

European Infrastructure

Ceci n'est pas un Roadblock

Over-penalised by French political turbulence, VINCI and Eiffage currently offer an interesting entry point to play the mega trends that should support their business in the long term, such as the energy transition to decarbonise everyday life and the strong investment needs in global infrastructure. Solid balance sheets, attractive valuations and robust free cash flow yields further back our positive stance on the names. We initiate coverage of VINCI and Eiffage with BUY ratings.

Sector m/l term upside largely disentangled from GDP evolution

We have a positive view on the Infrastructure sector. We believe that most of the growth opportunities for VINCI and Eiffage in the medium/long term have a limited correlation to GDP but rather are more dependent on secular growth trends, such as the energy transition and the need to invest to improve worldwide infrastructure.

Need for infrastructure investments and energy transition behind l/t growth prospects

According to Global Infrastructure Outlook, investments in infrastructure are poised to steadily expand and reach approx. USD 4Trn by 2040 from USD 2.8Trn at YE23 based on current trends. While notable, this implies an underinvestment of USD 700Bn/year on avg. according to the report. Investments in road transportation represent the bulk of the total, but we see the energy transition and digital transformation as the two main forces that are reshaping the way individuals, government agencies and industry players behave, supporting significant future investments to decarbonise the world and manage the sharp increase in data proliferation in the coming years.

Eiffage: unjustified valuation

We initiate coverage of Eiffage with a BUY rating and a TP of EUR 129, implying a >55% upside. We have a positive view on Eiffage and we believe that the current discount of approx. 30% vs. its historical avg. EV/EBITDA is undeserved, given: 1) its substantial order book, providing very good visibility on contracting (18 months sales' coverage); 2) the secular trend of the energy transition and digital transformation underpinning the Eiffage Energy business' long-term prospects, with profitability likely to expand more than current consensus figures; 3) the double-digit free cash flow yield expected for this year and growing to approx. 20% by 2026; 4) the solid balance sheet that leaves Eiffage ample room to extend the duration of its concession portfolio through M&A in airports and new greenfield assets in motorways.

VINCI: Playing the mega trends at an affordable price

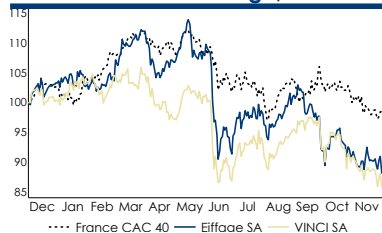
We initiate coverage of VINCI with a BUY rating and a TP of EUR 135, corresponding to a >35% upside. Our positive stance on the stock relies on: 1) Vinci motorways' strong cash flow, which supports the group's diversification and value creation through strategic M&A; 2) the exposure to the energy transition and digital transformation mega trends, expected to fuel the medium/long term growth ambitions; 3) its exposure to the air passenger traffic secular growth through its worldwide airport platform; 4) the solid balance sheet (net debt/EBITDA <1x by 2026) along with an eye-catching free cash flow yield moving progressively from 8.5% at YE23 to 11.3% by YE26.

5 December 2024: 7:42 CET

Date and time of production

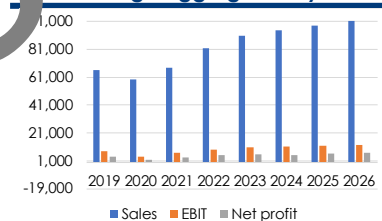
Europe/Infrastructure
Sector Update

CAC 40 vs. Vinci & Eiffage, -1Y



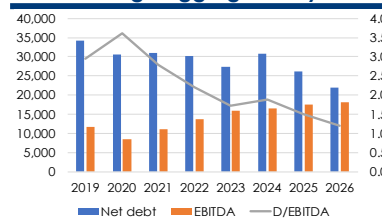
Source: FactSet;

Vinci & Eiffage aggregate key data



Source: Intesa Sanpaolo Research estimates

Vinci & Eiffage aggregate key data



Source: Intesa Sanpaolo Research estimates

Report priced at market close on 02/12/2024 (except where otherwise indicated within the report).

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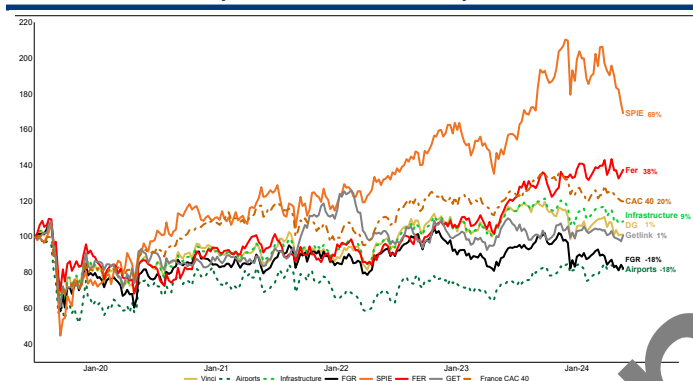
Sample

Capturing Multiple Mega Trends at Appealing Prices

The Infrastructure sector has fully recovered to the pre-Covid level (+9%) and slightly outperformed the Airport sector (+2%) while lagging behind the CAC 40 (+20%). However, within the Infrastructure sector the performance is uneven, with SPIE (+69%) and Ferrovial (+38%) significantly outperforming, while Eiffage is still well below the pre-Covid level (-18%) and VINCI just above the 2019 level (+1%).

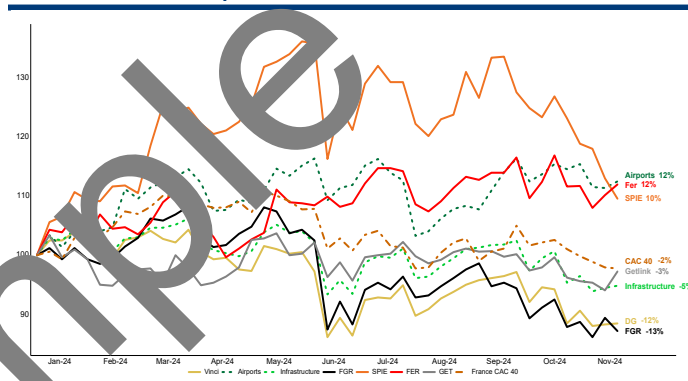
The outcome changes when we look at the YTD performance. Infrastructure is down 5%, penalised by both VINCI (-12%) and above all Eiffage (-13%), reflecting the political turbulence in France, with the CAC 40 down 2%, against a positive performance by Ferrovial (+12%) and SPIE (+10%) and flattish for Getlink (-3%). Airports are up 12%, less influenced by the French domestic political uncertainties, which have only hit ADP (-7%).

Infrastructure stocks performance since the pandemic



Source: Factset

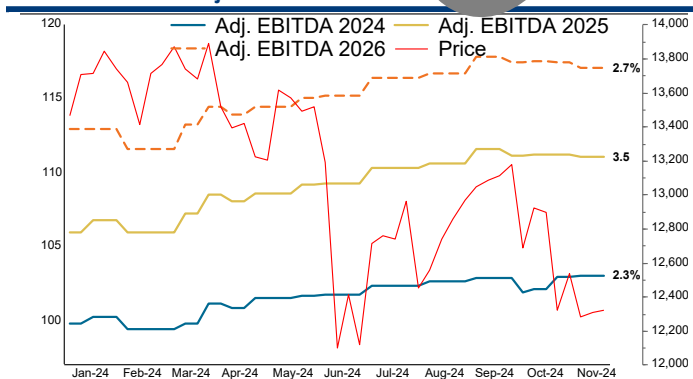
Infrastructure stocks performance YTD



Source: Factset

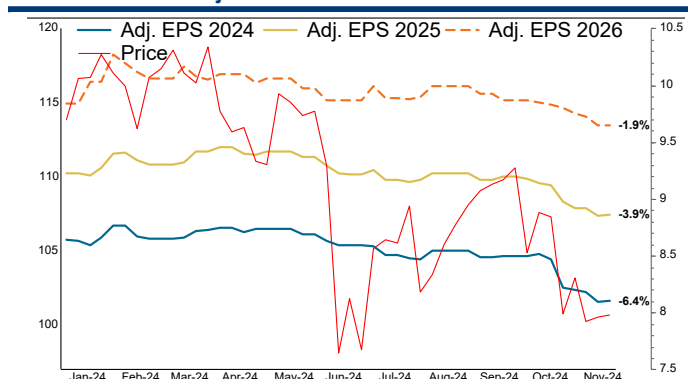
With VINCI and Eiffage consensus estimates still showing solid momentum at the EBITDA level and EPS deteriorating only due to the announced temporary tax increase on large French corporates, their YTD performance has been penalised by the domestic political uncertainties and risks of further EPS deterioration that stem from adverse fiscal policies to rein in French public deficit, rather than the cost of funding's potential increase due to French interest rate spikes.

