

Cross-Sector Report

ODDO BHF 2020 large cap convictions list

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With the participation of ODDO BHF
Securities' equity research teams

We are updating our large cap convictions list. At the start of 2020, marked by a widespread easing of major risks (macroeconomic, global trade, political), we are betting on the market questioning the record valuation of growth. We are therefore focusing our stock selection slightly more on value. Additions to our list: Accor, Atos, EDP, JC Decaux, Nexi, Subsea 7 and Unicredit. Withdrawals from our list: Air France, AstraZeneca, Cap Gemini, Carrefour, Engie, Icade, Michelin, Rolls Royce.

At the start of 2020, a slightly more value-focused bet despite everything

Whilst the start of 2019 was marked by investor concerns, the subsequent market performances were spectacular. In short, fears of a recession in the US failed to materialise, largely due to the Fed's capitulation. In Europe, the German industrial recession did not erode global activity, once again largely thanks to the abandoning of the expected monetary normalisation, although this was not the only factor. In both the US and Europe, the momentum of the labour market and consumer spending have underpinned robust consumption. Lastly, while the Chinese slowdown is confirmed, it is no longer of real concern following the resumption of a "constructive" trade dialogue with the US.

In this context, the baseline scenario of ODDO BHF's economists is that of a continued easing of tensions on all fronts in 2020. Whilst the global economy continues to decelerate (2.9% in volume terms vs 3.1% in 2019), this will resemble a "soft landing" during which the eurozone will fare well in relative terms. According to our economists Bruno Cavalier and Fabien Bossy, Europe will probably be the only continent to experience growth (albeit marginal) in its level of activity in 2020e vs 2019 (+0.1% GDP to 1.3% vs 1.2%), whilst the other regions seem set to remain on a downtrend.

This scenario appears to be taking shape at this stage. The most recently published European manufacturing PMIs (24 January) are picking up, the risk of early parliamentary elections (which would have a strong probability of bringing Matteo Salvini back to power) is receding following the victory of the democratic party in the emblematic region of Emilia Romagna, and Brexit is progressing without drama. In the US, growth remains robust and the central bank is unanimously committed to pursuing accommodative policies. Finally, the budgetary floodgates could open to finance the energy transition in the face of the climate emergency.

Consequently, only an unforeseeable major event such as a "black swan" could derail the prevailing optimism. The viral epidemic detected in China has several disruptive characteristics (major impact on business activity, exchange of goods and commodities, initial valuation difficulties) that could, in the short term, negatively affect risk appetite and market trajectory, pushing profit taking after a sharp rise in valuations. That said, even though the WHO declared a global health emergency last night, mortality remains low compared to SARS (and seasonal flu) and contagion outside China relatively limited. Thus, we believe that this episode, without any major deterioration in the coming weeks, should result, as with SARS, in a marked rebound in the markets following its conclusion. There are ways to exploit this outlook.

Thus, the return of better visibility could lead investors to question the valuation premium attributed to growth stocks. Our selection therefore takes on an opportunistic "value" colouring, without straying too far from traditional quality criteria (free cash flow, balance sheet quality).

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The backdrop remains (temporarily) more favourable to a value bet

2019, ended on a high note. All indicators appear to be positive for 2020: the dreaded recession in the US will not materialise, an easing of tensions is perceptible on all fronts (trade, macroeconomic, political risk), real rates remain comfortably anchored in negative territory while central banks all seem to have given up on a short-term normalisation of monetary policy. In short, "all in" for risky assets...

Everything is fine and there is absolutely nothing to worry about. This is not a case of blindness, the latest indicators do indeed allow our macroeconomists to evoke a world that is certainly slowing down, but in which recession remains a pipe dream.

Economic forecasts

%	Average			2019				2020e				Consensus**	
	2018	2019e	2020e	Q1	Q2	Q3	Q4e	Q1	Q2	Q3	Q4e	2019e	2020e
World	3.7	3.1	2.9										
US	2.9	2.3	1.7	3.1	2.0	1.9	1.5	1.6	1.7	1.8	1.8	2.3	1.8
EMU	1.9	1.2	1.3	1.7	0.8	0.9	1.2	1.4	1.5	1.6	1.6	1.1	0.9
- Germany	1.5	0.6	0.9	1.9	-1.0	0.3	0.5	1.1	1.3	1.5	1.5	0.5	0.8
- France	1.7	1.3	1.7	1.1	1.4	1.0	1.7	1.8	1.8	1.8	1.8	1.3	1.2
- Italy	0.7	0.2	0.7	0.5	0.3	0.3	0.5	0.6	0.9	1.0	1.0	0.1	0.4
- Spain	2.4	2.0	1.8	2.2	1.6	1.7	1.6	1.9	1.9	1.9	1.9	2.1	1.7
UK	1.4	1.3	1.0	2.3	-0.9	1.2	0.8	0.8	1.2	1.6	1.6	1.2	1.0
Japan	0.8	0.9	0.4	2.0	1.8	0.2	-2.0	1.0	1.0	1.0	1.0	1.0	0.2
China	6.6	6.2	5.9	6.4	6.2	6.0	6.0	5.9	5.9	5.8	5.8	6.1	5.8

y/y or q/q annualised rate

** at 14 October 2019

Table 1 - Source: ODDO BHF Securities

Better still, in this baseline scenario, the eurozone is the only region to experience an acceleration (+0.1% of GDP) in its growth.... The latest manufacturing PMI readings lend weight to this "outperformance" scenario.

Manufacturing PMI trends in Europe

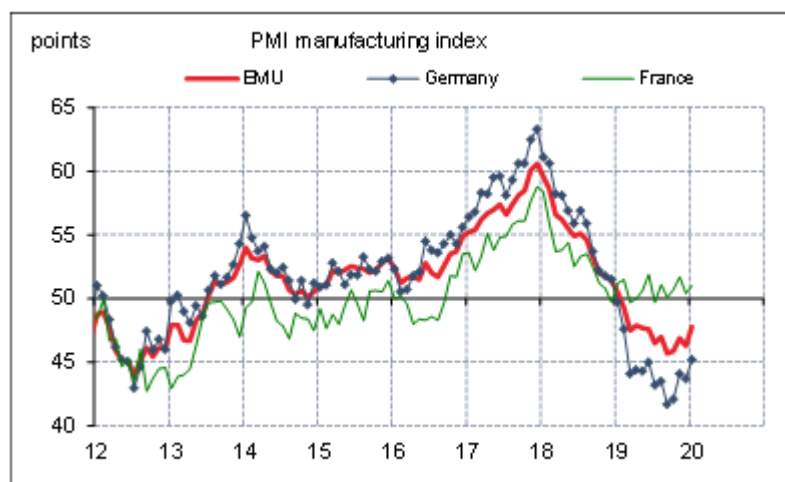
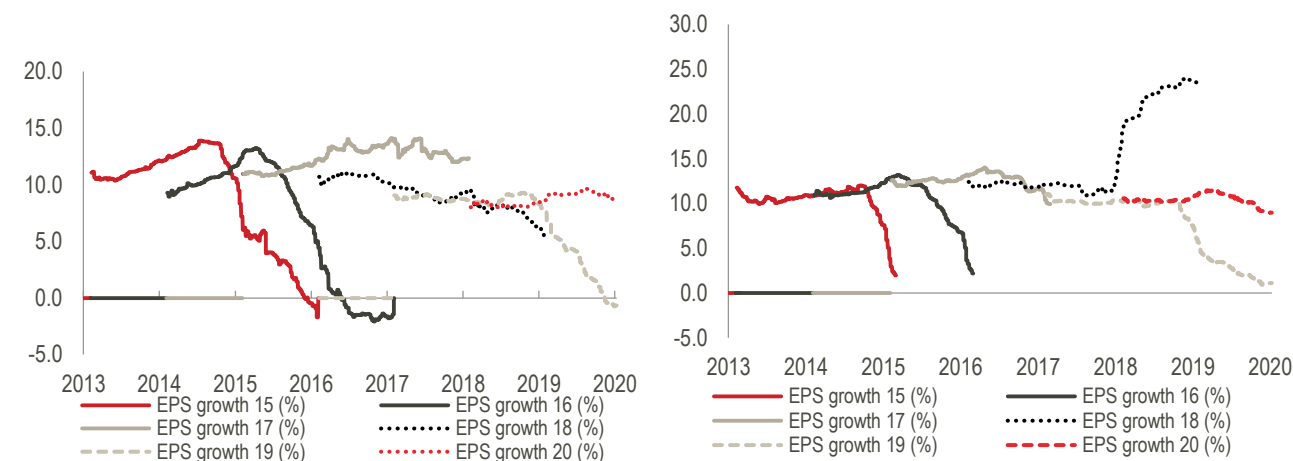


Chart 2 - Source: ODDO BHF Securities



Adopting this scenario as the baseline central scenario is therefore well-founded. It translates into a modest increase in EPS in 2020e vs 2019e (+2% vs 0%), although at a significantly lower level than that expected by the consensus (+8.9% for the Stoxx 600).

Trend in EPS growth Europe (lhs) and US (rhs)



Charts 3 - Sources: Datastream, ODDO BHF Securities

This is not particularly worrying, after all, the consensus systematically errs (with the exception of 2017) on the side of unbridled optimism. The easing of risks, or at least the perception of their easing (trade war, Brexit) authorises, in a context of maintaining very low interest rates, a decline in the cost of capital and therefore a slight inflation in multiples (12-mth P/E target of 15.2x). Combined with EPS growth, this yields a target for December 2020 of 425-430 points for the Stoxx 600, i.e. upside of ~3/4% relative to the current level.

Adopting this perspective results in a preference for Europe (P/E relative to the US at its lowest point in 10 years).

Relative valuation Europe – US (x)



Chart 4 - Sources: Bloomberg, ODDO BHF Securities



Whilst the EBITDA margin spread is moving in favour of Europe.

Trend in the EBITDA margin spread (Stoxx – SP&500)



Chart 5 - Sources: Bloomberg, ODDO BHF Securities

Improved economic visibility calls into question the P/E differential between growth and value (3 standard deviations above the long-term average). Clearly, whilst global potential is modest, the adjustment of portfolios to a less worrying context offers value significant room for enhancement.

A 12-mth P/E spread at the highest level in 10 years between growth and value.

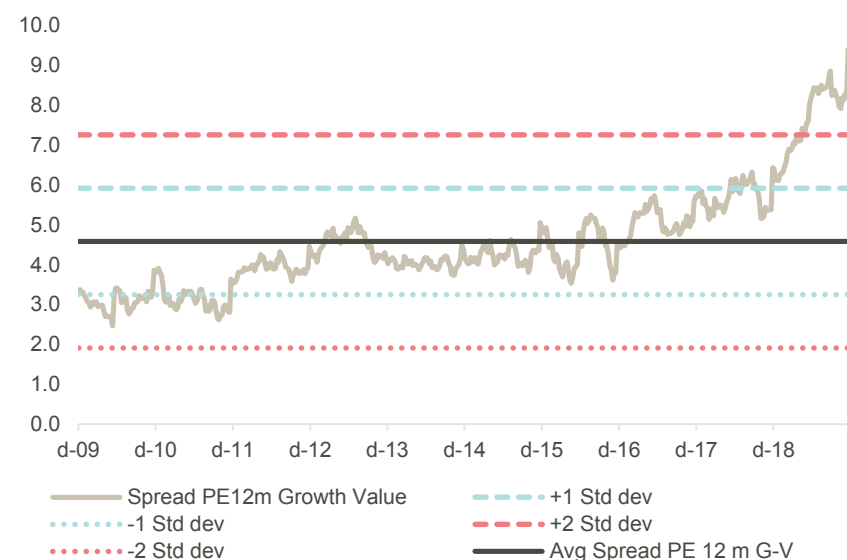


Chart 6 - Sources: ODDO BHF Securities, Datastream

Consequently, only an unforeseeable major event such as a "black swan" could derail the prevailing optimism. The viral epidemic detected in China has several disruptive characteristics (major impact on business activity, exchange of goods and commodities, initial valuation difficulties) that could, in the short term, negatively affect risk appetite and market trajectory, pushing profit taking after a sharp rise in valuations. That said, even though the WHO declared a global health emergency last night, mortality remains low compared to SARS (and seasonal flu) and contagion outside China relatively limited. Thus, we believe that this episode, without any major deterioration in the coming weeks, should result, as with SARS, in a marked rebound in the markets following its conclusion. **There are ways to exploit this outlook.**



In this context, our allocation is essentially tactical at the beginning of 2020.

Whilst we rule out at this stage a catastrophic development of the coronavirus epidemic, the possibilities of an incident exist. The consensus is built on two pillars: 1/ the absence of recession in the US and 2/ the absence of an uncontrolled steepening of the yield curve. Whilst the first pillar is robust, the second is potentially more fragile in our view and could be shaken by:

- **The unexpected resurgence of political risk in Europe**, particularly in Italy, even if this risk has clearly receded in the medium term after the victory of the democratic party in Emilia Romagna (removing the spectre of early parliamentary elections that would probably be won by the Lombard League and its allies. The latter are rather Europhobic and supporters of economic policies that generate strong tensions on the markets.
- **The consequences of the debate on inequality** the debate on inequality and its potential effects on wages (return of inflation, reaction of the central banks), especially in the US. Such a development would be negative for risky assets, especially the most illiquid ones. We will be keeping a close eye on the voting intentions in the Democratic primaries of candidates described as “hard left” (Bernie Sanders, Elisabeth Warren). The Vermont Senator Bernie Sanders is rising sharply in the voting intentions polls at the moment (second behind Joe Biden).

Trend in the voting intentions in the Democratic primaries (December 2018-26 January 2020)

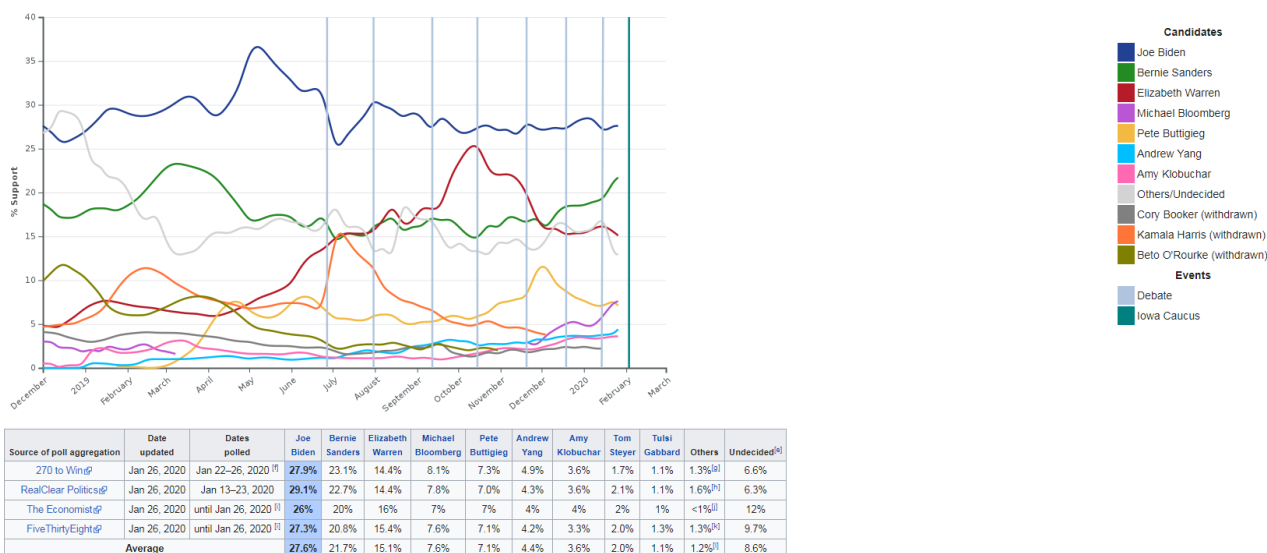


Chart 7 - Source: https://en.wikipedia.org/wiki/2020_Democratic_Party_presidential_primaries

What we are playing for the first half

For the time being, the threat of a “political” steepening of the yield curve is not imminent. This also explains the maintaining of Eiffage, which remains favourably exposed to the momentum of the French economy (2020e growth of +1.7% vs +1.2% in 2019e), notably of the *Grand Paris* project and motorway traffic boosted by transport strikes), within our ODDO BHF Convictions List.

The stabilisation of growth prospects prompts us to make a bet on a market that will attempt to find opportunities at a lower cost than that acquitted in sectors described as “growth quality”. Indeed, the cost of the insurance premium paid to purchase a low variance of future earnings is less justified as the earnings dispersion narrows.



Historically, a fairly straightforward relationship links the decline in earnings standard deviation and the outperformance of value. In terms of the charts, it is fair to say that this relationship has been undermined since the start of 2018...but investors were, after all, wondering about the global cycle and the preference for visible growth was justified. As we have seen, this is less necessary today.

Dispersion of earnings (12-mth EPS) and growth performance vs value

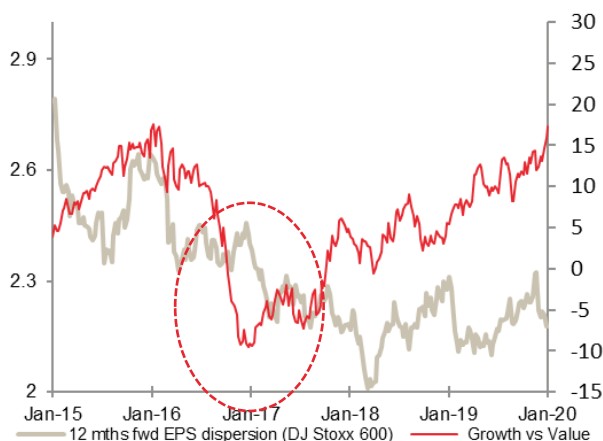


Chart 8 - Sources: ODDO BHF Securities, Thomson Reuters Datastream

Within the value component, we favour banks (target P/BV of 0.8x vs 0.67x) given: 1/ the change in the ECB's mindset, which is now concerned about financial health (introduction of the tiering system) 2/ the market's willingness to believe in the possibility of regulatory easing (CRD 5), which would allow European banks to be perceived as less undercapitalised than previously thought and 3/ the (longer-term) prospects for the completion of banking union and therefore the possibility of sectoral reconfiguration through M&A.

The energy sector (oil), after a calamitous year in 2019 in terms of relative performance, also now appears attractive, in our view. It combines a relatively low valuation relative to the market with quality characteristics (high FCF yield at 7%, low gearing), and the more limited pessimism about the cycle should be favourable to the oil price. On the other hand, we are cautious about cyclicals (capital goods, notably), which already value manufacturing PMIs well above the latest publications. This allocation is not original and we have to admit that, although it is a natural consequence of the baseline scenario, it is awfully consensual, which is embarrassing (just as the growth quality consensus was when the yield curve was repriced at the beginning of September 2019).

We have attempted to colour our list in this direction. Exposure to the financial sector (greater weighting within the value universe) has been strengthened with the addition of **Unicredit** whilst **AXA** remains within our selection (despite its outperformance in 2019, the stock remains heavily discounted relative to its peers, whilst its earnings are now less sensitive to the trend in the market and underpinned by the unlocking of synergies with XL).

Whilst traditionally, the utilities sector underperforms in a phase of an uptrend in PMI, our selection contains one representative (EDP) to play the undeniable appeal on energy transition investors.

The presence of oil sector stocks may appear contradictory with this greening objective. But the contradiction is only apparent. The maintaining of **Total** facilitates exposure to a quality theme (lower gearing at 15%, a sustainable free cash flow yield of 8%) within value (discount of 15% on the sector's historic multiples) at a time when Total is investing massively in renewables. The addition of **Subsea 7** also contributes exposure to value / quality (backlog – solid balance sheet) / renewables (exploitation via offshore wind turbines) still too ignored by investors.



We are also seeking to exploit, at a reasonable price, the themes of digitisation of the economy. The addition of **JC Decaux** must be examined in this light. The second phase of the digital transformation plan, and the ramp-up of its programmatic platform (VIOOH) should help an acceleration of the organic growth over the next three years. The negative impact of the coronavirus epidemic in China could provide an attractive entry point. The inclusion of **Nexi** (finally) gives us a robust growth player, but at an acceptable valuation level in the payment sector.

