under control at 2.25%. Free cash flow remains strong at EUR3.2bn.

Busy on the M&A side

The group's financial muscle allows Vinci to continue to seize M&A opportunities, with EUR2.8bn invested in 2018, notably in Vinci Energies, Eurovia and Vinci Airports. In particular, Vinci Energies external growth contribution was EUR1.4bn in 2018, representing 13 percentage-points of the 17% y/y top line growth for this particular division. Obviously, Vinci Energies will probably focus on the integration of these new entities in 2019 (28 were acquired last year), but opportunities will not vanish and we understand further acquisitions are likely in the future, in Vinci Energy and elsewhere.

Outlook is fine

Regarding Concessions: Vinci Autoroutes traffic should continue in line with the macro environment in France (there are still some disruptions related to current social events though), Vinci Airport traffic is likely to be positive but obviously penalized by comparison basis.

In Contracting: **a)** no worries for Vinci Energies, although the division's margin is now so high (5.8%) that it should probably stabilise; **b)** Roadworks (Eurovia) should continue to benefit from a favourable cycle in France (but this will not be so beneficial in 2020, we understand) while operating margins should expand further, and, **c)** Construction margins are likely to improve as well, on the back of a stabilization in Africa, better UK (which is now profitable with the group having also just been awarded a EUR700m project for H52), a gradual recovery in France (the situation is still not that great apart from the Grand Paris project) but ongoing difficulties for the Oil & Gas market. In any case, the order book is strong in Contracting (+13%).

Positive stance reiterated

The group remains interested by French airports - either ADP or Toulouse - but points out that Vinci Airports can grow with or without these assets and that the recent decision of the French regulator ASI (which has not accepted the first tariff proposals for Nice, Cannes or ADP) is something to consider in the price negotiations. In any case, we continue to consider Vinci position will remain pragmatic in any case. 2018 figures updated and forecasts roughly unchanged. Positive stance and FV unchanged.

Market Data

Bloomberg / Reuters	DG FP/SGEF.PA
Market Cap.	EUR46,375m
E.V.	EUR58.097m
Free Float	81,3
Avg. Daily volume (6m)	1 168
12m high / low	87.4 / 70.5
Ytd Perf.	7.6%

EURM	12/17	12/18	12/19e	12/20e
Sales	40,248	43,519	45,694	47,215
% Change		8.1%	5.0%	3.3%
EBITDA	6,500	6,898	7,407	7,740
% Change		6.1%	7.4%	4.5%
EBIT	4,607	4,997	5,342	5,697
% Change		8.5%	6.9%	6.6%
Net Income	2,737	2,983	3,333	3,721
% Change		9.0%	11.7%	11.6%
ROE	0.15	0.16	0.16	0.17

	12/17	12/18	12/19e	12/20e
EV/Sales	1.4x	1.4x	1.3x	1.2x
EV/EBITDA	8.9x	8.6x	7.8x	7.2x
EV/EBIT	12.6x	11.8x	10.8x	9.7x
EPS	4.61	5.02	5.61	6.27
% change		9.0%	11.7%	11.6%
P/E	16.8x	15.4x	13.8x	12.4x
Div Yield	3.2%	3.4%	3.8%	4.3%

Next Catalyst :

Vinci Airport traffic on 12 April

Last rating Change:

2018-4-9, ADP: an optional opportunity, not a mandatory risk

Last FV Change:

2018-4-9, ADP: an optional opportunity, not a mandatory risk

Last Reports:

2019-2-6, Solid 2018 results

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Fair Value	EUR92(+19%)
Share price	EUR77.52
Market Cap.	EUR46,375m
EPS 3Y CAGR	10.8%

Simplified Profit & Loss Account (EURm)	2016	2017	2018	2019e	2020e
Revenues	38,073	40,248	43,519	45,694	47,215
Change (%)	-1.2%	5.7%	8.1%	5.0%	3.3%
Adjusted EBITDA	5,966	6,500	6,898	7,407	7,740
Adjusted EBIT	4,174	4,607	4,997	5,342	5,697
Change (%)	11.1%	10.4%	8.5%	6.9%	6.6%
Cost of the net debt	-526	-481	-462	-475	-475
Financial results	-561	-441	-445	-475	-475
Pre-Tax profits	3,557	4,109	4,475	4,856	5,211
Tax	-1,013	-1,271	-1,418	-1,441	-1,398
Profits from associates	0	0	0	0	0
Minority interests	39	90	74	83	92
Net profit	2,505	2,747	2,983	3,333	3,721
Restated net profit	2,376	2,737	2,983	3,333	3,721
Change (%)	12.7%	15.2%	9.0%	11.7%	11.6%
Cash Flow Statement (EURm)					
Change in working capital	23	-286	-266	0	0
Operating cash flows	4,346	4,280	5,142	5,799	6,145
Capex. net	-1,397	-1,755	-1,963	-2,006	-1,874
Free Cash flow	2,949	2,525	3,179	3,793	4,271
Dividends	-1,084	-1,248	-1,443	-1,565	-1,730
Financial investments. net	-3,379	-1,292	-2,803	0	0
Other	575	598	153	0	0
Net debt change	-1,501	-64	-1,553	1,684	1,996
Balance Sheet (EURm)					
Tangible fixed assets	4,468	4,421	5,359	5,507	5,617
Intangible assets	35,213	35,556	37,542	36,994	36,374
current assets	17,623	18,929	20,070	21,073	21,775
Other assets	2,704	3,024	3,412	3,535	3,687
Cash & equivalents	7,923	7,873	8,974	8,974	8,974
Total assets	67,931	69,803	75,357	76,083	76,427
Shareholders' funds	16,465	17,812	19,185	20,466	21,976
Minorities	541	572	633	658	687
Provisions	6,770	6,856	7,106	7,206	7,306
L & ST Debt	21,863	21,874	24,528	22,844	20,848
Others liabilities	2,524	2,414	2,521	2,521	2,521
Total Liabilities	67,931	69,803	75,357	76,083	76,427
Net debt	13,939	14,001	15,554	13,870	11,874
Capital employed	37,536	38,631	41,587	41,187	40,677
Ratios					
EBITDA margin	15.7%	16.1%	15.9%	16.2%	16.4%
Operating margin	11.0%	11.4%	11.5%	11.7%	12.1%
Apparent cost of the avrq gross debt	2.7%	2.5%	2.1%	2.1%	2.3%
Tax rate	29.0%	32.1%	32.3%	30.2%	27.3%
Net margin	6.7%	7.0%	7.0%	7.5%	8.1%
ROE (after tax)	14.4%	15.4%	15.5%	16.3%	16.9%
ROCE (after tax)	7.9%	8.1%	7.8%	8.8%	9.9%
Gearing	82%	76%	78%	66%	52%
Net debt / EBITDA (x)	2.3	2.2	2.3	1.9	1.5
Pav out ratio	47.0%	50.3%	50.5%	50.0%	50.0%
Number of shares. diluted	589.3	593.7	593.7	593.7	593.7
Data per Share (EUR)					
EPS	4.03	4.61	5.02	5.61	6.27
Restated EPS	4.03	4.61	5.02	5.61	6.27
% change	12.6%	14.3%	9.0%	11.7%	11.6%
BVPS	27.94	30.00	32.32	34.47	37.02
Operating cash flows	7.37	7.21	8.66	9.77	10.35
FCF	5.00	4.25	5.35	6.39	7.19
Net dividend	2.10	2.45	2.67	2.95	3.30

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

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