VINCI - 2024-26E adj EBITDA momentum YTD



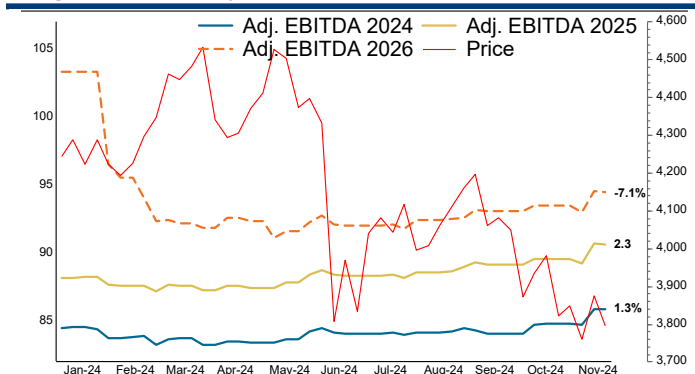
Source: Factset

VINCI - 2024-26E adj EPS momentum YTD



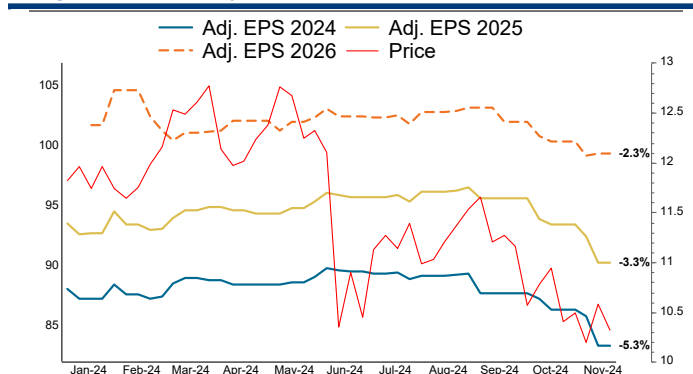
Source: Factset

Eiffage – 2024-26E Adj EBITDA momentum YTD



Source: Factset

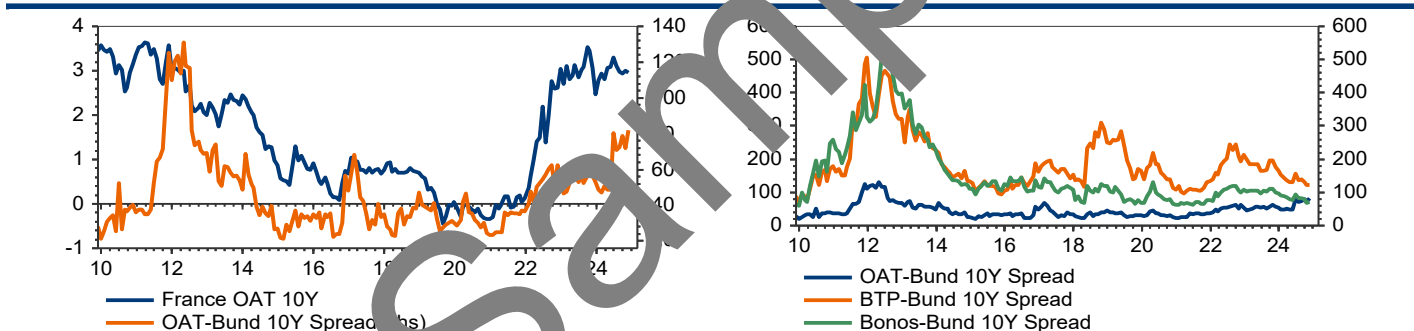
Eiffage – 2024-26E Adj EPS momentum YTD



Source: Factset

Given that 50% of VINCI's debt is at a fixed rate (post hedging) and the company holds approx. EUR 13Bn of cash, which naturally hedges almost the other 50% of inflation-linked and floating debt, the sensitivity to interest rates is negligible with a very modest liquidity risk (avg. maturity of 6.4Y). As for Eiffage, most of its debt is at a fixed rate and its two credit facilities for a total of EUR 4Bn, largely undrawn at EY23, are due to mature in 2026/2027. The heightened perceived risk was also promptly incorporated by the bond market as well, with the 10Y OAT yield sharply up and the spread vs. the German Bund close to the last decade highs.

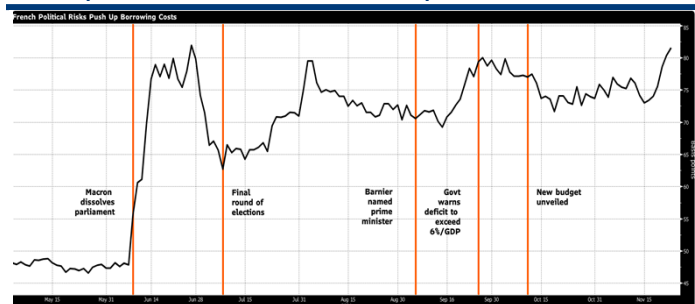
France OAT 10Y and Spread vs. Bund 10Y



Source: Intesa Sanpaolo Research on LSEG

The penalisation of VINCI and Eiffage well exceeding the expected cash-out from the proposed tax increase (less than 2% of their market share) is also evident looking at the overall French equity risk premium, based on our calculations. The latter recorded a spike in June to 7% when Macron called the snap election, but was followed by a return to the average in the following months.

French political risk – OAT 10Y vs. Bund Spread evolution



Source: Bloomberg

CAC 40 – Equity risk premium vs. P/E (2023/24)



Source: Intesa Sanpaolo Research elaborations on LSEG/IBES data

Valuation-wise, at 10.5x on NTM EV/EBITDA, the Infrastructure sector is currently trading well below its 10Y historical avg. of 13.5x, as well as the 10Y pre-Covid avg. of 11.5x. This is even more evident for the single names of VINCI and Eiffage (see detailed note on page 6).