We have also attempted to cross long-term trends such as the emergence of an affluent middle class in southeast Asia, by seeking a complementary angle and more value than the luxury segment, to achieve this. It seems that the tourism sector offers us the opportunity. **Accor's** inclusion in our Selected List responds to this quest. The timing is admittedly complex, between the bush fires that have ravaged parts of Australia (one of Accor's strong regions) and a viral epidemic in China. But the marked discount on the stock, which widened further over the week of 27 January, seems to offer the conditions for a successful bet in the case of a favourable outcome to the health scare in the coming weeks.

We are arbitrating **Cap Gemini** in favour of **Atos** for which we have revised up our 2020e EPS estimates by +2.3% thanks to the positive forex trend and the inclusion of the refinancing of a portion of the group's debt following the disposal of € 780m worth of Worldline shares. The stock offers visibility on Q4 2019 and 2020 for an attractive valuation (7.5x 2020e EV/EBIT vs 11x for Cap Gemini).

Finally, we are keeping **Thales** in our list to play the taking back in hand of problematic contracts and the good momentum on orders, which should be visible, despite the challenges in Space, as soon as Q4 2019 is published. For us, this momentum should result in a resumption of growth as early as 2021, which the market should anticipate.

2020 recommended stocks - forecasts

%	Sales growth			EBIT growth			EPS growth			Gearing	
	2019e	2020e	2021e	2019e	2020e	2021e	2019e	2020e	2021e	2019e	2020e
Accor	12.0	4.2	4.1	1.8	13.9	17.7	13.6	23.8	24.8	31.0	12.0
Atos	-5.5	2.6	2.0	-3.7	5.0	4.0	-0.4	7.6	6.6	26.0	18.0
AXA	-0.7	-0.5	2.8	-11.9	16.8	4.8	6.0	7.9	4.9	ns	ns
EDP	4.4	3.1	5.9	11.4	9.8	2.8	1.1	13.6	10.3	102.0	82.0
Eiffage	9.0	1.6	1.3	11.0	11.1	11.3	16.9	10.7	6.5	162.0	135.0
JC Decaux	7.5	2.4	3.4	28.3	1.9	5.3	5.2	3.6	6.2	44.0	38.0
Nexi	5.8	17.7	7.0	10.7	35.2	8.5	26.6	34.5	10.2	128.0	152.0
Subsea 7	-8.2	11.2	10.0	-30.2	84.0	100.7	-58.3	184.4	116.2	-15.0	-21.0
Thales	16.1	4.8	3.7	32.2	6.7	10.2	16.5	5.0	13.1	29.0	23.0
Total	27.1	0.6	0.6	-13.0	19.4	12.5	-10.8	17.3	11.8	19.0	17.0
Unicredit	-1.1	1.3	1.7	6	7	6	43.4	-21.9	7.1	ns	ns
Average	6.0	4.5	3.9	3.7	19.6	16.6	5.2	26.7	19.6	58.4	50.6

Table 9 - Sources: ODDO BHF Securities

2020 recommended stocks - valuation multiples

x	Share price at 28/1/2020	Target price	Upside	P/E		EV/EBITDA		EV/EBIT		Yield
				2019e	2020e	2019e	2020e	2019e	2020e	
Accor	37.3 €	46.5 €	24.8%	26.6	21.2	12.2	9.4	18.2	13.2	2.6%
Atos	77.3 €	95.0 €	22.9%	7.7	8.1	4.9	5.0	7.5	7.5	2.6%
AXA	24.2 €	28.0 €	15.9%	8.2	8.1	ns	ns	ns	ns	6.4%
EDP	4.3 €	4.5 €	4.3%	15.9	17.7	9.5	9.1	16.8	15.4	4.4%
Eiffage	104.4 €	114.0 €	9.2%	11.7	12.4	8.2	8.2	10.9	11.0	2.9%
JC Decaux	25.0 €	34.5 €	38.0%	22.5	19.5	8.3	7.4	14.6	12.9	2.6%
Nexi	13.3 €	16.0 €	20.7%	26.7	27.5	14.8	15.4	19.3	19.9	0.6%
Subsea 7	100.6 €	145.0 €	44.1%	50.6	17.4	4.4	3.0	19.2	8.7	2.3%
Thales	97.9 €	120.5 €	23.0%	15.7	14.6	10.4	9.4	12.7	11.5	2.7%
Total	46.2 €	58.0 €	25.5%	11.5	9.4	4.8	4.0	8.8	7.0	6.5%
Unicredit	12.7 €	15.3 €	24.3%	4.5	6.5	ns	ns	ns	ns	6.3%
Average			23.2%	18.3	14.8	8.6	7.9	14.2	11.9	3.6%
Stoxx 600	417.6	429	2.7%	20.4	15.1	10.6	9.5	16.3	12.8	3.57%

* The 2019 multiples on the stocks are calculated from the average share price for 2019.

Table 10 - Sources: ODDO BHF Securities, Bloomberg



COMPANY PROFILES

 Accor	10
 Atos	12
 AXA	13
 EDP	15
 JC Decaux	17
 Nexi	19
 Subsea 7	21
 Thales	23
 Total	25
 Unicredit	27



Rating reiterated
Hotels | France

Accor

TOP PICKS

Buy → | Target 46.5 €

Price (29/01/2020): 37.53 € | Upside: 24 %

Revision	2019e	2020e
EPS	-	-

Short-term risks seem to be priced in. Fundamentals remain solid and undervalued

Friday 31 January 2020



Capital

AC FP | ACCP.PA

Market Cap (€m)	10 789
Enterprise value (€m)	10 231
Extrema 12 months (€)	32.69 - 42.25
Free Float (%)	ns

Performance (%)	1m	3m	12m
Absolute	-11.1	-4.0	-1.5
Perf. rel. Country Index	-11.0	-9.5	-16.1
Perf. rel. Hotel / leisure	-7.6	-7.7	-8.9

P&L	12/19e	12/20e	12/21e
Sales (€m)	4 043	4 211	4 382
EBITDA (€m)	831	895	1 018
Current EBIT (€m)	560	638	751
Attr. net profit (€m)	390	457	544
Adjusted EPS (€)	1.42	1.75	2.19
Dividend (€)	0.87	0.96	1.18

P/E (x)	26.8	21.4	17.2
P/B (x)	1.6	1.6	1.6
Dividend Yield (%)	2.3	2.6	3.1
FCF yield (%)	3.9	5.3	6.8
EV/Sales (x)	2.53	2.04	1.89
EV/EBITDA (x)	12.3	9.6	8.2
EV/Current EBIT (x)	18.3	13.4	11.1
Gearing (%)	31	12	14
Net Debt/EBITDA (x)	2.5	0.9	0.8

Next Events

20/02/2020 FY Results

Investment case

Accor, the world's sixth-largest hotel group, boasts solid fundamentals, including: 1/ diversified geographic exposure, which offers one of the most defensive profiles in the hotel sector; 2/ a now almost entirely asset-light business model following the recent disposals of the Orbis and Mövenpick property assets (divestment of Mantra's assets after 2020), enabling Accor to better absorb shocks in the event of a market downturn; and 3/ solid recurring FCF generation offering significant potential for exceptional shareholder returns (€ 1bn announced at the end of December, i.e. 10% of the market capitalisation) and/or bolt-on M&A deals in asset-light hotels (estimated budget of around € 500m).

Stakes in 2020

Of course, in the short term, the group's business will be affected by: 1/ the wildfires in Australia, which accounts for 7-8% of the portfolio of rooms with still fairly asset-heavy exposure (ownership of Mantra's property / leasing assets); 2/ the impact on business and tourist hotels of the coronavirus epidemic in China, which is taking a toll on international travel to and from China. China represents 9% of Accor's portfolio of rooms but its EBITDA exposure is lower (3-4% at group level, via the master franchise contract with Huazhu).

Nevertheless, its diversified geographic exposure (47% of the portfolio in Europe, 31% in Asia Pacific, 9% in Africa and the Middle East, 8% in South America and 5% in North America/Caribbean) should enable Accor to partly absorb the slowdown in global tourism in certain regions in 2020 and beyond, particularly since the group's customers are mainly domestic in most of the countries where it operates.

The 2019 annual results (due to be published on 20/02) will be an opportunity for the group to give an update on the progress in, and future contribution of, the new loyalty programme ALL (new partnerships?), and also on the terms for the next significant returns to shareholders announced at the end of December, which amount to € 700m, i.e. 7% of the market capitalisation (share buybacks? exceptional dividend?), with the group having recently started a € 300m share buyback.

Valuation

Our target price is unchanged at € 46.5 (based on the average between a SOP valuation and DCF). Accor's stock market valuation suggests a 2020e EV/EBITDA multiple of 9.5x, i.e. a discount of >30% vs asset-light US peers. Therefore, the current share price of € 37.5 seems to largely factor in the risks of a slowdown in business in the short term and in our view offers good entry points with a view to an improvement in the situation from Q2 2020 (epidemic contained in China, end of the wildfires in Australia, resumption of tourist flows in the Asia-Pacific region, etc.). By way of illustration, Accor's current share price suggests a scenario of a strong slowdown in RevPAR across the full year 2020, to -7% at the group level, with -20% in Asia Pacific and -2% in Europe (stable in the other regions), along with a de-rating of over 20% for the hotel sector (mid-cycle multiple of 10x EV/EBITDA for HotelServices vs 12-14x currently for the sector).

Last, Accor's share performance of -10% since the start of the year is close to that of Huazhu (-13%), the second-largest hotel group in China, although Accor is much less exposed to the current risks in the region. At the same time, the global hotel sector is down by -4% on average.

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Cross-Sector Report

Friday 31 January 2020

AC FP | ACCP.PA Hotels | France

Buy

Upside

23.90%

Price 37.53EUR

TP 46.50EUR

PER SHARE DATA (€)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Adjusted EPS	1.67	1.88	0.87	0.91	1.25	1.42	1.75	2.19
Reported EPS	0.97	1.04	0.88	1.40	1.22	1.42	1.75	2.19
Growth in adjusted EPS	24.1%	12.7%	-53.7%	4.3%	37.4%	13.6%	23.8%	24.8%
Net dividend per share	0.95	1.00	1.05	1.05	1.05	0.87	0.96	1.18
FCF to equity per share	2.32	2.47	0.76	1.51	1.86	1.46	1.99	2.54
Book value per share	15.76	15.98	21.84	19.08	22.20	23.48	23.12	23.88
Number of shares market cap (m)	231.80	235.35	259.05	287.49	282.61	269.20	252.95	244.20
Number of diluted shares (m)	231.80	235.35	259.05	287.49	285.05	275.91	261.08	248.58
VALUATION (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
12m highest price (€)	39.35	51.34	41.04	43.46	48.64	42.25	41.76	
12m lowest price (€)	30.02	36.03	29.96	35.72	35.62	32.69	36.85	
(*) Reference price (€)	36.02	44.86	36.04	40.46	43.44	37.94	37.53	37.53
Capitalization	8 350	10 558	9 335	11 631	12 275	10 214	9 493	9 165
Restated Net debt	1 046	692	2 568	2 776	2 040	2 938	1 651	1 733
Minorities (fair value)	213	225	267	341	108	163	219	277
Financial fixed assets (fair value)	586	655	844	830	2 516	2 516	2 516	2 516
Provisions	174	171	732	519	676	-567.0	-275.0	-361.2
Enterprise Value	9 197	10 991	12 058	14 437	12 583	10 231	8 573	8 299
P/E (x)	21.6	23.9	41.5	44.6	34.9	26.8	21.4	17.2
P/CF (x)	12.0	13.6	24.1	20.8	20.0	18.1	15.6	12.9
Net Yield	2.6%	2.2%	2.9%	2.6%	2.4%	2.3%	2.6%	3.1%
FCF yield	6.4%	5.5%	2.1%	3.7%	4.3%	3.9%	5.3%	6.8%
P/B incl. GW (x)	2.29	2.81	1.65	2.12	1.96	1.62	1.62	1.57
P/B excl. GW (x)	2.83	3.44	2.24	2.92	3.15	2.57	2.69	2.64
EV/Sales (x)	1.69	1.97	7.33	7.95	3.48	2.53	2.04	1.89
EV/EBITDA (x)	10.0	11.1	23.9	23.1	17.7	12.3	9.6	8.2
EV/Current EBIT (x)	15.3	16.5	30.4	29.3	22.9	18.3	13.4	11.1
(*) historical average price								
PROFIT AND LOSS (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Sales	5 454	5 581	1 646	1 815	3 611	4 043	4 211	4 382
EBITDA	923	986	505	626	712	831	895	1 018
Depreciations	-321.0	-321.0	-108.4	-133.8	-162.0	-270.9	-256.9	-267.3
Current EBIT	602	665	396	492	550	560	638	751
Published EBIT	602	665	396	492	550	560	638	751
Net financial income	-52.0	-70.5	-117.0	-54.0	-67.0	-60.5	-49.9	-50.0
Corporate Tax	-175.0	-136.0	2.0	51	-119.0	-91.5	-109.8	-133.2
Net income of equity-accounted companies	28.0	10.0	6.0	28.0	80	79	77	76
Profit/loss of discontinued activities (after tax)	-160.0	-196.0	-29.0	-77.4	-45.0	-42.0	-42.0	-42.0
Minority interests	-17.0	-27.0	-31.0	-36.0	-52.0	-54.6	-56.5	-58.2
Attributable net profit	226	246	227	404	347	390	457	544
Adjusted attributable net profit	386	442	225	261	355	390	457	544
BALANCE SHEET (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Goodwill	701	697	1 496	1 500	2 399	2 399	2 399	2 399
Other intangible assets	283	307	2 401	2 302	2 653	2 653	2 653	2 653
Tangible fixed assets	3 157	3 024	562	662	1 192	1 135	-237.3	-285.5
WCR	-922.0	-981.0	-488.0	-489.0	-882.0	-964.8	-974.1	-970.9
Financial assets	981	916	4 366	4 259	2 903	2 903	2 903	2 903
Ordinary shareholders equity	3 654	3 762	5 657	5 485	6 328	6 480	6 035	5 936
Minority interests	213	225	267	341	108	163	219	277
Shareholders equity	3 867	3 987	5 924	5 826	6 436	6 643	6 254	6 213
Non-current provisions	174	171	732	519	676	-567.7	-275.0	-361.2
Net debt	159	-195.0	1 681	1 889	1 153	2 051	764	846
CASH FLOW STATEMENT (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
EBITDA	923.0	986.0	504.6	625.9	712.0	831.2	895.1	1 018.1
Change in WCR	103.0	72.0	-4.0	37.0	36.0	-82.8	-9.4	3.3
Interests & taxes	-227.0	-207.0	-152.0	-122.0	-183.0	-160.3	-173.1	-201.1
Others	0.0	0.0	35.0	54.0	89.0	30.0	30.0	30.0
Operating Cash flow	799.0	851.0	383.6	594.9	654.0	618.1	742.6	850.4
CAPEX	-262.0	-269.0	-188.0	-161.0	-124.0	-214.3	-223.2	-219.1
Free cash-flow	537.0	582.0	195.6	433.9	530.0	403.8	519.4	631.3
Acquisitions / disposals	-1 084.0	-10.0	-2 840.0	-210.0	1 315.0	0.0	1 339.0	0.0
Dividends	-222.0	-211.0	-215.0	-200.0	-360.0	-341.3	-280.9	-293.9
Net capital increase	106.0	0.0	1 726.0	0.0	-850.0	0.0	-650.0	-350.0
Others	730.0	-7.0	-742.0	-231.0	99.0	62.5	53.6	53.6
Change in net cash	67.0	354.0	-1 876.0	-207.6	735.6	-775.0	1 410.1	41.0
GROWTH MARGINS PRODUCTIVITY	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Sales growth	0.5%	2.3%	-70.5%	10.3%	98.9%	12.0%	4.2%	4.1%
Lfi sales growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Current EBIT growth	15.5%	10.5%	-40.4%	24.2%	11.8%	1.9%	13.9%	17.6%
Growth in adjusted EPS	24.1%	12.7%	-53.7%	4.3%	37.4%	13.6%	23.8%	24.8%
Net margin	7.1%	7.9%	13.7%	14.4%	9.8%	9.7%	10.9%	12.4%
EBITDA margin	16.9%	17.7%	30.7%	34.5%	19.7%	20.6%	21.3%	23.2%
Current EBIT margin	11.0%	11.9%	24.1%	27.1%	15.2%	13.9%	15.2%	17.1%
CAPEX / Sales	-4.8%	-4.8%	-11.4%	-8.9%	-3.4%	-5.3%	-5.3%	-5.0%
WCR / Sales	-16.9%	-17.6%	-29.6%	-26.9%	-24.4%	-23.9%	-23.1%	-22.2%
Tax Rate	31.8%	22.9%	-0.7%	-11.6%	24.6%	18.3%	18.7%	19.0%
Normative tax rate	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%
Asset Turnover	1.9	1.8	0.5	0.5	0.8	0.8	0.9	1.1
ROCE post-tax (normative tax rate)	15.4%	15.5%	8.2%	9.0%	8.6%	7.7%	10.3%	14.4%
ROCE post-tax hors GW (normative tax rate)	20.4%	19.9%	12.0%	14.5%	14.8%	14.1%	21.8%	38.6%
ROE	12.5%	11.9%	4.8%	4.7%	6.0%	6.1%	7.3%	9.1%
DEBT RATIOS	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Gearing	4%	-5%	28%	32%	18%	31%	12%	14%
Net Debt / Market Cap	0.02	-0.02	0.18	0.16	0.09	0.20	0.08	0.09
Net debt / EBITDA	0.17	ns	3.33	3.02	1.62	2.47	0.85	0.83
EBITDA / net financial charges	17.8	14.0	4.3	11.6	10.6	13.7	18.0	20.4

Sources: ODDO BHF Securities, SIX



Rating reiterated
IT services | France

Atos

TOP PICKS

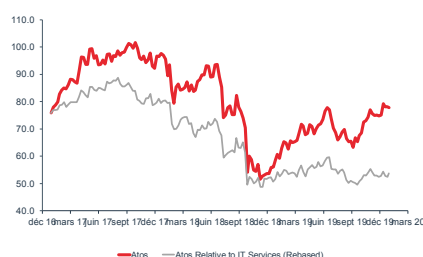
Buy → | Target 95.0 €

Price (29/01/2020): 77.76 € | Upside: 22 %

Revision	2019e	2020e
EPS	-	-

Visibility improving whilst the valuation remains weak

Thursday 30 January 2020



Capital

ATO FP ATOS.PA	
Market Cap (€m)	8 491
Enterprise value (€m)	8 928
Extrema 12 months (€)	59.33 - 79.24
Free Float (%)	81.7

Performance (%)	1m	3m	12m
Absolute	4.0	12.4	35.2
Perf. rel. Country Index	4.1	5.9	15.2
Perf. rel. IT Services	2.3	3.0	4.2

P&L	12/19e	12/20e	12/21e
Sales (€m)	11 585	11 884	12 121
EBITDA (€m)	1 867	1 939	2 002
Current EBIT (€m)	1 213	1 274	1 325
Attr. net profit (€m)	626	673	733
Adjusted EPS (€)	8.75	9.41	10.03
Dividend (€)	1.86	2.01	2.15

P/E (x)	7.8	8.3	7.8
P/B (x)	1.0	1.1	1.0
Dividend Yield (%)	2.7	2.6	2.8
FCF yield (%)	8.4	8.4	9.8
EV/Sales (x)	0.77	0.79	0.73
EV/EBITDA (x)	4.8	4.9	4.4
EV/Current EBIT (x)	7.4	7.4	6.6
Gearing (%)	26	18	10
Net Debt/EBITDA (x)	1.0	0.7	0.4

Next Events

19/02/2020	FY Results
22/04/2020	Q1 Sales
14/05/2020	Annual General Meeting
22/07/2020	H1 Results

Investment case

Since the setbacks of H2 2018 (contract losses in the US triggering a slowdown in organic growth) and the distribution of Worldline stocks in H1 2019, Atos has become one of the least expensive IT services stocks in Europe. The good share price performance in 2019 (+36%) in reality only reflects a partial catch-up after a disastrous 2018 (-42%). The catch-up will likely continue in H1 2020. Indeed, the infrastructure management activity (IDM: 55% of sales) benefits from stronger commercial momentum which offers the group good visibility, helping anticipate organic growth of c. +2% in Q4 2019 and in H1 2020, in a nonetheless challenging macroeconomic environment. At the same time, the group is rolling out its cost synergies plan generated from the contribution of the Syntel offshore model in applications services (B&PS: 35% of sales). This should help to generate around +20/+30bp of an improvement in the operating margin per annum.

