



Business Services



EDENRED (BUY - Top Picks, FV EUR47) | H1 preview: One-off pressure on margin

- **Strong outperformance in line with results**

Since the beginning of the year, thanks to results that exceeded expectations and promising development, the group has recorded a remarkable stock market performance with a price increase of nearly 40%. If we remain particularly confident in the group's ability to achieve its medium-term objectives of organic growth of at least 7% in revenue, EBIT of at least 9% and FFO of at least 10%, the first half results, which will be published on 23 July, could temporarily stall.

- **But short term one off that could weight on margin**

Indeed, three main elements should weigh on the results for H1. First, with particularly strong organic growth in operating revenue in recent quarters well above the medium-term objectives (+14.2% in Q1 2019 after 15.3% in Q4 2018, 14.6% in Q3 2018), cost of sales should increase more significantly than revenue. Secondly, S1 will also see an increase in IT costs related to data protection due to the increased risk of cyber attacks. Finally, the grouping of digital teams in Romania with the creation of a European hub entails one-off costs (capex and opex).

- **H1 consensus that sound to us a bit high**

On the basis of these elements, with organic growth in operating revenue estimated at 12.1% with a Q2 up 10.3% after a Q1 at 14.2% which benefited from a favorable comparison, we expect an operating EBIT of EUR202m up 6.5% and a margin of 28.6% down some 100bp which compared with a consensus at EUR224m based on an H1 operating revenue of EUR740m in line with our estimate of EUR742m.

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Distribution of stock ratings

BUY ratings 50.6%

NEUTRAL ratings 42.6%

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