Infrastructure – 10Y NTM EV/EBITDA avg



Source: Factset

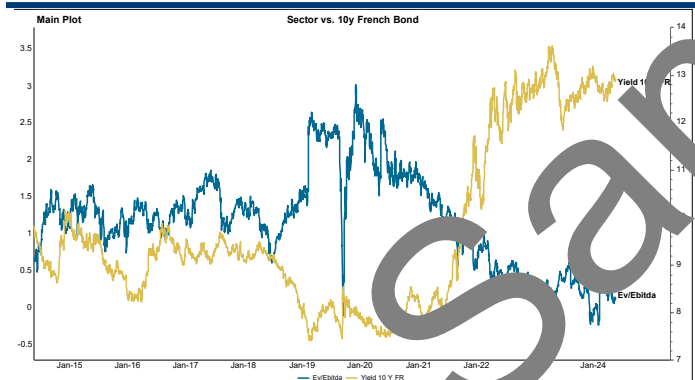
Infrastructure – 10Y NTM EV/EBITDA avg (pre-Covid)



Source: Factset

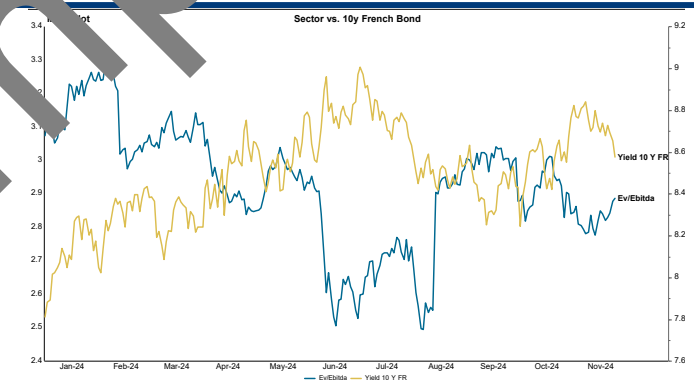
We believe that part of this discount is largely dependent on the adverse market interest rate trend, which has significantly impacted the concessions business and in general assets with a long duration through an inverted correlation.

Infrastructure – 10Y NTM EV/EBITDA vs. 10Y OAT



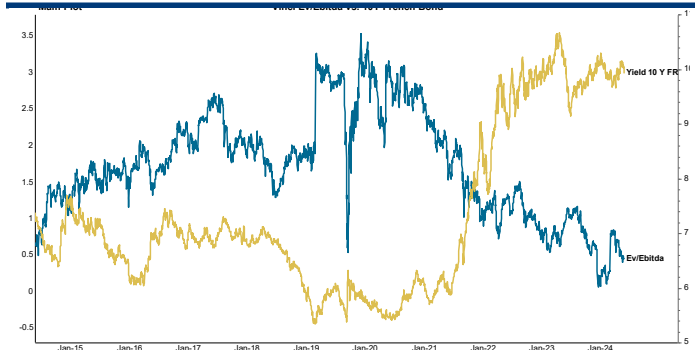
Source: Factset

Infrastructure – 10Y NTM EV/EBITDA vs. 10Y OAT



Source: Factset

VINCI – 10Y NTM EV/EBITDA vs. 10Y OAT



Source: Factset

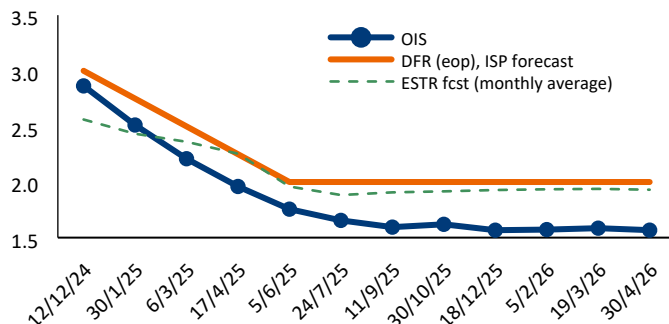
Eiffage – 10Y NTM EV/EBITDA vs. 10Y OAT



Source: Factset

The ongoing easing of the market interest rate in Europe expected by our macroeconomists may underpin share prices going forward once the uncertainty on the French political situation eases.

ECB – Interest rate forecast and market expectation



Source: Intesa Sanpaolo Research, LSEG

Market multiples (2024/25)

x, %	EV/ EBITDA	EV/ EBIT	P/E	2024E FCF yield	Div. Yield	Total Return	EV/ CE	EV/ EBITDA	EV/ EBIT	P/E	2025E FCF yield	Div. Yield	Total Return	EV/ CE
AENA*	10.1	13.4	15.5	6.9%	4.6%	11.5%	2.6x	9.7	12.2	14.3	7.4%	5.0%	12.3%	2.5x
ADP*	9.3	19.8	34.1	2.4%	2.8%	5.2%	1.4x	8.7	14.0	15.6	1.2%	3.9%	5.1%	1.4x
FRAPORT*	10.0	16.8	9.9	-17.2%	0.0%	-17.2%	1.0x	9.0	14.7	11.7	-0.5%	0.0%	-0.5%	1.0x
Zurich*	10.1	16.3	18.1	5.4%	2.6%	8.0%	1.8x	9.5	14.1	19.1	5.9%	2.6%	8.4%	1.8x
ADB*	6.2	10.0	13.8	-8.1%	4.1%	-4.0%	1.2x	6.5	10.3	14.2	-7.9%	4.0%	-3.9%	1.2x
Athens	8.0	9.4	10.8	7.5%	9.3%	16.7%	3.3x	8.6	10.8	12.2	2.7%	8.0%	10.8%	3.3x
Wien	10.1	15.0	21.1	4.0%	2.9%	6.9%	2.3x	9.1	13.1	18.8	4.1%	3.2%	7.3%	3.1x
TAV	9.4	11.7	13.8	NA	0.0%	NA	1.3x	7.5	9.7	9.7	NA	4.1%	NA	1.1x
Airports	9.1	14.0	17.1	0.1%	3.3%	3.9%	1.4x	8.5	12.6	14.0	1.8%	3.8%	5.6%	1.9x
VINCI*	6.3	8.9	13.4	-1.0%	4.4%	3.5%	1.5x	5.8	8.0	11.6	11.6%	5.1%	16.7%	1.4x
Eiffage*	4.7	7.6	9.0	11.2%	4.2%	15.4%	0.9x	4.3	6.8	7.7	19.2%	4.9%	24.1%	0.9x
Getlink	15.1	21.5	32.9	7.1%	3.8%	10.9%	2.0x	15.1	21.4	33.0	6.0%	4.1%	10.0%	2.0x
Ferrovial	24.8	NM	43.1	3.2%	2.0%	5.3%	2.9x	21.9	NM	42.4	3.8%	2.1%	5.9%	2.9x
Infrastructure	12.7	12.6	24.6	5.1%	3.6%	7.7%	1.1x	11.7	12.1	23.7	10.2%	4.0%	14.2%	1.8x
SPIE	7.3	10.2	11.9	9.8%	3.4%	13.2%	1.8x	6.4	9.0	10.9	10.9%	3.7%	14.6%	1.7x
Instalco	8.7	14.8	17.8	6.1%	5.1%	8.3%	1.7x	7.8	12.5	14.1	10.7%	2.6%	13.3%	1.6x
Bravida	8.2	11.5	14.6	9.7%	4.4%	14.1%	1.7x	6.7	9.0	11.7	13.4%	4.7%	18.0%	1.7x
Energy players	8.1	12.2	14.8	8.5%	3.4%	11.9%	1.7x	7.0	10.2	12.3	11.6%	3.7%	15.3%	1.7x
ACS	5.0	8.4	16.5	5.5%	5.0%	10.5%	1.8x	4.2	7.0	14.5	9.0%	5.2%	14.2%	1.8x
STRABAG	1.7	3.0	8.1	NA	5.1%	NA	1.0x	1.4	2.5	8.4	NA	5.4%	NA	0.8x
Sacyr	6.5	7.4	11.5	-29.3%	4.3%	-24.8%	1.1x	6.7	7.6	12.6	-44.4%	4.8%	-39.6%	1.1x
HOCHTIEF	6.7	7.5	12.2	1.7%	4.5%	12.5%	4.4x	6.3	6.7	13.7	8.5%	4.8%	13.3%	4.0x
Webuild	2.1	3.4	11.1	-29.8%	1.9%	-26.9%	2.0x	1.8	2.8	7.8	3.4%	3.5%	6.8%	NA
Construction	4.4	6.0	13.5	-11.4%	2.2%	-7.2%	2.0x	4.1	5.3	11.4	-5.9%	4.6%	-1.3%	1.9x

Source: FactSet and *Intesa Sanpaolo Research estimates

Investment view: long-term growth opportunities disengaged from GDP

We have a positive view on the Infrastructure sector. Macros are neither a major headwind nor a relevant drag for the sector. Our macroeconomists expect a slow recovery across the member states in Europe, inflation to moderate and interest rates to drop with the ECB bringing the repo rate to 2% by mid-2025. However, we think that most of the growth opportunities for VINCI and Eiffage in the medium/long term have a limited correlation to GDP but rather are more dependent on secular growth trends.