Stakes in 2020

At its Q4/FY 2019 results publication scheduled for 19 February, we expect Atos to post growth of c. +2%, and to reach its operating margin guidance (c. 10.5%) and its FCF guidance (€ 600m-700m). This latter point would be a real relief after a weak H1 2019 performance, which had worried the market.

Atos will also likely show itself to be more active in M&A in 2020. The integration of Syntel is now on the right path and the likely sale of its Worldline shares (13% valued at € 1.6bn) in April is set to offer Atos a degree of leverage. The group aims to strengthen its cybersecurity activities (BDS: 10% of sales), with the possibility of financing the deal via the shares of this subsidiary. The group could also examine IT services targets that would facilitate an improvement of its growth profile whilst offering synergies.

Lastly, Atos is one of the few players in Europe likely to be subject to a de-listing by a private equity fund due to its weak valuation, of its solid FCF and good visibility inherent to its model.

Valuation

Atos is currently valued at 7.4x 2020e EV/EBIT vs 10.5x on average for its peers. The FCF 2020e yield is also attractive at 8.4%.

Our target price of € 95 is based on a target valuation of 9x 2020e EV/EBIT, which should be comfortably reached if the group manages to maintain its organic growth at around +2%, whilst improving its margins by c. +20/+30bp per annum. In the event of an M&A deal, helping to crystallise the value of BDS we could target a valuation for Atos closer to 10x EV/EBIT, i.e. € 107 per share.

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Cross-Sector Report

Friday 31 January 2020

ATO FP | ATOS.PA IT services | France

Buy

Upside

22.17%

Price 77.76EUR

TP 95.00EUR

PER SHARE DATA (€)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Adjusted EPS	4.57	6.07	7.29	8.46	8.78	8.75	9.41	10.03
Reported EPS	2.67	3.89	5.58	5.72	5.97	5.85	6.29	6.85
Growth in adjusted EPS	0.5%	32.8%	20.0%	16.1%	3.8%	-0.4%	7.6%	6.6%
Net dividend per share	0.80	1.10	1.60	1.70	1.70	1.86	2.01	2.15
FCF to equity per share	1.40	2.48	4.13	3.52	4.85	5.70	6.57	7.65
Book value per share	32.15	37.99	41.61	44.38	57.31	67.45	71.54	75.89
Number of shares market cap (m)	131.84	136.13	136.13	138.56	138.56	109.20	109.20	109.20
Number of diluted shares (m)	100.53	101.98	104.27	105.46	106.03	107.00	107.00	107.00
VALUATION (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
12m highest price (€)	53.72	60.31	76.74	102	99.11	79.24	79.22	
12m lowest price (€)	39.95	46.93	47.66	74.91	50.31	51.71	74.16	
(*) Reference price (€)	46.59	52.92	62.76	92.17	79.90	68.09	77.76	77.76
Capitalization	6 143	7 204	8 543	12 772	11 070	7 435	8 491	8 491
Restated Net debt	-674.9	-183.6	33.4	477	3 679	2 707	2 204	1 601
Minorities (fair value)	634	788	982	1 316	2 558	0.0	0.0	0.0
Financial fixed assets (fair value)	530	560	799	799	799	2 535	2 535	2 535
Provisions	1 616	1 408	1 719	1 636	1 632	1 322	1 282	1 242
Enterprise Value	7 188	8 658	10 479	15 401	18 140	8 928	9 441	8 798
P/E (x)	10.2	8.7	8.6	10.9	9.1	7.8	8.3	7.8
P/CF (x)	8.7	7.3	6.5	7.8	7.3	6.8	7.1	6.8
Net Yield	1.7%	2.1%	2.5%	1.8%	2.1%	2.7%	2.6%	2.8%
FCF yield	3.0%	4.7%	6.6%	3.8%	6.1%	8.4%	8.4%	9.8%
P/B incl. GW (x)	1.45	1.39	1.51	2.08	1.39	1.01	1.09	1.02
P/B excl. GW (x)	8.19	7.39	14.43	34.89	ns	5.03	3.99	3.02
EV/Sales (x)	0.79	0.81	0.89	1.21	1.48	0.77	0.79	0.73
EV/EBITDA (x)	7.6	7.1	7.6	9.2	11.1	4.8	4.9	4.4
EV/Current EBIT (x)	9.9	9.6	9.5	11.9	14.4	7.4	7.4	6.6
(*) historical average price								
PROFIT AND LOSS (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Sales	9 051	10 689	11 717	12 691	12 258	11 585	11 884	12 121
EBITDA	942	1 221	1 378	1 679	1 636	1 867	1 939	2 002
Depreciations	-218.1	-316.7	-274.2	-386.6	-376.0	-654.1	-664.9	-677.1
Current EBIT	724	904	1 104	1 292	1 260	1 213	1 274	1 325
Published EBIT	439	576	813	875	837	817	848	891
Net financial income	-51.6	-45.2	-49.2	-61.7	-86.0	-142.6	-124.7	-116.5
Corporate Tax	-104.1	-109.7	-145.2	-149.0	-47.0	-127.7	-137.8	-147.1
Net income of equity-accounted companies	-1.0	2.6	13.1	1.2	1.2	79	88	105
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	-17.3	-30.8	-53.0	-64.4	-73.0	0.0	0.0	0.0
Attributable net profit	265	393	579	601	632	626	673	733
Adjusted attributable net profit	459	619	759	892	930	935	1 006	1 072
BALANCE SHEET (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Goodwill	2 628	3 118	3 865	4 384	8 863	5 767	5 565	5 359
Other intangible assets	647	920	1 243	1 310	2 813	1 709	1 709	1 709
Tangible fixed assets	694	819	741	693	725	600	633	669
WCR	-502.0	-560.3	-470.5	-370.1	-160.0	36.2	99.7	91.1
Financial assets	651	703	800	662	787	3 483	3 483	3 483
Ordinary shareholders equity	3 193	3 842	4 316	4 662	6 074	7 213	7 651	8 116
Minority interests	209	254	519	564	2 027	6.0	6.0	6.0
Shareholders equity	3 402	4 096	4 835	5 226	8 101	7 219	7 657	8 122
Non-current provisions	1 709	1 495	1 827	1 759	2 058	2 486	2 446	2 406
Net debt	-994.4	-592.3	-483.6	-307.3	2 862	1 890	1 387	784
CASH FLOW STATEMENT (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
EBITDA	941.8	1 220.6	1 377.8	1 678.6	1 636.0	1 867.2	1 939.2	2 002.1
Change in WCR	104.6	48.8	-38.0	-25.0	-74.0	-77.2	-63.5	8.6
Interests & taxes	-135.0	-122.9	-147.2	-157.0	-164.0	-567.9	-598.9	-606.8
Others	-275.4	-364.1	-222.7	-282.4	-312.8	-223.0	-172.6	-175.5
Operating Cash flow	636.0	782.4	969.9	1 214.2	1 085.2	999.0	1 104.2	1 228.5
CAPEX	-344.8	-403.2	-390.7	-524.0	-476.0	-389.0	-401.6	-410.0
Free cash-flow	291.2	379.2	579.2	690.2	609.2	610.0	702.6	818.5
Acquisitions / disposals	-860.2	-798.2	-653.8	-452.2	-3 631.0	693.0	0.0	0.0
Dividends	-40.2	-30.7	-47.3	-168.0	-79.0	-55.2	-199.3	-215.1
Net capital increase	362.3	58.1	28.5	38.4	22.0	15.0	0.0	0.0
Others	414.4	45.1	20.1	25.4	7.0	3.0	0.0	0.0
Change in net cash	96.0	-402.1	-108.7	-176.3	-3 169.3	971.8	503.2	603.4
GROWTH MARGINS PRODUCTIVITY	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Sales growth	5.1%	18.1%	9.6%	8.3%	-3.4%	-5.5%	2.6%	2.0%
Lfi sales growth	-1.2%	0.4%	1.5%	2.3%	1.2%	1.5%	2.0%	2.0%
Current EBIT growth	9.5%	24.9%	22.1%	17.1%	-2.5%	-3.7%	5.0%	4.0%
Growth in adjusted EPS	0.5%	32.8%	20.0%	16.1%	3.8%	-0.4%	7.6%	6.6%
Net margin	5.1%	5.8%	6.5%	7.0%	7.6%	8.1%	8.5%	8.8%
EBITDA margin	10.4%	11.4%	11.8%	13.2%	13.3%	16.1%	16.3%	16.5%
Current EBIT margin	8.0%	8.5%	9.4%	10.2%	10.3%	10.5%	10.7%	10.9%
CAPEX / Sales	-3.8%	-3.8%	-3.3%	-4.1%	-3.9%	-3.4%	-3.4%	-3.4%
WCR / Sales	-5.5%	-5.2%	-4.0%	-2.9%	-1.3%	0.3%	0.8%	0.8%
Tax Rate	23.7%	18.2%	18.0%	16.2%	5.3%	15.5%	14.9%	15.0%
Normative tax rate	27.8%	24.9%	27.3%	22.6%	21.2%	22.0%	22.0%	21.7%
Asset Turnover	3.0	2.8	2.4	2.2	1.3	1.1	1.5	1.5
ROCE post-tax (normative tax rate)	17.5%	17.5%	16.6%	17.6%	10.9%	9.3%	12.3%	13.1%
ROCE post-tax hors GW (normative tax rate)	72.6%	67.3%	59.6%	63.6%	39.6%	33.0%	41.5%	42.2%
ROE	15.0%	17.6%	18.6%	19.9%	17.3%	14.1%	13.5%	13.6%
DEBT RATIOS	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Gearing	-29%	-14%	-10%	-6%	35%	26%	18%	10%
Net Debt / Market Cap	-0.16	-0.08	-0.06	-0.02	0.26	0.25	0.16	0.09
Net debt / EBITDA	ns	ns	ns	ns	1.75	1.01	0.72	0.39
EBITDA / net financial charges	61.6	70.1	76.1	73.0	-233.7	15.1	17.9	19.9

Sources: ODDO BHF Securities, SIX



AXA

TOP PICKS

Buy → | Target 28.0 €

Price (29/01/2020): 24.23 € | Upside: 16 %

Revision	2019e	2020e
EPS	-	-

Hefty relative-to-sector discount set to continue to narrow this year

Thursday 30 January 2020



Capital

CS FP | AXAF.PA

Market Cap (€m) 62 529
Extrema 12 months (€) 20.11 - 25.47
Free Float (%) ns

Performance (%)	1m	3m	12m
Absolute	-3.9	0.3	19.0
Perf. rel. Country Index	-3.8	-5.5	1.4
Perf. rel. Insurance	-3.9	-3.2	1.6

P&L	12/19e	12/20e	12/21e
Total revenues (€m)	102 120	101 569	104 453
Operating Profit (€m)	7 488	8 744	9 168
Net attr. profit adj. (€m)	6 599	7 122	7 471
EPS adj. (€)	2.76	2.98	3.13
DPS (€)	1.43	1.54	1.65
BVPS (€)	29.04	29.85	30.20
Combined ratio (%)	96.9	95.0	94.7
Gearing (%)	26.0	25.7	21.4
P/E adj. (x)	8.2	8.1	7.8
Net Yield (%)	6.3	6.4	6.8
P/BV (x)	0.78	0.81	0.80
P/ANAV (x)	1.07	1.24	1.22
ROE (%)	6.5	9.9	10.4

Next Events

20/02/2020 FY Results

Investment case

Although AXA outperformed the insurance sector last year, the stock is still trading at a deep discount (a little over 20%) to the rest of the insurance sector and its main European competitors. We think that a more favourable earnings outlook for AXA XL this year (sharp price hikes, synergies), together with deleveraging and balance sheet strengthening, will drive the expected re-rating for the stock. Moreover, AXA continues to benefit from positive operating momentum, given the continuation of its cost savings programme, improving operating profitability in P&C insurance, a favourable product mix in life insurance and the growth outlook for its key markets (corporate P&C insurance, health insurance and personal protection). Note also that AXA has a large presence in Asia. The guidance for average annual underlying earnings per share growth of 3-7% over the period 2015-2020 should be maintained over the next few years, despite the rate environment which is gradually weighing on the profitability of the investment portfolio.

Stakes in 2020

The stock is set to benefit this year from underlying earnings growth at AXA XL and from its stronger financial flexibility. AXA XL suffered from very significant natural catastrophe costs in Q4 2018. AXA XL's underlying earnings are also likely, in our view, to be close to breakeven in H2 2019, due to pressure from: 1/ above-budget natural catastrophe costs (€ 0.4bn pre-tax), 2/ a higher-than-normal charge for man-made losses in Q3 (around € 0.1bn pre-tax), and 3/ higher costs for casualty claims in the US (an impact of slightly less than € 0.2bn pre-tax in our view). We thus forecast underlying earnings of around € 0.5bn in 2019 for AXA XL and but think that the 2020 guidance of € 1.4bn is realistic (assuming a natural catastrophe cost in line with the budget). **Indeed, AXA XL will benefit from: 1/ significant price hikes** which gained momentum over the course of 2019 (+6.9% in insurance and +2.8% in reinsurance in 9M 2019), **2/ the ramp-up of synergies following the acquisition of XL** (which are set to represent \$ 0.5bn per year pre-tax going forward), and **3/ strong top-line organic growth**. Moreover, **by end-2020, AXA is set to have finalised its deleveraging** (the gearing ratio should be at the lower end of its 25-28% target range) and its solvency ratio should gain in strength (operating capital generation, integration of XL in the group's internal model). Against this backdrop, and with 2020 the last year of the current strategic plan, we estimate that AXA's financial flexibility will improve this year, **raising the prospect of an increase in capital returns to shareholders from 2021**, potentially with a share buyback programme in addition to the dividend, which would provide support for the stock.

Valuation

We have an end-2020 target price of € 28 (ex 2019 dividend). Our target price is based on a SOTP model, with cautious assumptions particularly in terms of the cost of capital by business line. Our target price equates to an implied 2021e P/E of 9.0x and a 2020e yield of 5.5%. These are conservative implied multiples and are below the current sector average (respectively 10.0x and 5.3%).

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Cross-Sector Report

Friday 31 January 2020

CS FP | AXAF.PA

Composite insurance | France

Buy

Upside

15.56%

Price 24.23EUR

TP 28.00EUR

PER SHARE DATA (€)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
EPS adj.	2.14	2.34	2.41	2.59	2.61	2.76	2.98	3.13
Reported EPS	2.14	2.34	2.41	2.59	2.61	2.76	2.98	3.13
Dividend per share	0.95	1.10	1.16	1.26	1.34	1.43	1.54	1.65
NAV per share	26.63	28.13	28.71	28.74	25.90	28.93	29.89	30.39
Restated NAV per share	18.80	18.27	18.93	19.46	15.25	21.22	19.57	19.85
Embedded value per share	19.39	20.97	22.24	22.96	17.58	21.55	23.45	46.19
Number of ordinary shares (eop)	2 470.65	2 505.65	2 530.65	2 530.65	2 555.65	2 580.65	2 605.65	2 630.65
Outstanding shares (average)	2 443.90	2 453.90	2 430.80	2 412.80	2 395.00	2 395.00	2 395.00	2 395.00
VALUATION (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
12m highest price (€)	20.50	25.81	24.38	26.25	27.44	25.41	25.47	
12m lowest price (€)	16.94	18.19	16.31	22.07	18.54	18.65	23.87	
(*) Reference price (€)	18.62	22.95	20.64	24.41	22.56	22.70	24.23	24.23
Capitalization	46 000	57 515	52 238	61 785	57 649	58 583	63 135	63 741
P/E (x)	8.8	9.9	8.6	9.5	8.7	8.2	8.1	7.8
Dividend yield (%)	5.1%	4.8%	5.6%	5.2%	5.9%	6.3%	6.4%	6.8%
Price/Book value (x)	0.91	0.86	0.84	0.84	0.94	0.84	0.81	0.80
P/ANAV (x)	0.99	1.26	1.09	1.25	1.48	1.07	1.24	1.22
P/Embedded Value (x)	0.96	1.09	0.93	1.06	1.28	1.05	1.03	0.52
(*) historical average price								
PROFIT AND LOSS (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Life - Total Premiums	55 345	59 211	64 001	62 309	63 115	51 635	49 220	50 657
Non Life - Gross Premiums	32 752	34 878	31 887	31 762	35 319	48 196	50 878	52 249
Financial services revenues	3 890	4 443	3 710	3 976	3 949	1 852	1 271	1 347
Others revenues	0.0	0.0	595	502	490	436	200	200
Revenues	91 987	98 532	100 193	98 549	102 873	102 120	101 569	104 453
Life insurance operating profit	4 484	4 575	3 609	3 755	4 423	2 927	3 097	3 218
Non Life operating profit	3 067	3 286	3 312	3 228	3 263	4 380	5 463	5 727
Financial services operating profit	965	1 144	932	1 039	1 034	1 089	1 138	1 177
Other operating profit	-388.0	-597.0	-155.6	-264.8	-216.0	-907.9	-954.4	-953.9
Group operating profit	8 128	8 408	7 697	7 757	8 504	7 488	8 744	9 168
Non-operating items	-1 057.0	-486.0	380	504	-3 777.4	-1 377.4	348	515
EBT	7 071	7 922	8 077	8 261	4 777	6 111	9 091	9 683
Corporate tax	-1 726.0	-1 943.0	-1 908.0	-1 665.0	-2 004.0	-1 696.1	-2 029.0	-2 125.7
Minority interests	-321.0	-362.0	-340.0	-387.0	-632.0	-157.3	-115.5	-124.4
Net attributable profit	5 024	5 617	5 829	6 209	2 141	4 257	6 947	7 433
Exceptionals & others	-175.0	12.0	-82.0	-71.0	984	2 241	75.0	-62.0
Goodwill amortization & other intangibles	345	74.0	89.0	90.0	3 102	100	100	100
Adjusted net attributable profit	5 194	5 703	5 836	6 228	6 227	6 599	7 122	7 471
BALANCE SHEET (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Goodwill	16 053	17 062	16 684	15 391	16 771	17 088	16 891	16 891
Other intangible assets	5 446	5 641	5 475	5 061	7 128	6 377	6 338	6 338
Acquisition costs (deferred)	21 119	24 028	24 132	22 881	26 415	14 230	14 611	15 002
Non-unit-linked investments	499 575	520 680	552 110	536 355	546 277	511 082	528 301	546 656
Unit-linked investments	181 082	194 601	175 292	175 003	160 176	20 654	25 912	31 329
Life insurance technical reserves	352 099	376 467	393 202	396 865	383 243	272 260	274 828	277 449
Life insurance technical reserves (ACAV)	181 353	195 017	175 744	175 599	160 602	20 709	25 981	31 412
Non life technical reserves	63 317	66 327	66 968	66 464	101 379	138 342	146 040	149 974
Subordinated debt	7 146	7 465	7 818	7 086	10 876	10 768	10 768	7 248
Financial debt	6 386	6 924	10 500	9 100	13 300	8 700	8 980	9 260
Other balance sheet items	-44 940	-37 171	-43 581	-24 310	-14 115	-43 694	-48 505	-63 728
Consolidated shareholders' equity	68 034	72 641	75 880	75 267	73 252	74 958	76 951	77 145
Minority interests	2 815	4 166	5 283	5 656	10 824	5 572	5 630	4 995
Ordinary shareholders' equity	65 219	68 475	70 597	69 611	62 428	69 386	71 321	72 151
Unrealised capital gains attributable to shareholders	15 727	13 143	14 841	16 265	11 869	18 849	17 284	14 387
Dividend paid	2 320	2 667	2 806	3 003	3 194	3 408	3 670	3 933
Off balance Sheet value attributable to shareholders	6 584	5 300	4 200	4 800	4 900	4 995	4 874	4 725
DAC post tax	10 031	12 103	12 231	12 231	14 120	6 589	12 558	12 558
ANAV	45 719	44 610	45 882	46 789	36 437	50 703	46 746	47 426
Life portfolio uplift	-18 063.0	-17 275.0	-16 697.0	-14 411.0	-20 428.0	-17 907.8	-15 308.4	38 204
Embedded value	47 156	51 200	53 900	55 200	42 000	51 478	56 013	110 355
GROWTH MARGINS PRODUCTIVITY	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Change in revenues	0.8%	7.1%	1.7%	-1.6%	4.4%	-0.7%	-0.5%	2.8%
Change in EPS adj.	4.9%	9.4%	3.1%	7.6%	0.6%	6.0%	7.9%	4.9%
Combined ratio	96.9%	96.2%	96.4%	96.3%	97.0%	96.9%	95.0%	94.7%
New Life business margin	34.3%	33.8%	39.7%	43.1%	39.3%	41.8%	44.4%	44.4%
Financial services cost/income ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Others Operating coefficient	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ROE	8.5%	8.4%	8.4%	8.9%	3.2%	6.5%	9.9%	10.4%
ROANAV	12.5%	12.4%	12.9%	13.4%	5.1%	9.8%	14.3%	15.8%
ROI								
Financial leverage	18.7%	18.6%	21.3%	19.3%	27.0%	22.5%	22.3%	19.4%
Reserving ratio (Non-Life)	193%	190%	210%	209%	287%	287%	287%	287%
Net equity gearing								
Dividend yield	5.1%	4.8%	5.6%	5.2%	5.9%	6.3%	6.4%	6.8%
Payout ratio	44.5%	47.1%	48.2%	48.6%	51.4%	51.8%	51.7%	52.8%
Total yield (dividend + buyback)								

Sources: ODDO BHF Securities, SIX



Rating reiterated
Electricity & Gas | Portugal

EDP

TOP PICKS

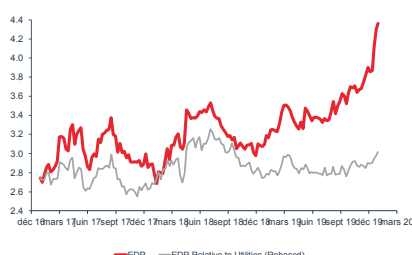
Buy → | Target 4.50 €

Price (29/01/2020): 4.36 € | Upside: 3 %

Revision	2019e	2020e
EPS	-	-

Further potential

Thursday 30 January 2020



Investment case

Since 2005, the group's strategy has focused on renewable energies via its dedicated subsidiary EDPR. Ahead of the general meeting in April 2021, which is expected to renew the management, we believe that a reorganisation of the group's share ownership (owing to its Chinese shareholder CTG) and structure is inevitable to realign the 2019-2022 strategy with its profile. We see EDP as a possible target for a player seeking to bolster its positions in or gain a foothold in renewable energies.