On Contracting, according to the Global Infrastructure Outlook, investments in Infrastructure are poised to steadily expand and reach approx. EUR 4Trn by 2040 from USD 2.8Trn at YE23 on a world-wide basis. More interestingly, according to the report, there's a huge gap between the planned capex vis-à-vis the required estimated investment of USD 15Trn over the period. Investments in road transportation represent the largest portion of the total, but capex on Energy is quickly gaining share. We see the energy transition and the digital transformation as the two main forces that are reshaping the way individuals, government agencies and industries behave, supporting significant investments in the future to decarbonise the world and manage the significant increase of data proliferation in the coming years. According to the International Energy Agency, in 2024 alone approx. USD 3Trn (3% of global GDP) is set to be invested in energy, with a rising

Macros have a neutral role, mega trends are the growth drivers

Huge investments in infrastructure required, supporting long-term growth along with energy and digital transition

share for clean power generation. The most conservative estimates look for similar investments/year needed to keep global warming well below the 2 Celsius degrees set by the Paris agreement for many years to come.

We believe that both VINCI and Eiffage, given their market leadership, are well positioned to benefit from those mega trends, which would stabilise the revenues stream while providing good opportunities to expand profitability on contracting via a selective approach to picking up new projects. The large and steadily growing order book in recent years and improved margins are evidence of this. In addition, the gradual decline of interest rates should favour a recovery in the Europe-wide property market, currently at a bottom and already showing some signs of improvements. The stabilisation followed by a moderate growth currently represent an upside on our estimates at top-line level as well as on margins, given the higher profitability of this business.

As for Concessions, we expect French motorways traffic to grow at a low single-digit in 2024-26 and benefit from an easy comp in 2025, while the gradual retracing of inflation will limit the contribution of tariffs to revenue expansion. Net net, we see small growth, but the motorways business remains an important cash cow for both VINCI and Eiffage to fund their diversification strategy, as well as remunerate their shareholders.

By contrast, the airports business is the sweet spot in the concessions arena, as confirmed by the lively M&A activity. Global air traffic demand remains very solid and IATA points to air passengers growth of 3.8% for the next 20 years and the number of travellers doubling by 2045 from 2019 level. Consumers' preference shift from tangible to experience (see our European Airport Operators report of 24/11/2023 for more details) remains a major force behind the short and long-term air traffic demand, on top of mega-trends such as the progressive rise of the middle class, tourism and migration. VINCI's airport platform will benefit from those trends while its solid balance sheet should continue to enable it to seek value creation through strategic deals in the port.

Our positive stance is also backed on valuation grounds. Despite delivering solid results able to neutralise the headwinds from the tighter French fiscal policy, VINCI and Eiffage stocks are trading significantly below their historical avg., offering in the low teens free cash flow yield and an avg. 2024-26 dividend yields in the range of 4.9% (Eiffage) and 5.1% (VINCI).

VINCI and Eiffage, appealing names to play those trends

Motorways to remain a key source of cash flow to reinvest...

...to extend portfolio concessions, notably on airports, and on shareholders remuneration

Eiffage and VINCI Coverage – Key data

	Rating	Mkt cap	TP	Upside	EV/EBITDA	EV/EBITDA	EV/EBITDA	P/E	P/E	FCF yield %	FCF yield %	FCF yield %	Dividend yield %	Dividend yield %	Dividend yield %	ROACE	ROACE	ROACE	
					2024E	2025E	2026E	2024E	2025E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	
Eiffage	BUY	8,114	129	55.8	4.3	4.0	8.0	7.2	6.6	11.4	19.7	21.5	4.3	5.0	5.7	9.3	9.8	10.2	
VINCI	BUY	57,291	135	38.8	6.1	5.5	12.0	12.7	11.2	9.8	-1.0	11.9	12	4.5	5.2	5.9	13	13	14

Priced at 02/12/2024; E: estimates; Source: Factset and Intesa Sanpaolo Research

Concession Business: Going with the Cash Flow

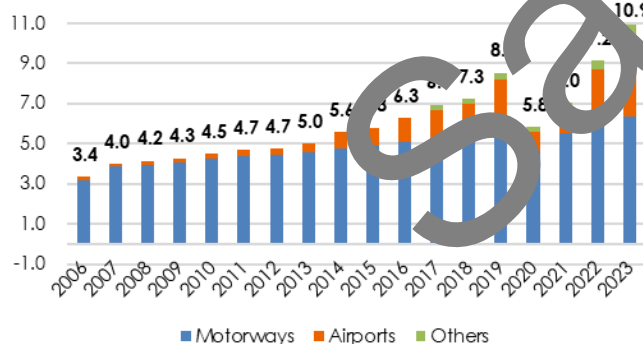
Concessions infrastructure refers to a contractual arrangement between a public authority/government and an economic operator, which usually is remunerated through users' fees or sometimes by government payments over a long-term period. Concession business offers: 1) predictable monopolistic cash flows (accurate risk assessment and return projections); 2) long-term investment horizon ranging from 20 to 30 years; 3) inflation hedging, with pricing mechanisms linked to the inflation; 4) essential assets, with strong underlying demand reducing vacancy/downtime risks. On the other hand, by its nature concession requires relevant equity investments and high capital employed and a long-term relationship management with the grantor. Typical risks regard the contractual framework and the traffic and the inflation exceeding the hedged threshold.

Capex intensity along with predictable cash flows

Both VINCI and Eiffage are highly involved in the concession business, with a specific focus on motorways and airports and, to a lesser extent, railways, stadiums/arenas, schools, universities. Both companies entered in the Concession business with the privatisation of the French motorways in the 2005/2006 and gradually diversified into other geographies and activities, namely in airport concessions. Through a steady organic growth and aggressive external expansion, namely for VINCI, Concession has progressively but significantly grown in the last decade and FY23 revenues amounted, respectively, to approx. 11Bn and 3.6Bn for VINCI and Eiffage, more than doubling their size since its inception. To put it into context, in FY23 Concessions business generated more than 55% of VINCI's group free cash flow while absorbing almost 80% of its capital employed (FCF to EV of 9% while Eiffage's Concession business generated approx. 65% of the free cash flow and absorbed the bulk of the capital invested, according to our estimates.

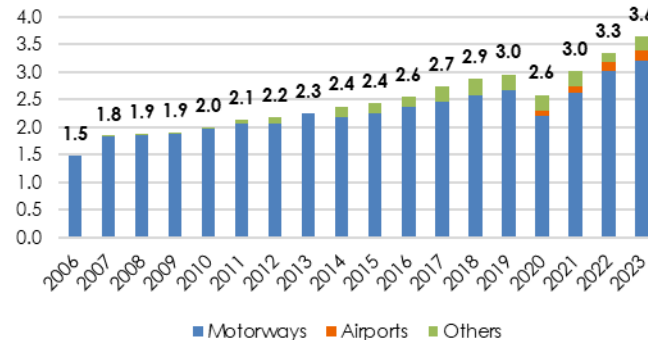
Concessions increasingly important

VINCI - Concession business evolution-Sales breakdown (EUR Bn)



Source: Company data and Intesa Sanpaolo Research

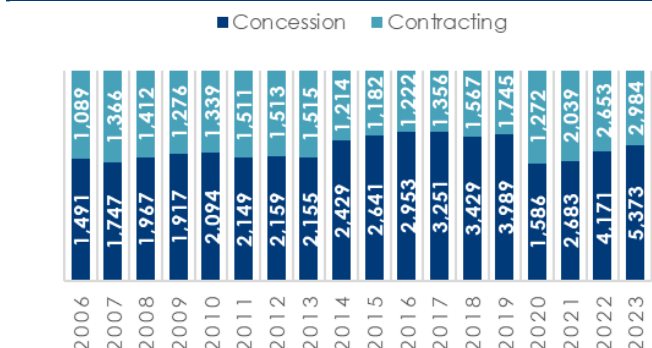
Eiffage- Concession business evolution- Sales breakdown (EUR Bn)



Source: Company data and Intesa Sanpaolo Research

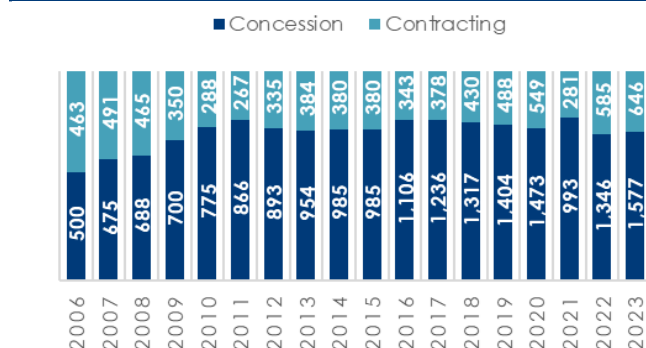
Despite the strong growth, the Concession business has still a limited weighting to the group sales (approx. 15%) but a more than proportional contribution to both the companies operating profit between given their much higher profitability ranging between 65/70% at EBITDA level.

VINCI - EBIT split by business (EUR M)



Source: Company data

Eiffage - EBIT split by business (EUR M)



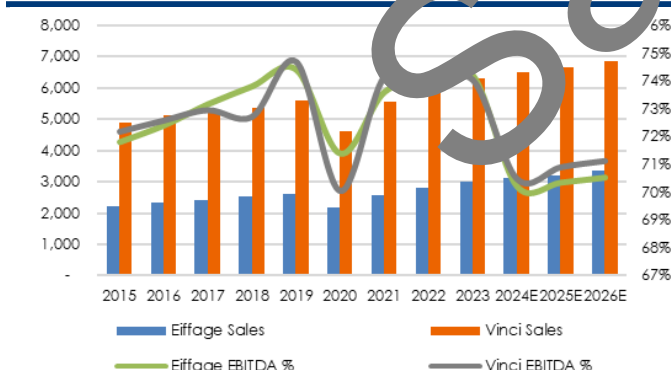
Source: Company data

Motorways: the cash cow

The motorways business is by far the most profitable segment for both VINCI and Eiffage, with an EBITDA margin above the 70% threshold. VINCI and Eiffage have been successfully operating the concessions growing the top-line and gradually expanding the profitability, except for 2020, leveraging on efficiency and the economies of scale. In the last few years, sales grew by 3.5% and 2.9% for Eiffage and VINCI (2015-23 CAGR) and the EBITDA by 4% and 3.3% (2015-23 CAGR), respectively. Most importantly, the motorways concessions are serious cash-generating machines that have enabled both VINCI and Eiffage to finance their external growth as well as to stabilise the groups' consolidated cashflows offsetting the higher cyclicality of Contracting business. We calculate that in the last years alone, VINCI and Eiffage received EUR 9.5Bn and EUR 2.1Bn respectively from their subsidiaries ASF/Cofiroute (VINCI) and APRR/AREA (Eiffage). We expect that the motorways business will remain a significant pillar of the groups' strategy and performances and we project for the next three years a low-single digit sales growth and gradual margin recovery from this year's low, affected by infrastructure tax (see below).

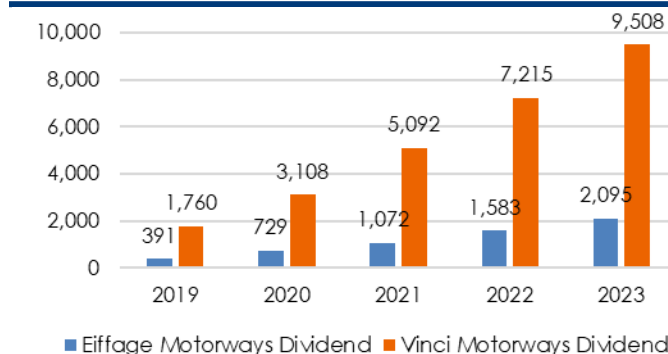
Cash hoard to fund portfolio extension

Motorways - VINCI and Eiffage sales and EBITDA



Source: Company data and Intesa Sanpaolo Research

Motorways - VINCI and Eiffage dividends cashed-in (cumulative)



Source: Company data and Intesa Sanpaolo Research

VINCI and Eiffage: the first and second sector players at home

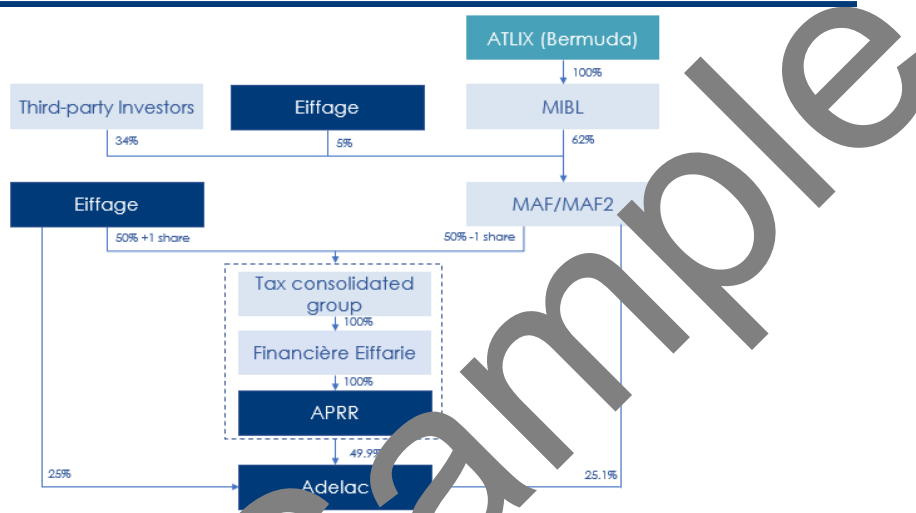
VINCI and Eiffage collect most of the motorways' revenues in France, the key business within the Concessions. The French tolled network length is approx. 8,700km, with VINCI being the largest player with approx. 50% market share and operating ASF, Cofiroute, Escota and the two smaller toll-roads Arcour and Arcos. Eiffage is the second largest player with a market share of approximately 30% operating through APRR/AREA, the A79 (Aliaé), the A41 (Adelac), the A65 (Alienor) and the recently built Millau Viaduct. The rest of the network is operated by Abertis (Mundys/ACS) with its subsidiaries Sanef and SAPN.

French tolled-motorways network

Concessionaire	Concession	Date of Expiry	Network Length	Stake	Traffic Risk
Sanef (Abertis)	Sanef	Dec-31	1,388	50%	Yes
VINCI	Escota	Feb-32	471	100%	Yes
Sanef (Abertis)	SAPN	Aug-33	372	50%	Yes
VINCI	Cofiroute	Jun-34	1,100	100%	Yes
APRR (Eiffage)	APRR	Nov-35	1,867	52%	Yes
VINCI	ASF	Apr-36	2,724	100%	Yes
AREA (Eiffage)	AREA	Sep-36	409	52%	Yes

Source: Company data

Eiffage controls APRR&AREA through the holding company Financière Eiffarie and a stake in MAF, reaching a 52% stake in total (the rest is held by Atlas Arteria with 31% and the remaining by other investors through MAF holding). On the contrary, VINCI's French motorways are fully controlled by the company.