Stakes in 2020

The update to the 2019-2022 strategy is focused on increasing the group's renewable installed capacities and improving financial flexibility, thanks to asset rotations (target € 4bn) and the agreed sale of 1.7 GW of hydropower in Portugal for € 2.21bn. We see this divestment as a prerequisite for a possible two-stage restructuring. The first phase, to enable CTG, its minority shareholder, to reclaim its independence, could be an exchange at parity of the 51% stake that EDP owns in its subsidiary EDP Do Brasil (market value with a premium of 15% of € 1.7bn) for the 23.27% stake that CTG owns in EDP (market value € 3.3bn). To reconcile the € 1.58bn gap between the two asset values, EDP could transfer to CTG majority stakes in the joint ventures in different assets that were included in the 2011 strategic agreement between the two groups (between € 0.7bn and € 1.3bn). The balance would be paid in cash thanks to the sale of the Portuguese dams.

Following this first stage, EDP would have treasury stock of 23.9%, well above the legal limit of 10%. Yet, this situation is in our view a boon as it could allow EDP to launch a squeeze-out offer on EDPR's free float in EDP shares. This solution offers a potentially generous acquisition premium, a reduction of the treasury stock to within legal limits and zero dilution of EDP shareholders while also preserving the group's financial flexibility. These transactions would be neutral for 2020 EPS. Conversely, the deconsolidation of EDP Do Brasil and the sale of majority stakes in joint ventures would lead to a net debt/EBITDA ratio between 2.8x and 3.0x in 2020 versus the initial target of 2022, and, more importantly, a 15% revaluation of the 2020 SOP to € 4.9 per share.

Valuation

We are sticking with our Buy recommendation and target price of € 4.5. At our target price, the multiples point to a premium of 31% to the historical mid-cycle average for EV/EBITDA (7.2x) and EV/EBIT (13.1x), which is warranted by the group's transformation. Despite its significant size in Europe, EDP remains a target in our view, with its hydro, wind and solar power profile, combined with its international positions. The group is particularly attractive for new entrants into renewable energies or predators keen to boost their positions. The recent history of renewable energies, like that of EDP, points to a deal of this type. From this standpoint, the valuation of EDP based on transaction multiples for renewable energy companies and its Portuguese hydropower assets would indicate € 8.2 per share.

Capital			
EDP PL EDP.LS			
Market Cap (€m)			15 957
Enterprise value (€m)			31 829
Extrema 12 months (€)	3.15		4.36
Free Float (%)			43.1
Performance (%)			
	1m	3m	12m
Absolute	11.8	21.5	39.2
Perf. rel. Country Index	11.9	14.4	18.5
Perf. rel. Utilities	3.9	7.8	9.4
P&L			
	12/19e	12/20e	12/21e
Sales (€m)	15 943	16 444	17 412
EBITDA (€m)	3 350	3 680	3 852
Current EBIT (€m)	2 050	2 250	2 312
Attr. net profit (€m)	681	888	979
Adjusted EPS (€)	0.21	0.24	0.27
Dividend (€)	0.19	0.19	0.21
P/E (x)	16.0	18.0	16.3
P/B (x)	1.4	1.7	1.6
Dividend Yield (%)	5.6	4.4	4.8
FCF yield (%)	3.5	16.9	5.6
EV/Sales (x)	2.00	2.05	1.95
EV/EBITDA (x)	9.5	9.2	8.8
EV/Current EBIT (x)	15.5	15.0	14.7
Gearing (%)	102	82	76
Net Debt/EBITDA (x)	4.1	3.2	3.0

Next Events
20/02/2020 FY Results

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Cross-Sector Report

Friday 31 January 2020

EDP PL | EDP.LS Electricity & Gas | Portugal

Buy

Upside

3.12%

Price 4.36EUR

TP 4.50EUR

PER SHARE DATA (€)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Adjusted EPS	0.25	0.20	0.25	0.23	0.21	0.21	0.24	0.27
Reported EPS	0.28	0.25	0.26	0.30	0.15	0.19	0.24	0.27
Growth in adjusted EPS	-10.0%	-17.8%	23.5%	-8.1%	-8.5%	1.1%	13.6%	10.3%
Net dividend per share	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.21
FCF to equity per share	0.20	0.12	0.60	0.62	0.25	0.12	0.74	0.24
Book value per share	2.37	2.37	2.57	2.61	2.45	2.49	2.60	2.70
Number of shares market cap (m)	3 656.54	3 656.54	3 656.54	3 656.54	3 656.54	3 656.54	3 656.54	3 656.54
Number of diluted shares (m)	3 656.54	3 656.54	3 656.54	3 656.54	3 656.54	3 656.54	3 656.54	3 656.54
VALUATION (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
12m highest price (€)	3.75	3.73	3.27	3.37	3.54	3.90	4.36	
12m lowest price (€)	2.64	2.98	2.57	2.66	2.64	3.00	3.80	
(*) Reference price (€)	3.31	3.37	2.95	3.01	3.15	3.41	4.36	4.36
Capitalization	12 090	12 317	10 784	11 020	11 517	12 486	15 957	15 957
Restated Net debt	17 042	17 380	15 923	13 902	14 282	13 694	11 691	11 493
Minorities (fair value)	0.0	0.0	0.0	3 934	3 932	4 312	4 732	5 156
Financial fixed assets (fair value)	0.0	0.0	0.0	1 236	1 088	1 088	1 088	1 088
Provisions	2 323	2 329	2 398	2 275	2 425	2 425	2 425	2 425
Enterprise Value	31 455	32 026	29 105	29 896	31 068	31 829	33 717	33 943
P/E (x)	13.4	16.6	11.7	13.0	14.9	16.0	18.0	16.3
P/CF (x)	5.0	4.4	5.0	3.7	4.4	5.1	5.9	5.5
Net Yield	5.6%	5.5%	6.4%	6.3%	6.0%	5.6%	4.4%	4.8%
FCF yield	6.1%	3.6%	20.4%	20.5%	7.8%	3.5%	16.9%	5.6%
P/B incl. GW (x)	1.39	1.42	1.15	1.15	1.28	1.37	1.68	1.61
P/B excl. GW (x)	2.26	2.33	1.80	1.51	1.72	1.82	2.20	2.09
EV/Sales (x)	1.93	2.06	1.99	1.90	2.03	2.00	2.05	1.95
EV/EBITDA (x)	8.6	9.2	7.9	8.5	9.5	9.5	9.2	8.8
EV/Current EBIT (x)	14.3	16.0	13.2	14.2	16.9	15.5	15.0	14.7
(*) historical average price								
PROFIT AND LOSS (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Sales	16 294	15 517	14 595	15 746	15 278	15 943	16 444	17 412
EBITDA	3 642	3 483	3 698	3 523	3 286	3 350	3 680	3 852
Depreciations	-1 449.0	-1 481.0	-1 495.0	-1 415.0	-1 445.0	-1 300.0	-1 430.0	-1 540.0
Current EBIT	2 193	2 002	2 203	2 108	1 841	2 050	2 250	2 312
Published EBIT	2 132	2 251	2 244	2 279	1 594	1 950	2 250	2 312
Net financial income	-572.0	-832.0	-932.0	-787.0	-592.0	-600.0	-560.0	-520.0
Corporate Tax	-311.0	-278.0	-89.0	-63.0	-100.0	-319.0	-422.5	-439.0
Net income of equity-accounted companies	15.0	-24.0	-22.0	12.0	11.0	30.0	40.0	50
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	-223.0	-203.0	-240.0	-328.0	-357.0	-380.0	-420.0	-424.0
Attributable net profit	1 041	914	961	1 113	556	681	888	979
Adjusted attributable net profit	905	744	919	845	803	581	888	979
BALANCE SHEET (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Goodwill	3 321	3 389	3 415	2 233	2 251	2 251	2 251	2 251
Other intangible assets	0.0	0.0	0.0	0.0	4 735	4 735	4 735	4 735
Tangible fixed assets	28 118	28 230	29 019	26 536	22 708	22 649	21 466	22 067
WCR	-1 377.0	-817.0	-1 924.0	-348.0	-2 930.0	-2 930.0	-2 930.0	-2 930.0
Financial assets	1 272	1 028	1 547	1 236	2 841	2 841	2 841	2 841
Ordinary shareholders equity	8 681	8 670	9 406	9 546	8 966	9 115	9 515	9 890
Minority interests	3 288	3 451	4 330	3 934	3 932	4 312	4 732	5 156
Shareholders equity	11 969	12 121	13 736	13 480	12 898	13 427	14 247	15 046
Non-current provisions	2 323	2 329	2 398	2 275	2 425	2 425	2 425	2 425
Net debt	17 042	17 380	15 923	13 902	14 282	13 694	11 691	11 493
CASH FLOW STATEMENT (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
EBITDA	3 642.0	3 483.0	3 698.0	3 523.0	3 286.0	3 350.0	3 680.0	3 852.0
Change in WCR	171.0	-560.0	1 107.0	-1 576.0	-681.0	-100.0	-100.0	-100.0
Interests & taxes	-883.0	-1 110.0	-1 021.0	-850.0	-692.0	-919.0	-982.5	-959.0
Others	-319.0	424.0	-499.0	344.0	0.0	0.0	0.0	0.0
Operating Cash flow	2 611.0	2 237.0	3 285.0	1 441.0	1 913.0	2 331.0	2 597.5	2 793.0
CAPEX	-1 872.0	-1 788.0	-1 080.0	821.0	-1 014.0	-1 900.0	100.0	-1 900.0
Free cash-flow	739.0	449.0	2 205.0	2 262.0	899.0	431.0	2 697.5	893.0
Acquisitions / disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	-796.0	-801.0	-952.0	-831.0	-691.0	-694.7	-694.7	-694.7
Net capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	1 078.0	466.0	14.0	204.0	622.0	0.0	0.0	0.0
Change in net cash	-409.0	338.0	-1 457.0	-2 021.0	830.0	-263.7	2 002.8	198.2
GROWTH MARGINS PRODUCTIVITY	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Sales growth	1.2%	-4.8%	-5.9%	7.9%	-3.0%	4.4%	3.1%	5.9%
Lfi sales growth	-	-	-	-	-	-	-	-
Current EBIT growth	5.2%	-8.7%	10.0%	-4.3%	-12.7%	11.4%	9.8%	2.8%
Growth in adjusted EPS	-10.0%	-17.8%	23.5%	-8.1%	-8.5%	1.1%	13.6%	10.3%
Net margin	5.6%	4.8%	6.3%	5.4%	5.3%	3.6%	5.4%	5.6%
EBITDA margin	22.4%	22.4%	25.3%	22.4%	21.5%	21.0%	22.4%	22.1%
Current EBIT margin	13.5%	12.9%	15.1%	13.4%	12.1%	12.9%	13.7%	13.3%
CAPEX / Sales	-11.5%	-11.5%	-13.5%	-11.0%	-13.5%	-18.2%	-17.6%	-16.7%
WCR / Sales	-8.5%	-5.3%	-13.2%	-2.2%	-19.2%	-18.4%	-17.8%	-16.8%
Tax Rate	19.9%	19.6%	6.8%	4.2%	10.0%	23.6%	25.0%	24.5%
Normative tax rate	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%
Asset Turnover	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.7
ROCE post-tax (normative tax rate)	5.3%	4.8%	5.2%	5.2%	4.8%	5.6%	6.2%	6.5%
ROCE post-tax hors GW (normative tax rate)	5.9%	5.4%	5.9%	5.7%	5.3%	6.1%	6.8%	7.1%
ROE	10.6%	8.6%	10.2%	8.9%	8.7%	6.4%	9.5%	10.1%
DEBT RATIOS	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Gearing	ns	ns	ns	ns	ns	ns	82%	76%
Net Debt / Market Cap	1.41	1.41	1.48	1.26	1.24	1.10	0.73	0.72
Net debt / EBITDA	4.68	4.99	4.31	3.95	4.35	4.09	3.18	2.98
EBITDA / net financial charges	6.4	4.2	4.0	4.5	5.6	5.6	6.6	7.4

Sources: ODDO BHF Securities, SIX



Eiffage

TOP PICKS

Buy → | Target 114 €

Price (29/01/2020): 105.75 € | Upside: 8 %

Revision	2019e	2020e
EPS	-	-

Visibility still clear ... at an attractive price

Thursday 30 January 2020



Capital

FGR FP | FOU.G.PA

Market Cap (€m)	9 217
Enterprise value (€m)	22 286
Extrema 12 months (€)	79.54 - 105.8
Free Float (%)	68.4

Performance (%)	1m	3m	12m
Absolute	3.2	10.0	32.0
Perf. rel. Country Index	3.3	3.6	12.4
Perf. rel. Construction	3.9	3.2	2.5

P&L	12/19e	12/20e	12/21e
Sales (€m)	18 092	18 358	18 566
EBITDA (€m)	2 691	2 763	2 832
Current EBIT (€m)	2 007	2 041	2 075
Attr. net profit (€m)	741	814	858
Adjusted EPS (€)	7.56	8.32	8.78
Dividend (€)	2.76	3.04	3.19
P/E (x)	11.9	12.7	12.1
P/B (x)	1.7	1.9	1.8
Dividend Yield (%)	3.1	2.9	3.0
FCF yield (%)	7.8	8.6	9.8
EV/Sales (x)	1.23	1.25	1.18
EV/EBITDA (x)	8.3	8.3	7.8
EV/Current EBIT (x)	11.1	11.3	10.6
Gearing (%)	162	135	109
Net Debt/EBITDA (x)	3.7	3.3	2.9

Next Events

26/02/2020	Earnings Release
12/05/2020	Q1 Results
26/08/2020	Q2 Results
06/11/2020	Q3 Results

Investment case

Eiffage's portfolio of activities is currently evenly balanced between contracting (which represents 15% of the group's operating profit but 40% of the value of shareholders' equity) and concessions (for which the main asset is the stake of 52% + 1 vote in the motorway concession APRR). The balance between these two businesses not only facilitates the development of synergies, but also offers good visibility on business, earnings growth and especially cash flow generation.

After the debt reduction phase (net debt/EBITDA ratio of 3.8x end-2019), one of the group's current challenges is to make sure this balance is maintained despite the maturity of the APRR concession in 2036. Eiffage announced in 2019 the acquisition of Toulouse-Blagnac airport (around € 500m), the acquisition of a 5% stake in Getlink and the acquisition of Lille-Lesquin airport (€ 100m of works)... Although we do not have all of the details on some of these transactions, they make sense as they are conducted in geographic areas in which the group has a foothold, helping to unlock synergies with historic activities. We would take a favourable view of Eiffage's increasing its stake in Getlink. More generally, given its scale, we think that Eiffage has more value-creative external growth opportunities than Vinci (in both concessions and contracting), justifying our preference for the former.

Stakes in 2020

Whilst growth in 2020 sales is set to be significantly more limited than in 2019, notably in the contracting division (we are forecasting +1.4% after +10.5%e in 2019, the group has benefited notably from the prospects of municipal elections in France), we are forecasting earning growth with an improvement in the margin for the contracting division (+20bp), which will benefit from the end of the scissors effect in construction (increase in costs on fixed-price contracts), the ramp-up of *Grand Paris* projects and continued restructuring of Eiffage Energie. In the short term, the announcement of a further increase in the dividend (we are forecasting € 2.76 per share vs € 2.40 in 2018 and € 2.73 for the consensus) could be a pleasant surprise. Moreover, the integration of new acquisitions (especially Toulouse-Blagnac airport) and especially details that Eiffage could unveil, should help reassure the market, which remains somewhat sceptical on (i) the interest of the group launching itself into an airport strategy and (ii) valuation levels.

Valuation

Despite the excellent 2019 stock market performance and notably since the stock's inclusion in our ODDO BHF convictions list, Eiffage's valuation remains particularly attractive, with an FCF yield of close to 9% in 2020. Whilst, unlike Vinci, the group does not have a policy of remunerating its shareholders, earnings growth should enable it to continue to increase its dividend. We therefore expect a return of 3%, close to that of its peers.

Our share price target of € 114 is today based on a DCF on APRR (WACC of 5%) and on an EBIT multiple for the contracting businesses (7.7x 2020e EBIT).

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Cross-Sector Report

Friday 31 January 2020

FGR FP | FOUG.PA Construction & Concessions | France

Buy

Upside

7.80%

Price 105.75EUR

TP 114.00EUR

PER SHARE DATA (€)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Adjusted EPS	3.04	3.32	4.91	5.59	6.42	7.56	8.32	8.78
Reported EPS	3.04	3.32	4.91	5.59	6.42	7.56	8.31	8.76
Growth in adjusted EPS	4.4%	9.4%	47.8%	13.7%	14.8%	17.8%	10.0%	5.5%
Net dividend per share	1.20	1.50	1.50	2.00	2.40	2.76	3.04	3.19
FCF to equity per share	7.04	7.77	6.39	7.03	7.10	6.99	9.11	10.32
Book value per share	31.94	34.06	37.64	43.70	48.53	51.70	55.02	58.07
Number of shares market cap (m)	89.44	89.44	92.60	93.00	96.14	96.14	96.14	96.14
Number of diluted shares (m)	90.86	93.85	96.77	98.05	98.00	98.00	98.00	98.00
VALUATION (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
12m highest price (€)	55.46	59.77	71.76	93.70	101	102	106	
12m lowest price (€)	37.70	40.01	56.08	66.44	70.94	72.16	102	
(*) Reference price (€)	47.05	53.25	65.56	80.40	92.56	89.95	106	106
Capitalization	4 208	4 762	6 071	7 478	8 899	8 648	10 167	10 167
Restated Net debt	12 014	11 591	11 213	10 374	10 544	10 061	9 246	8 247
Minorities (fair value)	1 057	2 535	5 684	5 684	5 684	5 684	5 684	5 684
Financial fixed assets (fair value)	1 775	2 080	2 249	2 037	2 310	2 310	2 310	2 310
Provisions	204	204	204	204	204	204	204	204
Enterprise Value	15 708	17 013	20 923	21 702	23 021	22 286	22 991	21 991
P/E (x)	15.5	16.0	13.3	14.4	14.4	11.9	12.7	12.1
P/CF (x)	3.9	4.0	4.8	5.3	5.1	4.3	4.8	4.6
Net Yield	2.6%	2.8%	2.3%	2.5%	2.6%	3.1%	2.9%	3.0%
FCF yield	15.0%	14.6%	9.7%	8.7%	7.7%	7.8%	8.6%	9.8%
P/B incl. GW (x)	1.47	1.56	1.74	1.84	1.91	1.74	1.92	1.82
P/B excl. GW (x)	37.95	9.55	5.63	4.42	4.45	3.61	3.62	3.17
EV/Sales (x)	1.12	1.22	1.49	1.44	1.39	1.23	1.25	1.18
EV/EBITDA (x)	7.8	8.3	9.6	9.3	9.1	8.3	8.3	7.8
EV/Current EBIT (x)	11.7	11.9	13.1	12.5	12.4	11.1	11.3	10.6
(*) historical average price								
PROFIT AND LOSS (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Sales	13 987	13 909	14 008	15 082	16 578	18 092	18 358	18 566
EBITDA	2 009	2 038	2 181	2 346	2 529	2 691	2 763	2 832
Depreciations	-660.5	-606.9	-583.0	-613.8	-671.9	-684.0	-721.6	-756.7
Current EBIT	1 348	1 431	1 597	1 732	1 857	2 007	2 041	2 075
Published EBIT	1 281	1 337	1 526	1 676	1 806	1 957	1 991	2 025
Net financial income	-754.0	-659.0	-582.0	-506.0	-380.0	-262.3	-233.6	-230.4
Corporate Tax	-172.0	-220.0	-167.0	-335.0	-461.0	-550.8	-518.5	-484.6
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	-79.0	-146.0	-302.0	-287.0	-336.0	-403.0	-425.2	-452.3
Attributable net profit	276	312	475	548	629	741	814	858
Adjusted attributable net profit	276	312	475	548	629	741	814	858
BALANCE SHEET (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Goodwill	2 873	2 904	2 945	2 995	3 219	3 219	3 219	3 219
Other intangible assets	12 244	11 873	11 583	11 363	11 186	11 186	11 186	11 186
Tangible fixed assets	1 468	1 485	1 589	1 652	1 856	1 912	1 740	1 484
WCR	-1 527.0	-1 308.0	-1 022.0	-650.0	-562.0	-515.7	-512.7	-565.8
Financial assets	2 112	2 372	2 523	2 277	2 557	2 557	2 557	2 557
Ordinary shareholders equity	2 902	3 197	3 642	4 285	4 756	5 066	5 392	5 691
Minority interests	87.0	275	623	847	879	1 154	1 474	1 865
Shareholders equity	2 989	3 472	4 265	5 132	5 635	6 221	6 866	7 556
Non-current provisions	2 167	2 263	2 140	2 131	2 077	2 077	2 077	2 077
Net debt	12 014	11 591	11 213	10 374	10 544	10 061	9 246	8 247
CASH FLOW STATEMENT (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
EBITDA	2 008.6	2 037.9	2 180.5	2 345.8	2 528.9	2 691.0	2 762.8	2 832.0
Change in WCR	47.0	46.0	-95.0	-104.0	-125.0	-46.3	-3.0	53.2
Interests & taxes	-987.0	-889.0	-1 006.0	-1 055.0	-878.0	-813.1	-752.1	-715.1
Others	133.0	106.0	129.0	144.0	149.0	150.0	150.0	150.0
Operating Cash flow	1 201.6	1 300.9	1 208.5	1 330.8	1 674.9	1 981.6	2 157.7	2 320.1
CAPEX	-379.0	-231.0	-284.0	-291.0	-607.0	-900.0	-750.0	-700.0
Free cash-flow	822.6	1 069.9	924.5	1 039.8	1 067.9	1 081.6	1 407.7	1 620.1
Acquisitions / disposals	-38.0	-556.0	-576.0	-357.0	-528.0	-40.0	0.0	0.0
Dividends	-115.0	-121.0	-145.0	-265.0	-519.0	-558.2	-593.5	-620.5
Net capital increase	48.0	40.0	56.0	142.0	-18.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in net cash	565.0	423.0	-319.0	836.0	160.6	281.7	936.0	1 122.4
GROWTH MARGINS PRODUCTIVITY	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Sales growth	-1.9%	-0.6%	0.7%	7.7%	9.9%	9.1%	1.5%	1.1%
Lfi sales growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Current EBIT growth	2.3%	6.1%	11.6%	8.4%	7.2%	8.1%	1.7%	1.7%
Growth in adjusted EPS	4.4%	9.4%	47.8%	13.7%	14.8%	17.8%	10.0%	5.5%
Net margin	2.0%	2.2%	3.4%	3.6%	3.8%	4.1%	4.4%	4.6%
EBITDA margin	14.4%	14.7%	15.6%	15.6%	15.3%	14.9%	15.0%	15.3%
Current EBIT margin	9.6%	10.3%	11.4%	11.5%	11.2%	11.1%	11.1%	11.2%
CAPEX / Sales	-2.7%	-1.7%	-2.0%	-1.9%	-3.7%	-5.0%	-4.1%	-3.8%
WCR / Sales	-10.9%	-9.4%	-7.3%	-4.3%	-3.4%	-2.9%	-2.8%	-3.0%
Tax Rate	32.6%	32.4%	17.7%	28.6%	32.3%	32.5%	29.5%	27.0%
Normative tax rate	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Asset Turnover	0.9	0.9	0.9	1.0	1.1	1.1	1.2	1.2
ROCE post-tax (normative tax rate)	6.7%	7.2%	8.0%	8.5%	9.0%	9.6%	9.7%	10.1%
ROCE post-tax hors GW (normative tax rate)	8.2%	8.9%	9.9%	10.6%	11.2%	12.0%	12.2%	12.7%
ROE	9.9%	10.2%	13.9%	13.8%	13.9%	15.1%	15.6%	15.5%
DEBT RATIOS	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Gearing	ns	ns	ns	ns	ns	ns	ns	ns
Net Debt / Market Cap	2.86	2.43	1.85	1.39	1.18	1.16	0.91	0.81
Net debt / EBITDA	5.98	5.69	5.14	4.42	4.17	3.74	3.35	2.91
EBITDA / net financial charges	2.8	3.3	4.0	4.8	6.9	10.3	11.8	12.3

Sources: ODDO BHF Securities, SIX



JCDecaux

TOP PICKS

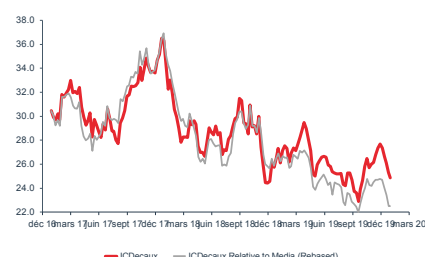
Buy → | Target 34.5 € vs 35.0 € ↘

Price (29/01/2020): 24.86 € | Upside : 39 %

Revision	2019e	2020e
EPS	2.2%	-4.4%

Value creation from programmatic advertising not priced in by the market

Thursday 30 January 2020



Capital	
DEC FP JCDX.PA	
Market Cap (€m)	5 290
Enterprise value (€m)	6 399
Extrema 12 months (€)	22.56 - 29.46
Free Float (%)	34.2

Performance (%)	1m	3m	12m
Absolute	-10.2	1.4	-4.1
Perf. rel. Country Index	-10.1	-4.5	-18.3
Perf. rel. Media	-9.1	-3.6	-12.3

P&L	12/19e	12/20e	12/21e
Sales (€m)	3 890	3 982	4 117
EBITDA (€m)	775	784	846
Current EBIT (€m)	443	451	475
Attr. net profit (€m)	234	243	259
Adjusted EPS (€)	1.17	1.21	1.29
Dividend (€)	0.62	0.65	0.65
P/E (x)	22.3	20.5	19.3
P/B (x)	2.2	2.0	1.9
Dividend Yield (%)	2.4	2.6	2.6
FCF yield (%)	3.2	4.2	4.7
EV/Sales (x)	1.65	1.52	1.44
EV/EBITDA (x)	8.3	7.7	7.0
EV/Current EBIT (x)	14.5	13.4	12.4
Gearing (%)	44	38	32
Net Debt/EBITDA (x)	1.5	1.3	1.1

Next Events

30/01/2020 Q4 Results

Investment case

After a decline in Q4 2019, we expect JCDecaux to show a recovery in organic growth throughout 2020. At the same time, the EBITDA margin should improve steadily over the next five years with the advent of programmatic outdoor advertising. This medium should help drive an increased ROI in digital. These prospects underpin our Buy recommendation on the stock.

Stakes in 2020

After a contraction in organic growth in Q4 2019 (-1.5%), the operating situation should then gradually improve throughout 2020, despite persistent market difficulties in mainland China, Hong Kong and Australia at the start of the year. The health scare in China (coronavirus) will notably warrant close monitoring, with a potential slowdown in airport traffic. The impact should nonetheless be very limited in the short term with long contracts in transport. We therefore expect growth of +1.8% in 2020 based on still favourable momentum in the group's other key countries and in street furniture. This momentum should enable a further progression in the EBITDA margin in 2020 (+40bp) after that in 2019 (+50bp I-f-I factoring in IFRS 16).

2020 will be the year of the take-off of programmatic advertising. In the last three years, the group has developed a programmatic advertising platform (VIOOH), which is now operational and will be deployed in its main countries in 2020 and 2021 (in the UK only in 2019). The contribution to sales is marginal for the time being (€ 3m est.) but it is set to grow strongly and rapidly. We believe that programmatic advertising will give JCDecaux incremental organic growth of 30bp in 2020, 70bp in 2021, 90bp in 2022 and 320bp in 2023. This belief is based on the fact that pDOOH (programmatic Digital Out-Of-Home) will enable the group to broaden its business to include new clients, and also increase volumes without slashing prices (better optimisation of the space). While investment should stabilise, this medium should enable the group to return to the level of profitability it achieved in 2014 (22.4% versus 19.8% in 2019e) before the acceleration in digitisation.

Valuation

With programmatic, JCDecaux begins a second phase in its digital transformation plan. We believe that current prices do not factor in this new cycle of returns on past investment (digital screens and VIOOH) and margin improvements after five years of declines. We value the group at € 34.5 per share based on a long-term EBITDA margin of 21.8% (vs 20% previously). The share is currently still trading at the low end of the historical range (P/E of 18-30x – excluding outliers) and the Decaux family recently increased its stake (1.8 million shares acquired, ~0.83% of the capital, since the H1 2019 results).

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DEC FP | JCDX.PA Advertising | France

Buy

Upside

38.78%

Price 24.86EUR

TP 34.50EUR

PER SHARE DATA (€)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Adjusted EPS	0.89	1.12	1.20	0.95	1.11	1.17	1.21	1.29
Reported EPS	0.87	1.07	1.06	0.91	1.03	1.10	1.14	1.22
Growth in adjusted EPS	ns	25.4%	7.0%	-20.8%	17.2%	5.2%	3.6%	6.2%
Net dividend per share	0.50	0.56	0.56	0.56	0.58	0.62	0.65	0.65
FCF to equity per share	1.38	1.50	1.05	0.66	0.43	0.84	1.05	1.16
Book value per share	11.89	10.73	11.36	11.06	11.41	11.96	12.55	13.19
Number of shares market cap (m)	223.85	218.32	212.50	212.57	212.77	212.77	212.77	212.77
Number of diluted shares (m)	223.85	218.32	212.50	212.57	212.77	212.77	212.77	212.77
VALUATION (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
12m highest price (€)	32.50	38.86	39.53	35.01	36.50	29.46	27.62	
12m lowest price (€)	22.86	27.54	24.11	27.32	23.80	22.56	24.08	
(*) Reference price (€)	28.19	34.05	32.19	30.78	29.49	26.07	24.86	24.86
Capitalization	6 309	7 435	6 840	6 542	6 274	5 547	5 289	5 289
Restated Net debt	-83.7	401	419	384	1 200	1 140	1 033	910
Minorities (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets (fair value)	0.0	0.0	0.0	0.0	0.0	288	288	288
Provisions	421	464	602	559	560	0.0	0.0	0.0
Enterprise Value	6 647	8 299	7 861	7 486	8 033	6 399	6 035	5 912
P/E (x)	31.5	30.4	26.8	32.4	26.5	22.3	20.5	19.3
P/CF (x)	13.3	14.4	15.6	15.9	12.9	10.9	9.9	9.6
Net Yield	1.8%	1.6%	1.7%	1.8%	2.0%	2.4%	2.6%	2.6%
FCF yield	4.9%	4.4%	3.3%	2.1%	1.4%	3.2%	4.2%	4.7%
P/B incl. GW (x)	2.37	3.17	2.83	2.78	2.58	2.18	1.98	1.88
P/B excl. GW (x)	2.37	3.17	2.83	6.48	12.86	9.03	7.05	5.90
EV/Sales (x)	2.36	2.59	2.32	2.16	2.22	1.65	1.52	1.44
EV/EBITDA (x)	10.6	11.9	12.2	11.5	12.3	8.3	7.7	7.0
EV/Current EBIT (x)	19.9	21.4	20.4	20.4	23.3	14.5	13.4	12.4
(*) historical average price								
PROFIT AND LOSS (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Sales	2 813	3 208	3 393	3 472	3 619	3 890	3 982	4 117
EBITDA	630	695	647	654	655	775	784	846
Depreciations	-296.3	-308.2	-261.9	-286.3	-310.1	-331.7	-332.7	-371.4
Current EBIT	334	387	385	367	345	443	451	475
Published EBIT	303	358	353	346	347	388	401	425
Net financial income	-103.3	-121.1	-119.6	-145.4	-135.9	-152.3	-152.3	-152.3
Corporate Tax	-69.8	-72.9	-73.6	-98.7	-72.7	-84.3	-88.7	-96.6
Net income of equity-accounted companies	70	81	95	100	98	98	98	98
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	-6.0	-11.0	-30.4	-8.3	-17.0	-15.0	-15.0	-15.0
Attributable net profit	194	234	225	194	220	234	243	259
Adjusted attributable net profit	200	245	255	202	237	249	258	274
BALANCE SHEET (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Goodwill	1 171	1 272	1 361	1 341	1 941	1 931	1 921	1 911
Other intangible assets	300	300	313	302	394	394	394	394
Tangible fixed assets	1 023	1 173	1 151	1 156	1 293	1 334	1 364	1 387
WCR	-68.2	-154.5	15.9	-10.0	64.9	89.9	89.9	89.9
Financial assets	551	599	615	566	558	558	558	558
Ordinary shareholders equity	2 662	2 342	2 413	2 351	2 429	2 545	2 671	2 807
Minority interests	-23.6	-18.2	21.0	60.7	62.1	62.1	62.1	62.1
Shareholders equity	2 639	2 324	2 434	2 412	2 491	2 607	2 733	2 869
Non-current provisions	421	464	602	559	560	560	560	560
Net debt	-83.7	401	419	384	1 200	1 140	1 033	910
CASH FLOW STATEMENT (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
EBITDA	630.0	695.2	646.5	653.5	655.1	774.5	783.7	846.3
Change in WCR	6.9	21.8	18.0	22.7	-84.4	-25.0	0.0	0.0
Interests & taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	-155.9	-180.2	-207.4	-242.0	-170.0	-238.5	-239.9	-247.8
Operating Cash flow	481.0	536.8	457.1	434.2	400.7	511.0	543.8	598.5
CAPEX	-172.5	-209.0	-233.9	-294.2	-309.8	-333.0	-320.0	-352.5
Free cash-flow	308.5	327.8	223.2	140.0	90.9	178.0	223.8	246.1
Acquisitions / disposals	-83.7	-127.1	-70.9	23.6	-656.2	0.0	0.0	0.0
Dividends	-119.6	-124.7	-133.1	-131.7	-135.7	-133.0	-131.9	-138.3
Net capital increase	10.4	-483.3	11.5	5.9	4.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in net cash	85.6	-484.3	-17.9	34.2	-816.0	60.0	106.9	122.8
GROWTH MARGINS PRODUCTIVITY	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Sales growth	5.1%	14.0%	5.8%	2.3%	4.2%	7.5%	2.4%	3.4%
Lfi sales growth	3.8%	4.2%	3.3%	3.2%	5.2%	2.0%	1.8%	3.4%
Current EBIT growth	-12.6%	16.0%	-0.6%	-4.5%	-6.0%	28.3%	1.9%	5.3%
Growth in adjusted EPS	ns	25.4%	7.0%	-20.8%	17.2%	5.2%	3.6%	6.2%
Net margin	7.1%	7.6%	7.5%	5.8%	6.5%	6.4%	6.5%	6.7%
EBITDA margin	22.4%	21.7%	19.1%	18.8%	18.1%	19.9%	19.7%	20.6%
Current EBIT margin	11.9%	12.1%	11.3%	10.6%	9.5%	11.4%	11.3%	11.5%
CAPEX / Sales	-6.1%	-6.5%	-6.9%	-8.5%	-8.6%	-8.6%	-8.0%	-8.6%
WCR / Sales	-2.4%	-4.8%	0.5%	-0.3%	1.8%	2.3%	2.3%	2.2%
Tax Rate	30.1%	29.1%	31.8%	46.4%	35.7%	34.3%	34.3%	34.2%
Normative tax rate	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
Asset Turnover	1.2	1.3	1.2	1.2	1.1	1.0	1.1	1.1
ROCE post-tax (normative tax rate)	9.4%	10.2%	9.3%	8.6%	7.0%	7.9%	7.9%	8.3%
ROCE post-tax hors GW (normative tax rate)	18.3%	19.9%	18.1%	16.6%	14.2%	16.4%	16.2%	16.9%
ROE	7.7%	9.8%	10.7%	8.5%	9.9%	10.0%	9.9%	10.0%
DEBT RATIOS	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Gearing	-3%	17%	17%	16%	48%	44%	38%	32%
Net Debt / Market Cap	-0.01	0.05	0.06	0.06	0.19	0.21	0.20	0.17
Net debt / EBITDA	ns	0.58	0.65	0.59	1.83	1.47	1.32	1.08
EBITDA / net financial charges	19.4	20.6	34.4	18.6	24.4	34.7	35.1	38.0

Sources: ODDO BHF Securities, SIX



Nexi S.p.A

TOP PICKS

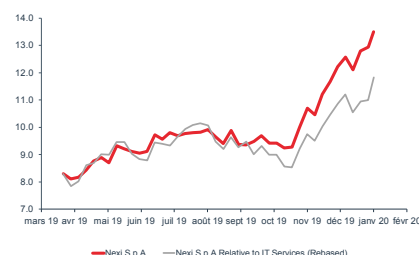
Buy → | Target 16.0 €

Price (29/01/2020): 13.51 € | Upside: 18 %

Revision	2019e	2020e
EPS	ns	ns

The key mover to play the end of the Italian exception in payments

Thursday 30 January 2020



Capital	
NEXI IM NEXII.MI	
Market Cap (€m)	8 481
Enterprise value (€m)	7 453
Extrema 12 months (€)	8.04 - 13.51
Free Float (%)	ns

Performance (%)	1m	3m	12m
Absolute	10.6	42.2	60.1
Perf. rel. Country Index	10.6	33.9	36.3
Perf. rel. IT Services	8.8	30.3	23.3

P&L	12/19e	12/20e	12/21e
Sales (€m)	985	1 159	1 240
EBITDA (€m)	505	676	747
Current EBIT (€m)	387	523	568
Attr. net profit (€m)	137	232	272
Adjusted EPS (€)	0.36	0.48	0.53
Dividend (€)	0.00	0.07	0.11
P/E (x)	26.7	28.1	25.5
P/B (x)	4.8	5.8	5.1
Dividend Yield (%)	0.0	0.5	0.8
FCF yield (%)	2.9	4.1	4.7
EV/Sales (x)	7.57	9.16	8.29
EV/EBITDA (x)	14.8	15.7	13.8
EV/Current EBIT (x)	19.3	20.3	18.1
Gearing (%)	128	152	112
Net Debt/EBITDA (x)	3.2	3.4	2.6

Investment case

Nexi is the undisputed leader in payment services in Italy (market share of 60-70%), with a strong offline component (94% of revenues), a large number of small merchants (+890,000 clients) and around 50% recurring revenues. In Europe, Italy is one of the markets harbouring the most potential since: 1/ the penetration of electronic payments is low (85% of transactions are still in cash, 15 years behind France); and 2/ it is well equipped in POS terminals (40 per 1,000 inhabitants vs 24 in France). In addition, the Italian government is stepping up measures to boost use of electronic means of payment (tax incentives, financial bonus programme, lottery, etc.), which could accelerate growth beyond what the group anticipates. For the moment, Nexi is targeting net revenue growth at the upper end of a range of 5-7% in the medium term. Regarding margins, the group is also conducting a major transformation programme (spending of € 180m over four years), which enables it to envisage a significant improvement in its profitability (the EBITDA margin could improve by 10 points over three years) and cash generation. Net debt should therefore come down rapidly with the net debt/EBITDA ratio falling from 3.4x in 2020e to 1.4x in 2023e.