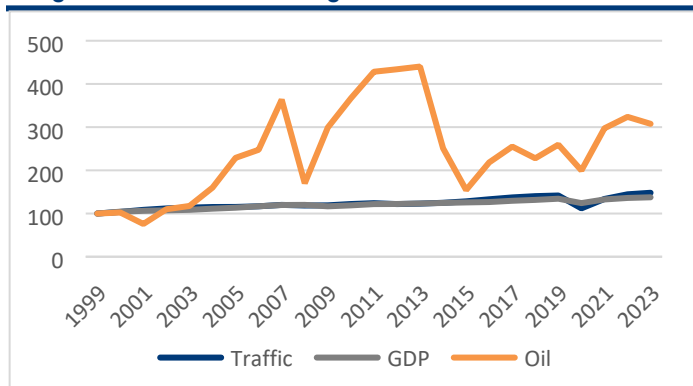
Eiffage - APRR shareholding structure

Source: Atlas Arteria

Motorways traffic resilience to oil prices and driven by GDP

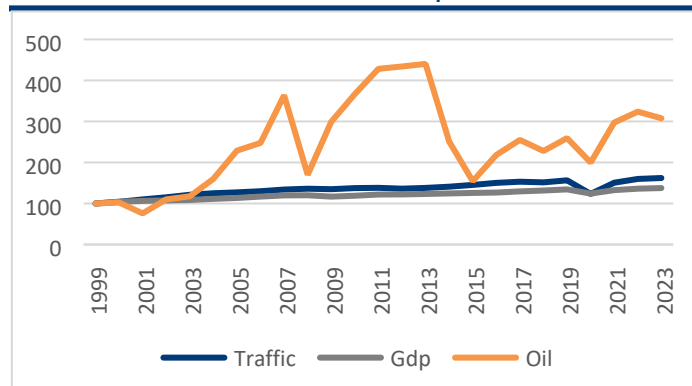
The French network is old (40/50 years old) and has showed a good resiliency through the past cycles and the spike of the oil prices. The modal shift driven by the High-Speed Rail (HSR in France is the second largest in Europe, after Spain) has not impacted significantly on travellers' behaviour. Most recent alternatives (car sharing, BlaBlaCar) did not dent traffic evolution as well, while the impact of lower commuting during the week because of remote working has been offset by increased journeys during the weekend.

Eiffage - traffic resilience - Eiffage APRR



Source: Company data

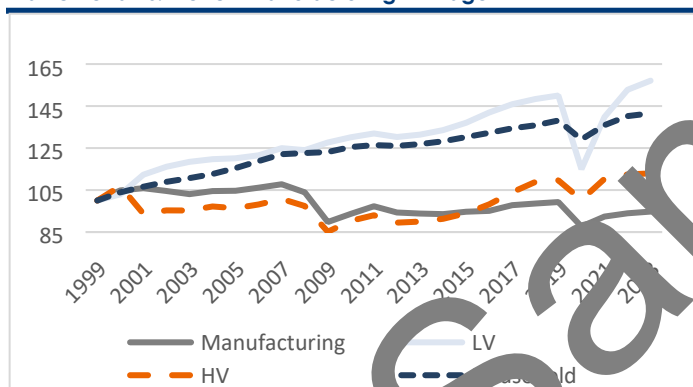
VINCI - traffic resilience - VINCI ASF Group



Source: Company data

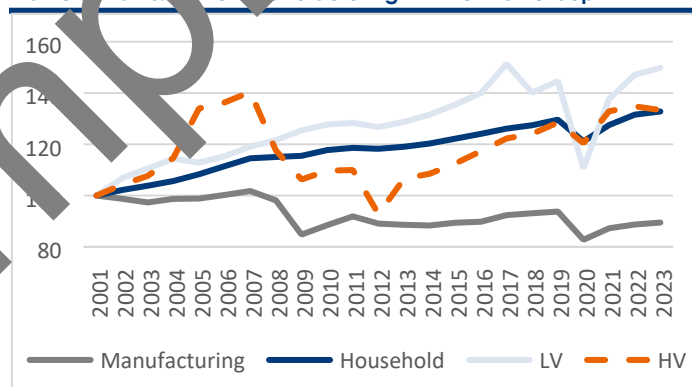
In the long run, traffic has shown a solid correlation with the GDP, more specifically the light vehicles volume looks more dependent on household consumption while the heavy vehicles showed a better correlation with production manufacturing, notably for Eiffage's APRR.

Traffic trend vs. French manufacturing – Eiffage APRR



Source: Company data and Intesa Sanpaolo Research

Traffic trend vs. French manufacturing – VINCI ASF Group



Source: Company data and Intesa Sanpaolo Research

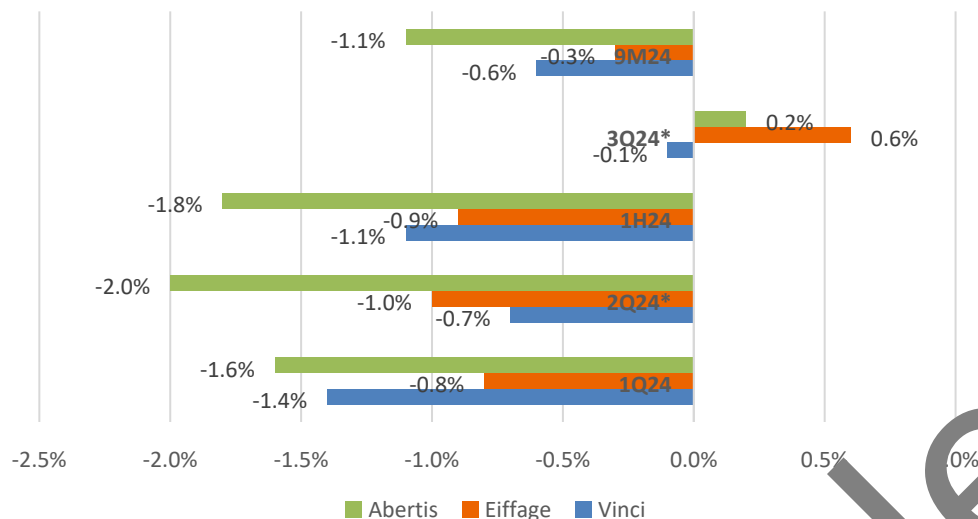
Recent traffic trend: road blockades and bad weather hit 2024 traffic

The French motorway traffic performance YTD has not been that great, despite some improvements showed during the summer. Volumes suffered from the road closures and blockades caused by the farmers' strikes between 23 January and 5 February affecting the network across the board for all operators, including VINCI and Eiffage, and bad weather conditions in 2Q24. In 9M24, Eiffage traffic was down by -0.3% (APRR&AREA), VINCI -0.6%, affected by the abovementioned strikes and bad weather conditions (in February and March, and partially in June) and -1.1% for Abertis' Sanef/Sapn. Also hit by fewer working day, the most impacted was clearly the heavy traffic, with Eiffage down -1.1%, -1.4% for VINCI and -3.1% of Abertis (in 1H24 for the latter).

Though still anemic, 3Q data show an improving trend, with traffic down -0.1% on VINCI network (Light vehicles at -0.2%, Heavy vehicles at +0.6%) with Eiffage and Abertis regaining the positive territory, with the former up 0.6% and the latter +0.2%.

Non-recurring events provide easy comps next year

French Toll-road traffic: YTD trend

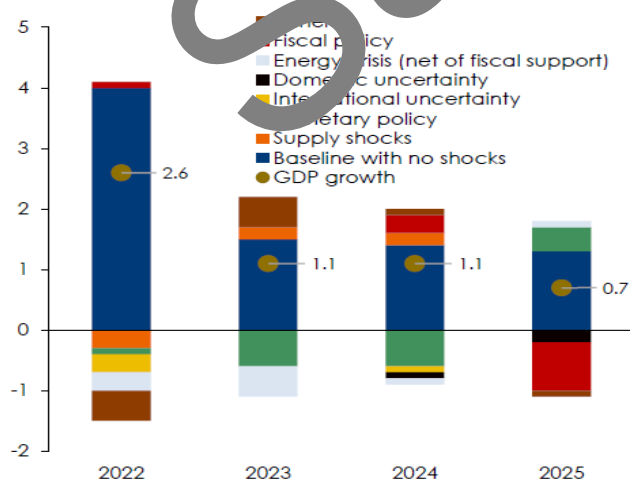


Source: Company data; *for Abertis, data are our estimates

The French economy has experienced a difficult phase lately; however, based on our macroeconomists' French GDP forecasts (+1.1% in 2024, +0.7%, +1.4% in 2026) with a concrete impact on growth if the planned fiscal tightening is completed, we expect for this year flattish traffic for Eiffage and VINCI, but gaining momentum next year (+0.9%/+1.1% and +1.3%/1.4% in 2026 as the comparison becomes easier in 2025 and economy improves in 2026). We highlight that transit routes on VINCI and Eiffage motorways are corridors connecting different states in Europe; thus, traffic is not only influenced by the domestic economy, as shown by past evidence.

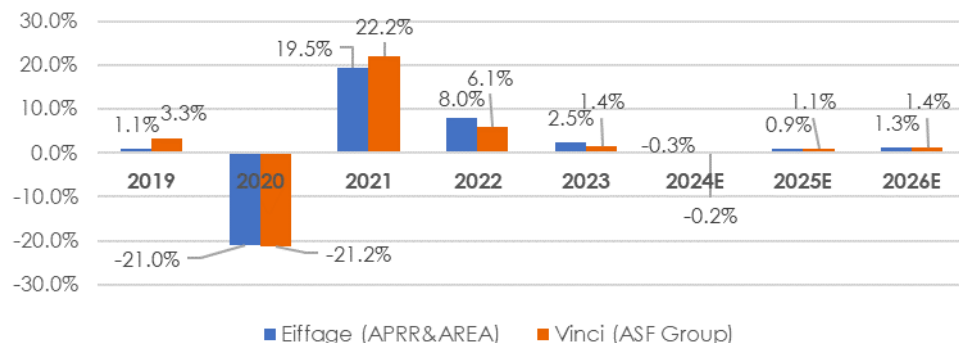
French GDP unsupportive but traffic disengaged by domestic setbacks

France GDP growth: estimated impact on the new fiscal policy



Source: Intesa Sanpaolo Research

2024E-2026E traffic expectation



Source: Intesa Sanpaolo Research

Nice hedging from inflation, although the worst is over

A key feature of the French motorways concessions is the partial hedging of the inflation provided by the regulation. In fact, tariffs are set allowing for a recovery of the inflation (CPI index excluding tobacco products end October Y-1) plus an incremental value agreed with the regulator to compensate for new investments to be executed. For Eiffage and VINCI's two largest motorways concessions the recovery of the inflation is at 70%.

Tariffs calculation

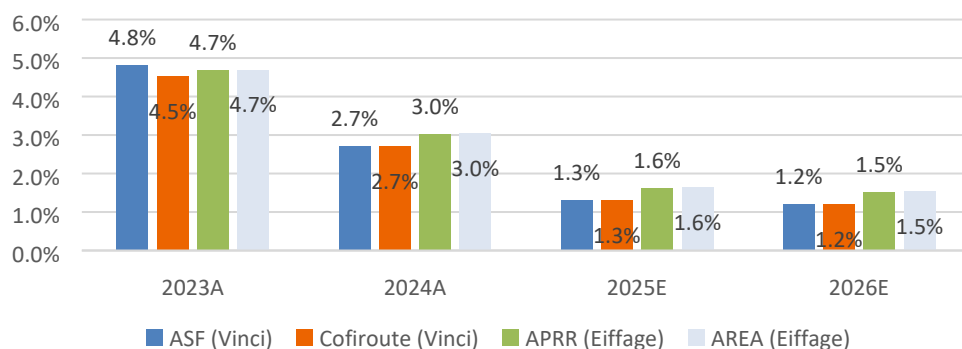
	2024	2025	2026	...
ASF (VINCI)	2.71%	70% xl	70% xl	70% xl
Escota (VINCI)	2.71%	70% xl	70% xl	70% xl
Cofiroute (VINCI)	2.71%	70% xl	70% xl	70% xl
APRR (Eiffage)	3.02%	70% xl+0.15%	70% xl+0.315%	70% xl
AREA (Eiffage)	3.04%	70% xl+0.33%	70% xl+0.33%	70% xl

Source: Company data

On the back of our macroeconomists' expectations on 2024-2025E inflation also impacted by a 15% cut on energy tariffs from February 2025, we anticipate a moderation in tariffs' growth for both VINCI and Eiffage in the range of +1.2%/+1.6% over the next two years. In the case of Eiffage, the 2024-26 tariffs include also the remuneration for the investments agreed with regulator for approx. EUR 410M in the period related to 2024-26.

Single digit tariffs increase expected

Tariffs evolution – 2025E-2026E



Source: Company data and Intesa Sanpaolo Research

Short portfolio duration impairs long-term cash flow visibility: Airports are the quick fix

The residual life of the concessions for both companies is short and ranges from a minimum of seven years for VINCI's Sanef to a maximum of twelve years of Eiffage's AREA. The expiry of the contract is a key theme for the sector, since at this stage it is unclear whether the French government will retender the concession and how the bidding process will be organised. Due to budget constraints and the generally high capex maintenance requested by the network, we see as unlikely the renationalisation or the return to public concessions by the French government, as has been the case in Spain. On the contrary, we see as more probable that the profitability may worsen once the concessions are retendered. Given the relevant cash flow generation stemming from the motorways' concessions, the lack of renewal or a less profitable contract may significantly change the cash flow profile of the companies in the long term after the concession expiry. To cope with this potential unfavourable scenario, Eiffage and above all VINCI have been diversifying in other sectors to lengthen the duration of their concession portfolio, namely in airports as previously mentioned.

In addition, it's worth highlighting that Eiffage runs the concessions with the longest residual life and as such boasts the advantage to bid for the concessions expiring earlier than other players, as well as to gain better visibility on the competition attitude and the outcome of the first bids.

In the meantime, the strategy for both VINCI and Eiffage is to operate the motorways making them safer and more efficient thus improving the profitability but also, in the case of Eiffage, bidding for greenfield projects such as the A75 and the A412 (recently won for more details, see page 38). Usually, those projects are short motorways stretches and are very costly due to environmental constraints.

We calculate that on the back of the average free cash flow of VINCI and Eiffage over the last three years, respectively of EUR 5.8Bn and EUR 3.0Bn, to fully replace the EBITDA the two companies may lose once the motorways concessions expire, they have to consistently invest their free cash flow on airports for the next 12 and 11 years assuming an EV/EBITDA of 15x for the targeted assets. The timeframe shortens significantly to 8 and 7 years if they succeed to execute M&As at current trading multiples of 10x. This would mean that they do not need to raise debt to completely substitute the EBITDA of the motorways within the time of the concessions' expirations. Assuming a 20x EV/EBITDA, it would request 16 and 15 years.