Stakes in 2020

Thanks to this programme and the synergies from recent acquisitions, we expect EBITDA of € 676m in 2020 (after factoring in the Intesa activities, which bring in € 95m in a full year), i.e. pro forma growth of 14.5%, in the middle of the group's target range of 13-16%. Our estimate is 10% above the consensus, which in our view does not fully take into account the effect of the activities acquired from Intesa. After the purchase of Intesa's acquiring business, the next obvious target for Nexi is SIA (€ 615m in sales and € 201m in EBITDA in 2018). This acquisition would generate further synergies (5-10% of the new group's cost base, i.e. up to € 100m est. excluding revenue synergies), thanks to the increased in-housing of processing activities, 60% of which are currently outsourced (one-third to SIA and two-thirds to Worldline).

Valuation

The stock has posted a very satisfactory share performance (+53%) since its IPO in April 2019. It is trading at 15.1x 12-month forward EBITDA (including Intesa's acquiring business), which, in light of pro forma EBITDA growth of 14.7% over 2019-2021, is still inexpensive for this level of visibility. On 27 January 2020, we therefore initiated coverage on the stock with a Buy rating and target price of € 16 (average of DCF/multiples).

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Cross-Sector Report

Friday 31 January 2020

NEXI IM | NEXII.MI IT services | Italy

Buy

Upside

18.43%

Price 13.51EUR

TP 16.00EUR

PER SHARE DATA (€)	12/16	12/17	12/18	12/19e	12/20e	12/21e
Adjusted EPS	0.17	0.32	0.28	0.36	0.48	0.53
Reported EPS	0.11	0.13	0.04	0.22	0.37	0.43
Growth in adjusted EPS	-	85.3%	-11.7%	26.6%	34.5%	10.2%
Net dividend per share	0.16	0.10	0.24	0.00	0.07	0.11
FCF to equity per share	0.04	1.12	-0.10	0.27	0.55	0.64
Book value per share	4.88	5.48	1.04	2.00	2.34	2.66
Number of shares market cap (m)	550.00	550.00	550.00	627.78	627.78	627.78
Number of diluted shares (m)	550.00	550.00	550.00	627.78	627.78	627.78
VALUATION (€m)	12/16	12/17	12/18	12/19e	12/20e	12/21e
12m highest price (€)				12.38	13.51	
12m lowest price (€)				8.04	12.08	
(*) Reference price (€)				9.53	13.51	13.51
Capitalization				5 985	8 481	8 481
Restated Net debt	3.4	-104.9	2 403	1 625	2 281	1 927
Minorities (fair value)	13.9	5.6	6.5	16.9	34.4	54.9
Financial fixed assets (fair value)	125	176	137	173	173	173
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Enterprise Value				7 453	10 624	10 290
P/E (x)				26.7	28.1	25.5
P/CF (x)				16.7	20.1	17.4
Net Yield				0.0%	0.5%	0.8%
FCF yield				2.9%	4.1%	4.7%
P/B incl. GW (x)				4.78	5.78	5.07
P/B excl. GW (x)						
EV/Sales (x)				7.57	9.16	8.29
EV/EBITDA (x)				14.8	15.7	13.8
EV/Current EBIT (x)				19.3	20.3	18.1
(*) historical average price						
PROFIT AND LOSS (€m)	12/16	12/17	12/18	12/19e	12/20e	12/21e
Sales	511	822	931	985	1 159	1 240
EBITDA	171	338	424	505	676	747
Depreciations	-27.4	-55.1	-74.8	-118.6	-153.0	-179.9
Current EBIT	144	283	349	387	523	568
Published EBIT	94	116	179	339	426	484
Net financial income	0.0	2.3	-108.5	-119.1	-55.0	-48.0
Corporate Tax	-33.6	-46.5	-49.0	-72.4	-122.5	-143.8
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	2.2	0.2	0.3	0.3	0.3	0.3
Minority interests	-3.8	1.0	-1.5	-10.4	-17.5	-20.5
Attributable net profit	59	73	20.0	137	232	272
Adjusted attributable net profit	95	176	155	224	302	332
BALANCE SHEET (€m)	12/16	12/17	12/18	12/19e	12/20e	12/21e
Goodwill	1 501	2 072	2 097	2 097	2 097	2 097
Other intangible assets	406	536	571	379	1 318	1 225
Tangible fixed assets	116	163	159	239	283	321
WCR	716	150	208	199	103	29.3
Financial assets	125	176	137	173	173	173
Ordinary shareholders equity	2 683	3 014	570	1 253	1 467	1 672
Minority interests	13.9	5.6	6.5	16.9	34.4	54.9
Shareholders equity	2 697	3 020	576	1 270	1 501	1 727
Non-current provisions	163	182	193	192	192	192
Net debt	3.4	-104.9	2 403	1 625	2 281	1 927
CASH FLOW STATEMENT (€m)	12/16	12/17	12/18	12/19e	12/20e	12/21e
EBITDA	171.3	338.2	424.1	505.2	675.9	747.4
Change in WCR	0.0	565.6	-57.2	8.2	96.3	73.7
Interests & taxes	33.6	46.5	20.5	72.4	122.5	143.8
Others	-136.0	-254.0	-294.4	-219.5	-377.0	-402.8
Operating Cash flow	68.8	696.3	93.0	366.4	517.8	562.2
CAPEX	-49.4	-80.5	-145.5	-194.6	-173.9	-161.3
Free cash-flow	19.4	615.8	-52.4	171.8	343.9	400.9
Acquisitions / disposals	-1 033.0	-713.2	-6.4	147.7	-1 000.0	0.0
Dividends	-69.3	-89.8	-56.0	-130.5	0.0	-46.3
Net capital increase	1 090.9	314.1	0.0	687.8	0.0	0.0
Others	0.4	-0.9	-2 202.8	-0.8	0.0	0.0
Change in net cash	8.4	108.3	-2 508.0	777.7	-656.1	354.6
GROWTH MARGINS PRODUCTIVITY	12/16	12/17	12/18	12/19e	12/20e	12/21e
Sales growth	-	60.9%	13.2%	5.8%	17.7%	7.0%
Lfi sales growth	-	60.9%	13.2%	5.8%	17.7%	7.0%
Current EBIT growth	-	96.8%	23.4%	10.7%	35.2%	8.5%
Growth in adjusted EPS	-	85.3%	-11.7%	26.6%	34.5%	10.2%
Net margin	18.5%	21.4%	16.7%	22.8%	26.0%	26.8%
EBITDA margin	33.5%	41.2%	45.6%	51.3%	58.3%	60.3%
Current EBIT margin	28.2%	34.4%	37.5%	39.3%	45.1%	45.8%
CAPEX / Sales	-10.2%	-10.0%	-16.2%	-16.5%	-15.0%	-13.0%
WCR / Sales	ns	18.3%	22.3%	20.2%	8.9%	2.4%
Tax Rate	35.7%	30.6%	44.4%	28.3%	30.0%	30.4%
Normative tax rate	35.7%	30.6%	44.4%	28.3%	30.0%	30.4%
Asset Turnover	-	0.3	0.3	0.3	0.3	0.3
ROCE post-tax (normative tax rate)	-	6.9%	6.5%	9.3%	10.9%	10.6%
ROCE post-tax hors GW (normative tax rate)	-	18.8%	21.7%	31.6%	29.0%	24.1%
ROE	-	6.2%	8.7%	24.6%	22.2%	21.2%
DEBT RATIOS	12/16	12/17	12/18	12/19e	12/20e	12/21e
Gearing	0%	-3%	ns	ns	ns	ns
Net Debt / Market Cap				0.27	0.27	0.23
Net debt / EBITDA	0.02	ns	5.67	3.22	3.38	2.58
EBITDA / net financial charges	ns	-146.6	3.9	4.2	12.3	15.6

Sources: ODDO BHF Securities, SIX



Rating reiterated
Oilfield equipment and services | Norway

Subsea 7

TOP PICKS

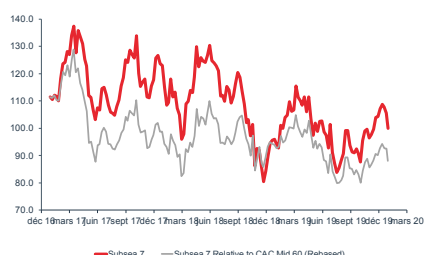
Buy → | Target 145 NOK

Price (29/01/2020): 99.98 NOK | Upside: 45 %

Revision	2019e	2020e
EPS	-	-

Full steam ahead!

Thursday 30 January 2020



Capital

SUBC.NO | SUBC.OL

Market Cap (NOKm)	33 842
Enterprise value (\$m)	2 746
Extrema 12 months (\$)	82.30 - 117.8
Free Float (%)	75.4

Performance (%)	1m	3m	12m
Absolute	-4.2	10.5	5.8
Perf. rel. Country Index	-4.1	4.1	-9.8
Perf. rel. CAC Mid 60	-2.4	6.3	-5.2

P&L	12/19e	12/20e	12/21e
Sales (\$m)	3 740	4 160	4 576
EBITDA (\$m)	630	747	1 006
Current EBIT (\$m)	140	257	515
Attr. net profit (\$m)	65.1	182	394
Adjusted EPS (\$)	0.22	0.63	1.36
Dividend (\$)	0.09	0.25	0.54

P/E (x)	50.8	17.4	8.1
P/B (x)	0.6	0.5	0.5
Dividend Yield (%)	0.8	2.3	5.0
FCF yield (%)	10.6	15.7	41.1
EV/Sales (x)	0.73	0.53	0.34
EV/EBITDA (x)	4.4	3.0	1.5
EV/Current EBIT (x)	19.7	8.6	3.0
Gearing (%)	-15	-21	-29
Net Debt/EBITDA (x)	ns	ns	ns

Next Events

20/02/2020 Earnings Release

Investment case

Subsea 7 remains our Top Pick despite its outperformance of the sector. The group is fully exposed to the offshore business via the installation of subsea equipment and the construction of FPSOs. **Subsea 7 is a vehicle for a play on:**

1. The acceleration in subsea investment (the only player in our sample that is 100% offshore).
2. A position in the offshore wind farm market (double-digit growth in installed capacity).
3. The good fit with Schlumberger via Subsea Integration Alliance.

Stakes in 2020

Subsea 7 enjoys very good visibility with a backlog of \$ 4.49bn at end-Q3 2019 (+8.4% y-o-y and +7% q-o-q) of which \$ 2.2bn to be executed in 2020 and \$ 2.1bn subsequently. The pipeline for new projects is continuing to fill up, buoyed by better pricing in projects at the call-to-tender stage.

2019 should be the low point for margins in this cycle. Subsea 7 provided initial guidance for 2020 with growth in both sales and adjusted EBITDA. Margins are likely to recover gradually because the backlog includes contracts signed on the basis of low prices. For 2020, we forecast a 120bp increase in the EBITDA margin, returning north of 18%.

There is a real fit with Schlumberger thanks to Subsea Integration Alliance - seven clients have signed contracts, including BP, Woodside, RD Shell, ExxonMobil or Murphy Oil. Since 2015, over 10 projects have already been awarded. Further out, a merger with Schlumberger would make a great deal of sense from an industrial vantage point and this deal could be supported by clients.

Subsea 7 is also a force to be reckoned with in offshore wind farms thanks to its Seaway Heavy Lifting division. The good execution of the Beatrice project in Scotland (accretive in terms of margins) is the best showcase of this.

Valuation

We are sticking with our Buy recommendation on the stock and our target price of NOK 145 (based on a 12-month forward EBITDA multiple of 6x). **The stock is trading at a discount of around 30% versus the rest of our sample, which we do not think is warranted.**

In addition, if consolidation continues in the sector, Subsea 7 might be an attractive target.

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Cross-Sector Report

Friday 31 January 2020

SUBC.NO | SUBC.OL

Oilfield equipment and services | Norway

Buy

Upside

45.03%

Price 99.98NOK

TP 145.00NOK

PER SHARE DATA (\$)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Adjusted EPS	2.29	0.26	1.22	1.35	0.53	0.22	0.63	1.36
Reported EPS	-0.96	0.26	1.22	1.35	0.53	0.22	0.63	1.35
Growth in adjusted EPS	ns	-88.7%	ns	10.0%	-60.7%	-58.3%	ns	ns
Net dividend per share	0.00	0.00	0.62	0.56	0.19	0.09	0.25	0.54
FCF to equity per share	1.60	1.25	2.22	0.17	0.54	1.19	1.71	4.50
Book value per share	15.27	16.79	16.33	18.17	18.06	20.26	21.42	22.70
Number of shares market cap (m)	369.00	325.77	341.97	338.49	327.71	295.00	290.00	290.00
Number of diluted shares (m)	369.00	325.77	341.97	338.49	327.71	295.00	290.00	291.00
VALUATION (\$m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
12m highest price (\$)	20.22	11.59	12.66	16.50	16.37	13.75	12.29	
12m lowest price (\$)	8.60	7.03	5.18	11.83	9.15	9.16	10.94	
(*) Reference price (\$)	15.62	8.72	9.06	14.20	13.85	11.21	10.94	10.94
Capitalization	5 763	2 839	3 097	4 808	4 537	3 307	3 172	3 172
Restated Net debt	5.5	-409.6	-1 239.2	-1 053.7	-709.4	-898.5	-1 295.6	-1 947.8
Minorities (fair value)	-25.2	-30.9	-46.9	48.4	38.4	38.4	38.5	38.5
Financial fixed assets (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Provisions	264	197	303	281	299	299	299	298
Enterprise Value	6 007	2 596	2 114	4 083	4 166	2 746	2 214	1 560
P/E (x)	6.8	33.6	7.4	10.6	26.2	50.8	17.4	8.1
P/CF (x)	4.9	2.9	3.1	5.2	7.7	5.4	4.4	3.6
Net Yield	0.0%	0.0%	6.8%	3.9%	1.4%	0.8%	2.3%	5.0%
FCF yield	10.2%	14.4%	24.5%	1.2%	3.9%	10.6%	15.7%	41.1%
P/B incl. GW (x)	1.02	0.52	0.55	0.78	0.77	0.55	0.51	0.48
P/B excl. GW (x)	1.02	0.52	0.55	0.78	0.77	0.55	0.51	0.48
EV/Sales (x)	0.87	0.55	0.59	1.02	1.02	0.73	0.53	0.34
EV/EBITDA (x)	4.4	4.5	1.9	3.9	6.2	4.4	3.0	1.5
EV/Current EBIT (x)	6.5	14.1	2.7	6.7	20.8	19.7	8.6	3.0
(*) historical average price								
PROFIT AND LOSS (\$m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Sales	6 870	4 758	3 567	3 986	4 074	3 740	4 160	4 576
EBITDA	1 351	571	1 142	1 035	669	630	747	1 006
Depreciations	-420.5	-386.4	-372.1	-422.3	-469.0	-490.0	-490.0	-491.0
Current EBIT	930	184	770	612	200	140	257	515
Published EBIT	-253.0	144	521	581	200	140	257	515
Net financial income	8.7	42.6	56	-25.2	25.2	-31.0	15.0	16.0
Corporate Tax	-151.7	-221.9	-158.4	-99.9	-51.8	-43.4	-89.7	-138.2
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Profit/loss of discontinued activities (after tax)	0.0	100	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	43.4	20.0	0.0	-0.2	-0.1	0.0	-0.1	0.0
Attributable net profit	-352.6	85	418	455	173	65	182	394
Adjusted attributable net profit	845	85	418	455	173	65	182	395
BALANCE SHEET (\$m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other intangible assets	1 344	785	663	782	783	783	783	783
Tangible fixed assets	4 565	4 559	4 124	4 688	4 569	4 439	4 279	4 018
WCR	-583.2	-601.8	-637.8	-135.8	72.6	72.6	72.6	73.6
Financial assets	554	484	452	92.4	121	121	121	121
Ordinary shareholders equity	5 635	5 470	5 584	6 151	5 917	5 976	6 213	6 606
Minority interests	-25.2	-30.9	-46.9	48.4	38.4	38.4	38.5	38.5
Shareholders equity	5 610	5 439	5 537	6 199	5 955	6 014	6 252	6 645
Non-current provisions	264	197	303	281	299	299	299	299
Net debt	5.5	-409.6	-1 239.2	-1 053.7	-709.4	-898.5	-1 295.6	-1 948.8
CASH FLOW STATEMENT (\$m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
EBITDA	1 350.5	570.7	1 142.0	1 034.5	669.0	629.6	746.8	1 006.4
Change in WCR	268.4	64.0	40.1	-723.8	-166.8	0.0	0.0	0.0
Interests & taxes	-151.1	-213.4	-147.6	-96.3	-49.6	-54.4	-84.7	-132.2
Others	-18.3	627.4	11.2	-5.1	-29.0	36.0	65.0	10.0
Operating Cash flow	1 449.5	1 048.7	1 045.7	209.3	423.6	611.2	727.1	884.2
CAPEX	-859.9	-640.7	-287.6	-153.3	-245.3	-260.0	-230.0	-230.0
Free cash-flow	589.6	408.0	758.1	56.0	178.3	351.2	497.1	654.2
Acquisitions / disposals	6.4	66.7	0.0	0.0	0.0	100.0	100.0	0.0
Dividends	-175.3	87.9	-74.2	-150.2	-16.2	-62.1	0.0	0.0
Net capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0
Others	0.0	-24.8	4.1	1.4	-9.5	0.0	0.0	0.0
Change in net cash	236.7	415.1	829.6	-185.5	-344.3	189.1	397.1	653.2
GROWTH MARGINS PRODUCTIVITY	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Sales growth	9.1%	-30.7%	-25.0%	11.7%	2.2%	-8.2%	11.2%	10.0%
Lfi sales growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Current EBIT growth	49.5%	-80.2%	ns	-20.5%	-67.3%	-30.2%	84.0%	ns
Growth in adjusted EPS	ns	-88.7%	ns	10.0%	-60.7%	-58.3%	ns	ns
Net margin	12.3%	1.8%	11.7%	11.4%	4.3%	1.7%	4.4%	8.6%
EBITDA margin	19.7%	12.0%	32.0%	26.0%	16.4%	16.8%	18.0%	22.0%
Current EBIT margin	13.5%	3.9%	21.6%	15.4%	4.9%	3.7%	6.2%	11.3%
CAPEX / Sales	-12.5%	-13.5%	-8.5%	-3.9%	-6.0%	-7.0%	-5.5%	-5.0%
WCR / Sales	-8.5%	-12.6%	-17.9%	-3.4%	1.8%	1.9%	1.7%	1.6%
Tax Rate	-62.1%	97.8%	19.2%	17.0%	23.0%	40.0%	33.0%	26.0%
Normative tax rate	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%
Asset Turnover	1.2	0.9	0.8	0.8	0.8	0.7	0.8	0.9
ROCE post-tax (normative tax rate)	11.8%	2.7%	12.9%	9.6%	2.8%	1.9%	3.7%	7.7%
ROCE post-tax hors GW (normative tax rate)	11.8%	2.7%	12.9%	9.6%	2.8%	1.9%	3.7%	7.7%
ROE	13.9%	1.5%	7.6%	7.8%	2.9%	1.1%	3.0%	6.2%
DEBT RATIOS	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Gearing	0%	-8%	-22%	-17%	-12%	-15%	-21%	-29%
Net Debt / Market Cap	0.00	-0.14	-0.40	-0.22	-0.16	-0.27	-0.41	-0.61
Net debt / EBITDA	0.00	ns	ns	ns	ns	ns	ns	ns
EBITDA / net financial charges	90.0	-57.1	-105.7	-224.9	-60.3	57.2	-149.4	-167.7

Sources: ODDO BHF Securities, SIX



Rating reiterated
Aerospace & Defence | France

Thales

TOP PICKS

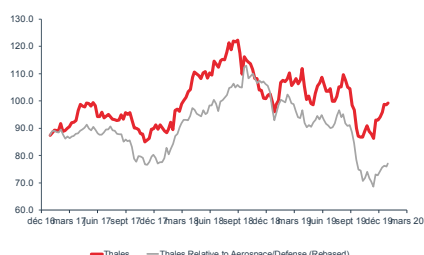
Buy → | Target 120.5 €

Price (29/01/2020): 99.20 € | Upside: 22 %

Revision	2019e	2020e
EPS	-	-

A visible taking back in hand of problematic contracts as of Q4

Thursday 30 January 2020



Capital

HO FP | TCFP.PA

Market Cap (€m)	21 140
Enterprise value (€m)	25 191
Extrema 12 months (€)	85.08 - 112.3
Free Float (%)	46.4

Performance (%)	1m	3m	12m
Absolute	6.7	14.1	3.4
Perf. rel. Country Index	6.8	7.5	-11.9
Perf. rel. Aerospace/Defen	6.1	3.1	-16.7

P&L	12/19e	12/20e	12/21e
Sales (€m)	18 413	19 303	20 014
EBITDA (€m)	2 432	2 587	2 821
Current EBIT (€m)	1 991	2 124	2 341
Attr. net profit (€m)	1 281	1 350	1 539
Adjusted EPS (€)	6.41	6.73	7.61
Dividend (€)	2.46	2.69	3.05

P/E (x)	15.7	14.7	13.0
P/B (x)	3.3	2.9	2.6
Dividend Yield (%)	2.4	2.7	3.1
FCF yield (%)	4.0	4.4	6.7
EV/Sales (x)	1.37	1.27	1.19
EV/EBITDA (x)	10.4	9.5	8.4
EV/Current EBIT (x)	12.7	11.6	10.2
Gearing (%)	29	23	13
Net Debt/EBITDA (x)	0.8	0.7	0.4

Next Events

26/02/2020	FY Results
29/04/2020	Q1 Sales

Investment case

We are playing the visible taking back in hand of problematic contracts and the favourable momentum on orders in Q4 despite challenges in the space business. We think this momentum will result in a resumption of growth as of 2021. The share offers: i/ a 2019-2023e EPS CAGR of 8.3% including the factoring in of the persistent weaknesses in space and signalling; ii/ one of the best FCF yields in the sector with a 2019-2021e average of 6.1% according to FactSet vs 3.9% for European peers, only behind Leonardo; iii/ an option on the revenue synergies from Gemalto; and iv/ a key position in the European defence industry.

Stakes in 2020

The financial year which has just started looks like it will be a year of transition in terms of sales growth with a contraction in space and transport (5.5% estimated and 3% estimated respectively) and a slowdown in defence & security due to a high comparative base (7.5% estimated I-f-I in 2019) combined with a slowdown in emerging markets.

However, the dynamic environment in terms of the order intake (Q4 should be solid with an order level forecast at € 7.6bn, with a book-to-bill of 1.3x in Q4 alone and at 1x for full-year 2019 in line with 2018 and 2017) may be an element that helps reassure regarding the temporary nature of the organic sales growth level in 2020. The message is incrementally more positive for the space business (11.5% of 2019e sales) with an outperformance from Thales in a market in a recovery phase. Out of the 4 civil communication satellite tenders that the company had identified in October, 3 were won, enabling Thales Alenia Space to close 2019 with 4 new orders in a global market reaching 14 units (vs 9 in 2018). This commercial performance will certainly help confirm a return to sales growth in 2021 as well as a marked recovery in margins.

The re-acceleration will be visible as of 2021. Concerning DIS, FY 2020 should suffer from a demanding comparative base in payment cards (restocking effect in the US in 2019) but this effect will be offset in terms of profitability thanks to a return of momentum in the cyber activities after the disorganisation linked to the disposal of GP HSM. In addition, cost synergies will exceed integration costs.

All in all, at group level, we expect organic sales growth of 1.1% and an EBIT margin up by 20bp to 11%. The message is more encouraging on the direction of the order intake, with markets - military notably and naval in particular - still dynamic.

Valuation

We reiterate our Buy recommendation and target price of € 120.5 On this basis, the share is trading at attractive multiples with a 2021e EV/EBIT of 12.1x, a P/E of 15.8x and a FCF yield of 6%. 2019-2023e TMVA for EPS stands at 8.3% with FCF at 21%.

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Cross-Sector Report

Friday 31 January 2020

HO FP | TCFP.PA

Aerospace & Defence | France

Buy

Upside

21.47%

Price 99.20EUR

TP 120.50EUR

PER SHARE DATA (€)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Adjusted EPS	2.63	3.76	4.18	3.90	5.50	6.41	6.73	7.61
Reported EPS	3.47	3.65	4.48	3.21	4.62	6.03	6.35	7.24
Growth in adjusted EPS	-12.5%	43.3%	11.0%	-6.7%	41.2%	16.5%	5.0%	13.1%
Net dividend per share	1.12	1.36	1.60	1.75	2.08	2.46	2.69	3.05
FCF to equity per share	2.10	4.82	4.10	6.05	3.35	4.02	4.32	6.64
Book value per share	18.39	22.17	21.95	23.22	26.82	30.38	34.02	38.19
Number of shares market cap (m)	207.84	210.96	212.19	212.66	213.10	213.10	213.10	213.10
Number of diluted shares (m)	216.34	216.23	215.76	216.23	214.82	214.82	214.82	214.82
VALUATION (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
12m highest price (€)	49.86	70.95	92.56	99.50	123	112	99.90	
12m lowest price (€)	37.50	44.54	60.24	84.00	86.28	85.08	92.94	
(*) Reference price (€)	44.32	58.08	78.43	92.48	106	101	99.20	99.20
Capitalization	9 211	12 253	16 642	19 666	22 691	21 498	21 140	21 140
Restated Net debt	-831.8	-1 813.8	-2 204.3	-2 953.9	-3 163.8	1 978	1 749	1 077
Minorities (fair value)	299	296	226	217	225	257	288	319
Financial fixed assets (fair value)	-1 183.2	320	-53.0	421	1 261	790	810	830
Provisions	2 557	2 319	2 786	2 674	2 327	2 247	2 167	2 087
Enterprise Value	12 418	12 734	17 502	19 182	20 818	25 191	24 534	23 794
P/E (x)	16.9	15.4	18.8	23.7	19.4	15.7	14.7	13.0
P/CF (x)	7.8	9.2	11.8	15.0	14.0	12.2	12.1	10.8
Net Yield	2.5%	2.3%	2.0%	1.9%	2.0%	2.4%	2.7%	3.1%
FCF yield	4.7%	8.3%	5.2%	6.5%	3.1%	4.0%	4.4%	6.7%
P/B incl. GW (x)	2.41	2.62	3.57	3.98	3.97	3.32	2.92	2.60
P/B excl. GW (x)	16.01	8.51	13.64	13.30	10.04	ns	ns	ns
EV/Sales (x)	0.96	0.91	1.18	1.26	1.31	1.37	1.27	1.19
EV/EBITDA (x)	9.3	8.7	11.0	12.0	11.0	10.4	9.5	8.4
EV/Current EBIT (x)	12.5	11.8	14.5	15.9	13.8	12.7	11.6	10.2
(*) historical average price								
PROFIT AND LOSS (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Sales	12 974	14 063	14 885	15 228	15 855	18 413	19 303	20 014
EBITDA	1 338	1 457	1 589	1 600	1 888	2 432	2 587	2 821
Depreciations	-345.9	-381.3	-384.6	-391.1	-382.2	-441.9	-463.3	-480.3
Current EBIT	992	1 076	1 205	1 209	1 506	1 991	2 124	2 341
Published EBIT	1 111	991	1 291	995	1 303	1 861	1 994	2 211
Net financial income	-127.5	-98.1	-151.9	-159.8	-132.4	-116.0	-162.4	-161.0
Corporate Tax	-214.3	-219.9	-255.6	-236.7	-314.2	-431.1	-451.1	-479.5
Net income of equity-accounted companies	-7.3	140	131	139	172	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	-47.5	-47.6	-68.2	-57.6	-46.1	-32.4	-30.6	-31.4
Attributable net profit	714	765	946	680	982	1 281	1 350	1 539
Adjusted attributable net profit	562	809	898	840	1 178	1 373	1 442	1 631
BALANCE SHEET (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Goodwill	3 213	3 216	3 424	3 447	3 445	8 760	8 760	8 760
Other intangible assets	946	863	959	884	769	769	769	769
Tangible fixed assets	1 557	1 697	1 799	1 820	1 809	1 919	2 035	2 155
WCR	-1 107.7	-1 488.1	-1 527.7	-1 823.3	-1 302.1	-798.5	-339.1	-213.7
Financial assets	2 501	2 440	2 125	2 545	2 313	2 313	2 313	2 313
Ordinary shareholders equity	3 782	4 646	4 640	4 922	5 700	6 454	7 228	8 113
Minority interests	299	296	226	217	225	257	288	319
Shareholders equity	4 081	4 942	4 866	5 139	5 925	6 711	7 516	8 433
Non-current provisions	3 860	3 600	4 117	4 688	4 274	4 274	4 274	4 274
Net debt	-831.8	-1 813.8	-2 204.3	-2 953.9	-3 163.8	1 978	1 749	1 077
CASH FLOW STATEMENT (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
EBITDA	1 338.2	1 457.4	1 589.3	1 599.6	1 887.8	2 432.4	2 587.1	2 820.9
Change in WCR	-287.1	143.0	-63.4	402.5	-518.8	-357.1	-245.2	53.2
Interests & taxes	-341.8	-318.0	-407.5	-396.5	-446.6	-547.1	-613.5	-640.5
Others	165.9	185.3	219.5	107.7	170.3	-122.6	-231.8	-221.6
Operating Cash flow	875.2	1 467.7	1 337.9	1 713.3	1 092.7	1 405.6	1 496.5	2 012.0
CAPEX	-443.4	-458.3	-472.0	-430.7	-380.3	-552.4	-579.1	-600.4
Free cash-flow	431.8	1 009.4	865.9	1 282.6	712.4	853.2	917.4	1 411.6
Acquisitions / disposals	-330.1	23.8	-404.7	-245.1	-10.3	-5 314.6	0.0	0.0
Dividends	-242.8	-234.0	-296.8	-348.9	-382.1	-441.9	-522.6	-571.5
Net capital increase	78.2	125.4	4.9	-38.3	-19.4	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in net cash	-88.5	982.0	390.5	749.6	209.9	-5 142.0	229.2	671.5
GROWTH MARGINS PRODUCTIVITY	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Sales growth	2.2%	8.4%	5.8%	2.3%	4.1%	16.1%	4.8%	3.7%
Lfi sales growth	-	-	-	-	-	-	-	-
Current EBIT growth	13.0%	8.4%	12.0%	0.3%	24.6%	32.2%	6.7%	10.2%
Growth in adjusted EPS	-12.5%	43.3%	11.0%	-6.7%	41.2%	16.5%	5.0%	13.1%
Net margin	4.3%	5.8%	6.0%	5.5%	7.4%	7.5%	7.5%	8.1%
EBITDA margin	10.3%	10.4%	10.7%	10.5%	11.9%	13.2%	13.4%	14.1%
Current EBIT margin	7.6%	7.7%	8.1%	7.9%	9.5%	10.8%	11.0%	11.7%
CAPEX / Sales	-3.4%	-3.3%	-3.2%	-2.8%	-2.4%	-3.0%	-3.0%	-3.0%
WCR / Sales	-8.5%	-10.6%	-10.3%	-12.0%	-8.2%	-4.3%	-1.8%	-1.1%
Tax Rate	24.8%	22.5%	24.3%	22.6%	22.9%	23.0%	23.0%	22.0%
Normative tax rate	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
Asset Turnover	3.2	3.2	3.3	3.4	3.5	2.4	1.8	1.8
ROCE post-tax (normative tax rate)	18.8%	18.4%	20.5%	20.5%	25.3%	19.7%	14.8%	15.7%
ROCE post-tax hors GW (normative tax rate)	80.7%	66.3%	79.6%	87.1%	ns	95.6%	74.1%	68.7%
ROE	14.7%	19.2%	19.3%	17.6%	22.2%	22.6%	21.1%	21.3%
DEBT RATIOS	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Gearing	-20%	-37%	-45%	-57%	-53%	29%	23%	13%
Net Debt / Market Cap	-0.09	-0.15	-0.13	-0.15	-0.14	0.09	0.08	0.05
Net debt / EBITDA	ns	ns	ns	ns	ns	0.81	0.68	0.38
EBITDA / net financial charges	-608.3	-383.5	-252.3	-319.9	273.6	106.7	85.7	97.9

Sources: ODDO BHF Securities, SIX



Total

TOP PICKS

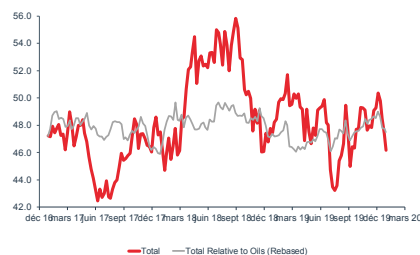
Buy → | Target 58.0 €

Price (29/01/2020): 46.18 € | Upside: 26 %

Revision	2019e	2020e
EPS	-	-

Total offers a play on the improvement in market sentiment and the return to fundamentals

Thursday 30 January 2020



Capital

FP FP TOTF.PA			
Market Cap (€m)			121 904
Enterprise value (\$m)			144 119
Extrema 12 months (\$)	43.18	-	52.27
Free Float (%)			85.9
Performance (%)	1m	3m	12m
Absolute	-6.3	-3.1	-2.2
Perf. rel. Country Index	-6.2	-8.8	-16.7
Perf. rel. Oils	-2.1	0.0	0.3

P&L	12/19e	12/20e	12/21e
Sales (\$m)	233 955	235 437	236 880
EBITDA (\$m)	31 311	33 321	35 789
Current EBIT (\$m)	17 260	19 130	21 456
Attr. net profit (\$m)	11 437	13 067	14 560
Adjusted EPS (\$)	4.41	5.09	5.74
Dividend (\$)	2.97	3.13	3.31

P/E (x)	12.2	10.0	8.9
P/B (x)	1.2	1.1	1.0
Dividend Yield (%)	5.5	6.2	6.5
FCF yield (%)	6.6	8.6	9.8
EV/Sales (x)	0.62	0.57	0.54
EV/EBITDA (x)	4.6	4.0	3.6
EV/Current EBIT (x)	8.3	7.0	6.0
Gearing (%)	20	17	14
Net Debt/EBITDA (x)	0.7	0.6	0.5

Next Events

06/02/2020	Q4 Results
06/02/2020	Investor Day

Investment case

Total offers strong growth in production of 5% out to 2021, double the sector average, and a very profitable downstream business, along with good visibility on projects and growth in CFFO of \$ 1bn per year for the next five years. Thanks to this good momentum, Total was able to reduce its cash breakeven to ~\$ 50/b, the best in the sector, and the management were confident enough to commit to increasing the dividend by 5-6% per year out to 2025. Moreover, the FCF yield of 8.6% gives the group leeway to continue its share buyback programme of \$ 1.5bn per year beyond 2020 provided Brent remains above \$ 60/b.

Stakes in 2020

Total slightly outperformed the sector in 2019 but largely underperformed the market. For 2020, we play the improvement in overly negative sentiment on the sector. Total, the best in class, should benefit this year by confirming its operating excellence with a firm grip on capex and further reductions in production costs, which are already the lowest in the industry, with a fall of \$ 1bn over 2020-2023 and a target of below \$ 5.5 /boe. Investments are continuing in LNG, a fast-growing segment where it is the world number 2, with a pipeline of projects that are among the most competitive. Similarly, the group invests in chemicals in regions where input costs are lowest, helping to lift its CFFO by \$ 1bn per year and further diversifying its operations in renewable energies, where it is one of the best placed. Total was one of the first integrated oil groups to invest in renewable energies. Active across the entire value chain from generation to end consumers, it should begin to reap the benefits and transform itself into an energy company that better meets ESG criteria than a number of its rivals.

Valuation

Total has managed to reduce its cash breakeven to \$ 50/b, one of the lowest in the sector, with excellent cash returns of 7.3% (in dividends and share buybacks with \$ 1.75bn planned in 2020) largely covered by a FCF yield of 8.6%. What is more, at 20%, the group's gearing is the lowest in the sector. The valuation remains attractive with a discount of 5% in terms of P/E and is in line with the sector in terms of P/CF at 4.9x, whereas the stock warrants a premium. We value the share at € 58 based on a DCF approach, pointing to upside of 22% (Brent at \$ 63/b). Applying a reverse DCF, the current share price implies a Brent price of \$ 52/b, a level that we deem very conservative vis-a-vis the current forward price of \$ 58/b.

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Cross-Sector Report

Friday 31 January 2020

FP FP | TOTF.PA Oil Companies | France

Buy

Upside

25.60%

Price 46.18EUR

TP 58.00EUR

PER SHARE DATA (\$)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Adjusted EPS	5.63	4.51	3.42	4.12	5.18	4.41	5.09	5.74
Reported EPS	1.87	2.18	2.57	3.36	4.37	4.41	5.09	5.74
Growth in adjusted EPS	-10.6%	-19.9%	-24.1%	20.3%	25.7%	-14.8%	15.4%	12.6%
Net dividend per share	3.24	2.71	2.71	3.05	3.02	2.97	3.13	3.31
FCF to equity per share	1.20	-1.17	-0.01	3.88	4.29	3.57	4.39	4.97
Book value per share	39.74	39.66	40.25	43.45	44.17	45.39	47.25	49.66
Number of shares market cap (m)	2 377.68	2 429.14	2 548.45	2 664.15	2 639.76	2 613.04	2 586.32	2 559.29
Number of diluted shares (m)	2 281.00	2 332.46	2 451.77	2 567.47	2 618.08	2 591.36	2 564.64	2 537.61
VALUATION (\$m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
12m highest price (\$)	74.25	54.92	51.36	56.74	65.58	59.32	56.46	
12m lowest price (\$)	48.92	40.92	38.33	48.46	51.59	47.89	50.80	
(*) Reference price (\$)	63.60	49.29	46.68	52.16	59.76	53.71	50.80	50.80
Capitalization	151 219	119 737	118 952	138 972	157 761	140 334	131 392	130 019
Restated Net debt	28 810	26 445	27 261	15 424	21 673	23 444	21 554	18 539
Minorities (fair value)	5 112	3 604	3 339	2 964	3 234	2 967	2 893	2 923
Financial fixed assets (fair value)	20 673	20 625	21 709	23 830	24 865	25 990	25 990	25 990
Provisions	4 758	3 774	3 746	3 735	3 363	3 363	3 363	3 363
Enterprise Value	169 227	132 935	131 588	137 265	161 166	144 119	133 212	128 854
P/E (x)	11.3	10.9	13.6	12.7	11.5	12.2	10.0	8.9
P/CF (x)	6.8	6.3	6.4	6.2	6.5	5.4	4.7	4.4
Net Yield	5.1%	5.5%	5.8%	5.8%	5.1%	5.5%	6.2%	6.5%
FCF yield	1.9%	ns	ns	7.4%	7.2%	6.6%	8.6%	9.8%
P/B incl. GW (x)	1.60	1.24	1.16	1.20	1.35	1.18	1.08	1.02
P/B excl. GW (x)	1.62	1.26	1.17	1.21	1.36	1.19	1.08	1.03
EV/Sales (x)	0.80	0.52	0.90	0.77	0.88	0.62	0.57	0.54
EV/EBITDA (x)	5.2	5.5	6.8	5.7	5.3	4.6	4.0	3.6
EV/Current EBIT (x)	8.2	11.1	15.8	10.7	8.8	8.3	7.0	6.0
(*) historical average price								
PROFIT AND LOSS (\$m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Sales	211 987	255 695	145 929	178 817	184 106	233 955	235 437	236 880
EBITDA	32 394	24 032	19 446	24 294	30 582	31 311	33 321	35 789
Depreciations	-11 677.0	-12 027.3	-11 138.0	-11 441.0	-12 218.0	-14 050.7	-14 191.2	-14 333.1
Current EBIT	20 717	12 005	8 308	12 853	18 364	17 260	19 130	21 456
Published EBIT	9 074	2 694	5 567	7 755	16 017	17 260	19 130	21 456
Net financial income	-495.0	-645.0	-769.0	-1 219.0	-1 686.0	-1 029.3	-901.8	-695.3
Corporate Tax	-8 614.0	-1 653.0	-970.0	-3 029.0	-6 516.0	-7 145.5	-7 838.3	-8 927.2
Net income of equity-accounted companies	2 662	2 361	2 214	2 015	3 170	2 622	2 997	3 046
Profit/loss of discontinued activities (after tax)	1 623	2 029	272	2 777	565	0.0	0.0	0.0
Minority interests	-6.0	301	-10.0	332	-104.0	-270.0	-320.0	-320.0
Attributable net profit	4 244	5 087	6 304	8 631	11 446	11 437	13 067	14 560
Adjusted attributable net profit	12 837	10 518	8 395	10 578	13 559	11 437	13 067	14 560
BALANCE SHEET (\$m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Goodwill	910	910	910	910	910	910	910	910
Other intangible assets	13 772	13 639	14 452	13 677	28 012	28 012	28 012	28 012
Tangible fixed assets	106 876	109 518	111 971	109 397	113 324	116 139	117 993	119 994
WCR	5 811	1 776	2 348	1 365	-1 506.0	-1 579.2	-1 577.4	-1 587.1
Financial assets	32 085	29 647	30 806	34 661	35 331	36 456	36 456	36 456
Ordinary shareholders equity	90 330	92 494	98 680	111 556	115 640	117 613	121 187	126 022
Minority interests	3 201	2 915	2 894	2 481	2 474	2 595	2 767	2 940
Shareholders equity	93 531	95 409	101 574	114 037	118 114	120 208	123 954	128 962
Non-current provisions	37 113	33 636	31 652	30 549	36 285	36 285	36 285	36 285
Net debt	28 810	26 445	27 261	15 424	21 673	23 444	21 554	18 538
CASH FLOW STATEMENT (\$m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
EBITDA	32 394.0	24 032.3	19 446.0	24 294.0	30 582.0	31 310.7	33 321.5	35 789.4
Change in WCR	4 480.0	1 683.0	-1 119.0	827.0	769.0	73.2	-1.8	9.7
Interests & taxes	-14 258.5	-3 486.3	-2 637.5	-6 322.8	-12 422.6	-12 703.5	-13 685.3	-15 225.9
Others	2 992.5	-2 283.0	939.5	3 520.8	5 774.6	7 150.7	7 941.8	8 649.9
Operating Cash flow	25 608.0	19 946.0	16 629.0	22 319.0	24 703.0	25 831.1	27 576.2	29 223.0
CAPEX	-22 878.0	-22 509.0	-16 644.0	-12 731.0	-13 364.0	-16 365.3	-16 045.4	-16 334.5
Free cash-flow	2 730.0	-2 563.0	-15.0	9 588.0	11 339.0	9 465.9	11 530.8	12 888.5
Acquisitions / disposals	-335.0	2 380.0	-853.0	2 109.0	-3 367.0	-500.0	0.0	0.0
Dividends	-7 462.0	-2 945.0	-2 754.0	-2 784.0	-5 010.0	-7 863.2	-7 891.2	-8 371.9
Net capital increase	131.0	248.0	100.0	519.0	-3 830.0	-1 750.0	-1 750.0	-1 500.0
Others	-172.0	-1 262.0	4 735.0	3 900.0	-1 095.0	0.0	0.0	0.0
Change in net cash	-8 431.0	-6 931.0	-15.0	15 763.0	-1 288.0	-1 771.9	1 889.7	3 016.6
GROWTH MARGINS PRODUCTIVITY	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Sales growth	-7.0%	20.6%	-42.9%	22.5%	3.0%	27.1%	0.6%	0.6%
Lfi sales growth	-7.0%	20.6%	-42.9%	22.5%	3.0%	27.1%	0.6%	0.6%
Current EBIT growth	-23.2%	-42.1%	-30.8%	54.7%	42.9%	-6.0%	10.8%	12.2%
Growth in adjusted EPS	-10.6%	-19.9%	-24.1%	20.3%	25.7%	-14.8%	15.4%	12.6%
Net margin	6.1%	4.1%	5.8%	5.9%	7.4%	4.9%	5.6%	6.1%
EBITDA margin	15.3%	9.4%	13.3%	13.6%	16.6%	13.4%	14.2%	15.1%
Current EBIT margin	9.8%	4.7%	5.7%	7.2%	10.0%	7.4%	8.1%	9.1%
CAPEX / Sales	-12.4%	-9.8%	-12.4%	-7.7%	-9.3%	-7.0%	-6.8%	-6.9%
WCR / Sales	2.7%	0.7%	1.6%	0.8%	-0.8%	-0.7%	-0.7%	-0.7%
Tax Rate	ns	80.7%	20.2%	46.3%	45.5%	44.0%	43.0%	43.0%
Normative tax rate	50.0%	50.0%	50.0%	50.0%	50.0%	ns	ns	ns
Asset Turnover	1.6	2.0	1.1	1.4	1.4	1.6	1.6	1.6
ROCE post-tax (normative tax rate)	7.9%	4.7%	3.3%	5.0%	6.9%	-6.1%	-19.9%	-36.7%
ROCE post-tax hors GW (normative tax rate)	8.0%	4.8%	3.3%	5.1%	6.9%	-6.1%	-20.0%	-36.9%
ROE	13.5%	11.5%	8.8%	10.1%	11.9%	9.8%	10.9%	11.8%
DEBT RATIOS	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Gearing	31%	28%	27%	14%	18%	20%	17%	14%
Net Debt / Market Cap	0.19	0.22	0.23	0.11	0.14	0.17	0.16	0.14
Net debt / EBITDA	0.89	1.10	1.40	0.63	0.71	0.75	0.65	0.52
EBITDA / net financial charges	50.6	27.5	17.6	15.8	14.4	22.3	25.8	32.2

Sources: ODDO BHF Securities, SIX



Rating reiterated
Retail banking | Italy

Unicredit

TOP PICKS

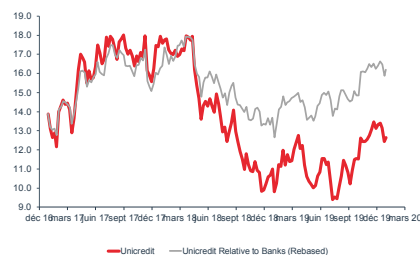
Buy → | Target 15.3 € vs 15.8 € ↘

Price (29/01/2020): 12.64 € | Upside: 21 %

Revision	2019e	2020e
EPS	-19.4%	-14.7%

A welcome pragmatism in the current context

Thursday 30 January 2020



Capital			
UC IM CRDI.MI			
Market Cap (€m)	28 071		
Tangible equity (€m)	55 601		
Extrema 12 months (€)	9.19	-	13.52
Free Float (%)	67.3		
Performance (%)	1m	3m	12m
Absolute	-3.6	8.0	19.4
Perf. rel. Country Index	-3.6	1.7	1.7
Perf. rel. Banks	-0.3	7.4	21.3
P&L	12/19e	12/20e	12/21e
Revenues (€m)	18 705	18 714	18 771
Operating Profit (€m)	5 423	6 207	6 573
Net attr. profit (€m)	4 521	3 730	4 077
EPS (€)	2.03	1.67	1.83
DPS (€)	0.65	0.68	0.83
P/E (x)	5.5	7.6	6.9
P/ANC (x)	0.5	0.5	0.4
ROE (%)	7.6	6.1	6.4
P/TBV (x)	0.4	0.5	0.5
ROTE (%)	8.1	6.5	6.8
Net Yield (%)	5.8	5.3	6.5
CET1 - B3.0 (%)	12.1	12.5	12.7
Leverage Ratio Tier 1 - B3.0 (%)			
Core Tier One (%)	12.1	12.5	12.7

Next Events	
10/02/2020	Q4 Results

Investment case

Unicredit is one of our Top Picks within the sector as the stock's discount remains, at this juncture, excessive whereas the investment case is fully consistent with our broader sector selection. The latest strategic plan, presented at the start of December 2019, has the merit of being pragmatic for want of being spectacular, in an operating context set to remain complicated for the sector this year. It is based on tangible/self-help levers and cautious assumptions (realistic). Its effective execution should, like the preceding plan, fuel the continued re-rating process.

Stakes in 2020

For 2020, we are expecting a continuation of UCG's re-rating in the same spirit as that observed over the recent period, i.e. as the new strategic plan is rolled out (Team 23).

Unicredit has unveiled its strategic plan which, from the operational viewpoint, contains no major surprises. It is broadly in the same vein as the Transform 19 plan, based, above all, on stand-alone drivers for an improvement in operational leverage and the continued de-risking of the balance sheet. It is based on a conservative approach, logically enough, on the top line (2018-2023e CAGR of +0.8%) given the interest-rate/macroeconomic context, and especially a focus maintained on costs (2018-2023e -0.2%) and the fall in the cost of risk (target of 40bp in 2023 vs ~60bp in 2018). All told, management is forecasting underlying net profit of € 5.0bn in 2023 (vs € 4.7bn in 2019), a target, in our view, achievable and corresponding to a target RoTE of at least 8% in 2023: put simply, management 'is not selling a dream' but is equipping itself with the wherewithal to meet its commitments,

The other factor of support for 2020 involves, in our view, a notable improvement in shareholder returns after the focus on disciplined capital planning enshrined in the Transform 19 plan. The group can count on a solvency level that is now solid (CET1 ratio of over 12.5% at end-2019e) and monitor it to ensure that an MDA buffer of 200-250bp is maintained (already achieved). Over the plan's period, the group should be able to absorb the expected regulatory impact (total organic capital generation of around 190bp following the shareholder returns and the financing of growth vs total regulatory impact of around 190bp of which approx. 110bp related to the EBA guidelines plus approx. 40bp for calendar provisioning) while keeping its MDA buffer in the 200-250bp range. Finally, the group has clearly ruled out any major M&A deal from its plan, preferring a share buyback to return cash to the shareholder.

This relative comfort in terms of solvency allows the group to take its level of shareholder returns to 40% of underlying earnings over 2020-2022e then 50% in 2023e, some of which should be via share buyback programmes (10% of the payout, with the rest in a cash dividend). UCG would therefore implicitly bring its global payout closer in line with the average levels shown by its peers at this stage.

Valuation

Despite a very good share price performance in 2019 (+35%), the stock continues to post, at this juncture, a significant discount to the sector, which is increasingly less justified given the momentum of the upturn in profitability of the group and balance sheet strengthening (capital, asset quality, etc.) and whilst the threat of a new political crisis in Italy seems to be receding. At 0.5x 2018 BV for a 2020e RoE of around 6.5% (vs 0.7x and 2021e RoE of 7.5%), the valuation remains attractive in terms of fundamentals/prospects. At our target price (lowered to € 15.3), upside potential on the stock is ~20%, above the sector average (~10%). We take the opportunity afforded by the publication of this document to integrate the group's various announcements end-2019 (re-organisation in Turkey, etc.) into our model.

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UC IM | CRDI.MI
Retail banking | Italy
Buy

Upside

21.04%

Price 12.64EUR

TP 15.30EUR

PER SHARE DATA (€)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Adjusted EPS	1.95	2.13	-7.65	1.59	1.77	2.03	1.67	1.83
Reported EPS	1.74	1.47	-9.59	2.46	1.75	2.02	1.67	1.83
Growth in adjusted EPS	ns	9.2%	ns	ns	11.6%	14.5%	-17.5%	9.3%
Net dividend per share	0.10	0.12	0.00	0.40	0.27	0.65	0.68	0.83
Number of shares market cap (m)	1 153.14	1 153.14	1 228.75	2 220.84	2 220.84	2 233.37	2 233.37	2 233.37
Number of diluted shares (m)	1 153.63	1 153.63	1 229.25	2 221.09	2 221.09	2 233.62	2 233.62	2 233.62
VALUATION (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
12m highest price (€)	34.42	32.82	25.73	18.35	18.21	13.49	13.52	
12m lowest price (€)	25.58	24.60	8.78	12.16	9.60	9.19	12.34	
(*) Reference price (€)	30.01	29.49	13.77	15.81	14.64	11.19	12.64	12.64
Capitalization	34 604	34 003	16 920	35 117	32 514	25 000	28 230	28 230
P/E (x)	15.4	13.9	ns	10.0	8.3	5.5	7.6	6.9
Net Yield	0.3%	0.4%	0.0%	2.5%	1.8%	5.8%	5.3%	6.5%
Price/Book value (x)	0.70	0.68	0.43	0.62	0.57	0.42	0.46	0.44
P/TGE (x)	0.76	0.73	0.47	0.66	0.61	0.45	0.49	0.47
Price/NBI (x)	1.53	1.52	0.86	1.76	1.71	1.34	1.51	1.50
Price/EBITDA (x)	3.83	3.87	2.37	4.08	3.77	2.88	3.26	3.24
(*) historical average price								
PROFIT AND LOSS (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Net Banking Income	22 552	22 405	19 594	19 940	18 961	18 705	18 714	18 771
o/w Net Interest income	13 236	12 746	11 151	11 271	11 242	10 961	10 939	10 945
o/w write downs	0.0	0.0	1.0	2.0	2.0	2.0	2.0	2.0
Total operating costs	-13 507.4	-13 618.1	-12 453.0	-11 336.0	-10 342.0	-10 028.9	-10 044.7	-10 067.6
Gross operating profit (EBITDA)	9 045	8 787	7 141	8 604	8 619	8 676	8 669	8 703
Loan-loss provisions	-4 292.1	-4 114.4	-12 207.0	-2 939.0	-2 615.0	-3 253.6	-2 462.0	-2 130.0
o/w toxic assets provisions	0.0	0.0	1.0	2.0	2.0	2.0	2.0	2.0
EBITA	4 753	4 672	-5 066.0	5 665	6 004	5 423	6 207	6 573
Impairments / goodwill	-281.3	-192.7	-266.0	-4.0	-3.0	-3.0	-3.0	-3.0
Pre-tax profit	4 471	4 480	-5 332.0	5 661	6 001	5 420	6 204	6 570
Exceptional items and other (pre-tax)	-662.0	-2 000.9	-5 121.0	-1 516.0	-2 765.0	-1 715.1	-1 319.8	-1 199.7
Corporate tax	-1 297.3	-137.3	-734.0	-609.0	584	-507.4	-1 004.0	-1 143.1
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	-504.3	-647.1	-607.0	1 938	72.0	1 324	-150.0	-150.0
Attributable net profit	2 008	1 694	-11 794.0	5 474	3 892	4 521	3 730	4 077
Adjustment for goodwill amortisation/impairment charges	281	193	266	4.0	3.0	3.0	3.0	3.0
Other adjustments	-43.1	566	2 121	-1 957.2	33.1	0.0	0.0	0.0
Adjusted attributable net profit	2 246	2 453	-9 407.1	3 521	3 928	4 524	3 733	4 080
o/w attributable operating net profit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w realised capital gains/losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest expense savings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fully-diluted adjusted attr net profit	2 246	2 453	-9 407.1	3 521	3 928	4 524	3 733	4 080
BALANCE SHEET (€m)	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Goodwill	3 562	3 618	3 591	3 591	3 591	3 591	3 591	3 591
Other intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Loans	470 569	473 999	444 608	438 894	458 657	462 430	463 203	466 106
Provisions	36 311	36 898	31 347	27 238	23 285	21 953	21 400	21 100
Loan losses	82 039	84 089	56 342	48 350	40 767	38 020	36 706	35 863
Total deposits	582 235	584 720	586 825	413 014	478 988	498 148	518 073	538 796
Subordinated debt	25 004	25 004	25 004	25 004	25 004	25 004	25 004	25 004
Ordinary shareholders' equity	52 877	53 614	42 803	62 650	62 704	64 777	67 000	69 234
o/w AFS reserve								
o/w stocks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w hybrid equity	3 502	3 545	3 468	5 823	5 585	5 585	5 585	5 585
Tangible Equity	45 814	46 451	35 745	53 236	53 528	55 601	57 824	60 058
Minority interests and preference shares	3 446	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Tier One	43 096	45 450	35 005	54 703	50 488	52 741	55 292	57 849
Capital Core Tier One	41 095	41 905	31 537	48 880	44 903	47 155	49 707	52 264
Risk-weighted assets	409 223	390 599	387 109	356 101	372 551	388 693	398 055	410 370
Total Assets	844 217	920 573	859 533	835 175	745 102	777 386	796 110	820 741
BS adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets Under Management	535	535	535	535	535	535	535	535
GROWTH MARGINS PRODUCTIVITY	12/14	12/15	12/16	12/17	12/18	12/19e	12/20e	12/21e
Cost income ratio	59.9%	60.8%	63.6%	56.9%	54.5%	53.6%	53.7%	53.6%
Loan loss ratio	1.0%	1.1%	3.2%	0.8%	0.7%	0.8%	0.6%	0.5%
NBI / RWA	5.5%	5.7%	5.1%	5.6%	5.1%	4.8%	4.7%	4.6%
EBITA margin	21.1%	20.9%	-25.9%	28.4%	31.7%	29.0%	33.2%	35.0%
Var. NBI	-3.3%	-0.7%	-12.5%	1.8%	-4.9%	-1.3%	0.0%	0.3%
Change in operating costs	-5.2%	0.8%	-8.6%	-9.0%	-8.8%	-3.0%	0.2%	0.2%
Operating costs per employee (€m)	103	107	102	108	116	117	119	120
NBI per employee (€m)	173	176	161	190	212	218	222	224
EEBITDA per employee (€m)	69	69	59	82	96	101	103	104
RoA	0.27%	0.27%	-1.09%	0.42%	0.53%	0.58%	0.47%	0.50%
ROE (after tax)	4.5%	4.9%	-23.9%	6.2%	6.9%	7.6%	6.1%	6.4%
RoTE	4.9%	5.3%	-26.3%	6.6%	7.3%	8.1%	6.5%	6.8%
RoRWA	0.55%	0.63%	-2.43%	0.99%	1.05%	1.16%	0.94%	0.99%
Tier One ratio	10.5%	11.6%	9.0%	15.4%	13.6%	13.6%	13.9%	14.1%
Common Equity ratio	10.0%	10.7%	8.1%	13.7%	12.1%	12.1%	12.5%	12.7%

Sources: ODDO BHF Securities, SIX



- Valuation method

Our target prices are established on a 12-month timeframe and we use three valuation methods to determine them. First, the discounting of available cash flows using the discounting parameters set by the Group and indicated on ODDO BHF' website. Second, the sum-of-the-parts method based on the most pertinent financial aggregate depending on the sector of activity. Third, we also use the peer comparison method which facilitates an evaluation of the company relative to similar businesses, either because they operate in identical sectors (and are therefore in competition with one another) or because they benefit from comparable financial dynamics. A mixture of these valuation methods may be used in specific instances to more accurately reflect the specific characteristics of each company covered, thereby fine-tuning its evaluation.

- Sensitivity of the result of the analysis/ risk classification:

The opinions expressed in the financial analysis are opinions as per a particular date, i.e. the date indicated in the financial analysis. The recommendation (cf. explanation of the recommendation systematic) can change owing to unforeseeable events which may, for instance, have repercussions on both the company and on the whole industry.

- Our stock market recommendations

Our stock market recommendations reflect the RELATIVE performance expected for each stock on a 12-month timeframe.

Buy: performance expected to exceed that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Neutral: performance expected to be comparable to that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Reduce: performance expected to fall short of that of the benchmark index, sectoral (large caps) or other (small and mid caps).

- The prices of the financial instruments used and mentioned in this document are the closing prices.

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Recommendation split

		Buy	Neutral	Reduce
Our whole coverage	(432)	45%	42%	13%
Liquidity providers coverage	(86)	53%	40%	7%
Research service coverage	(31)	68%	32%	0%
Investment banking services	(19)	79%	21%	0%

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