Infrastructure tax: compensation likely but not around the corner

In order to finance the green transition, the French Parliament introduced in December 2023 a new tax on long-distance transport infrastructure applicable from 2024. The tax will be charged from 2024 and equates to 4.6% of revenues above EUR 120M threshold; it's applicable to companies with historical margin profit above 10% over the last seven years. Assets being affected are located in France and the tax is not deductible. The overall amount expected to be sourced is EUR 600M, most of which paid by VINCI and Eiffage and, to a lesser extent, by Aéroports de Paris (ADP) as it also involves French airports Paris Charles de Gaulle and Orly. In 1H24 the tax impacted by EUR 120M/64M/60M on VINCI, ADP and Eiffage, respectively.

The tax was strongly opposed by all the operators, with the case filed to the French Constitutional Council. On 12 September, the Council deliberated against the companies, declaring the tax as lawful because: i) it isn't excessive for firms' revenues; and ii) it isn't confiscatory.

Motorways concessions' expiry to be compensated via airports

Tax hike on long-distance transport infrastructure likely to be recovered, but not in the short term

On the back of the unfavourable ruling, VINCI and Eiffage will proceed with litigation to seek compensation asking for the enforcement of the concession contract that protects toll operators from additional taxation. The experience has proved favourable for the toll operators; during the last litigation in 2015, tariffs were frozen regardless of inflation and, after several years, both VINCI and Eiffage successfully prevailed and were allowed to recoup what had been lost in the previous years.

Our current estimates are factoring in the new tax (EUR 280M/140M/129M for VINCI, ADP and Eiffage) and we are not assuming any compensation at this stage. For the sake of completeness, ADP will partially recoup the tax (approx. EUR 40/50M on a full year basis) by the 4.5% tariffs increase agreed by regulator starting from March 2024 and the rest will be recouped by further tariffs hikes next year.

Airports: diversification in progress to extend the portfolio duration

Airports are the other pillar of the Concession business. This is mostly true for VINCI, as that segment moved from less than EUR 100M sales in 2006 to approx. EUR 1Bn last year, corresponding to 36% of the Concession total sales, about 6% of group consolidated revenues, 20% of consolidated EBITDA and at the heart of the company's capital allocation. Though strategic, Airports generate only EUR 200M sales for Eiffage (YE23), less than 5% and less than 1% of Concession and group consolidated sale, respectively, and <2% of group EBITDA.

Duration under extension

Having emerged from the ordeal caused by the pandemic, the airport sector looks more florid than ever, as traffic growth has become once again viable and robust; the M&A scenario has been revived too.

Supportive medium/long term outlook

After sharp volume drops experienced during Covid-19, the airport sector demand has benefitted from a strong recovery, led by a pent-up demand started from 2022, when most of the travel restrictions were removed. Worldwide traffic passengers this February have regained pre-Covid levels, well ahead of initial expectations (IATA source). The significant capital allocated to this segment by VINCI and Eiffage to de-risking the overall business by increasing their presence in the airport sector looks justified by the rosy outlook.

Upside from value creation ahead

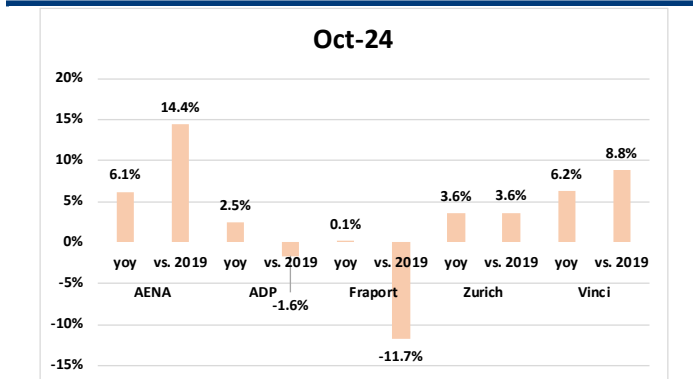
In fact, despite the continuation of the war in Ukraine and the conflict in Middle East, air traffic demand remains very robust in Europe and worldwide, except for the geographies directly involved in the conflict and the nearby areas. After a streak of very positive results in past months, in September total demand at worldwide level hit an all-time high for the industry and in all regions (except for Africa) growing by 7.1% yoy measured as RPK (Revenues per Km), a proxy of the traffic. The strong September data, supported by a very high load factor (83.6%) which testifies to the solid underlying demand, brings the YTD growth to +11.3%, fuelled by a solid recovery on both international (+14.3%) and domestic (+6.3%) traffic.

Notwithstanding some warnings from certain airlines in Europe, such as Ryanair (citing the need to lower ticket prices after the sharp increases in the two previous year, which actually came in in the lower end of the company range) and Lufthansa (penalised by capacity constraints and lower yield per seat), most recent traffic data reported by major European airports operators have been very supporting so far, notably those exposed to leisure traffic such as AENA, reflecting strong demand resilience to tariffs increases (+30% vs. pre-Covid level) and softening economic growth. These were corroborated by VINCI's recent traffic update, pointing to traffic up 6.2% in October, or +8.5% YTD and 3.1% above pre-Covid level, with the UK (Gatwick and Belfast) up 4.8% (+7.6% YTD, -2.9% vs. FY19), Portugal ANA up 2.9%

Short term traffic remains promising

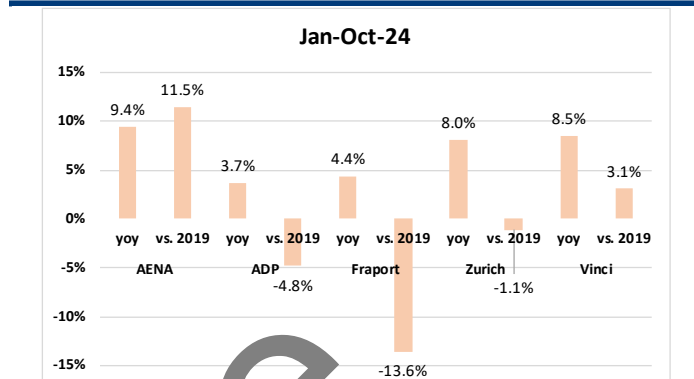
(+4.2% YTD, +17% vs. FY19), the Mexican OMA -4.4% (-3.1% YTD, +13% vs. FY19) and Japan Kansai up 14% (+20% YTD, -6.1% vs. FY19).

Airport Sector: October traffic



Source: Company data and Intesa Sanpaolo Research

Airport Sector: Jan.-October traffic

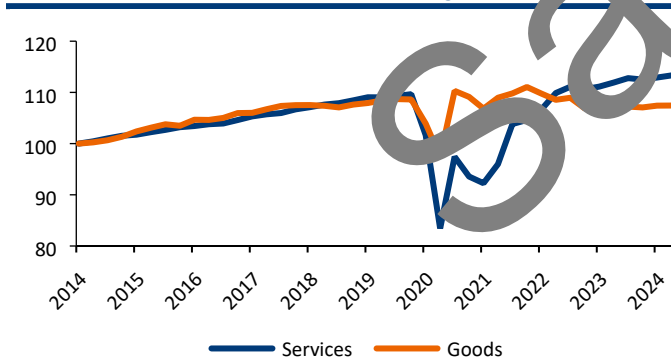


Source: Company data and Intesa Sanpaolo Research

The consumers' preference shift from tangible to experience (see our European Airport Operators report for more details) remains a major force behind the short and long-term air traffic demand (look at chart below), on top of mega-trends such as progressive rise of middle class, tourism and migration. IATA points to air passengers' growth of 3.8% for the next 20 years up to 2043 (CAGR), with most the growth seen in Asia, but a decent growth also expected in North America (+2.7%) and in Europe (+2.3%). Within this backdrop, IATA's most recent data on air passengers' forecasts envisage a double-digit growth for this year (+10.4% yoy) followed by a further expansion though at a slower pace in the coming years, gradually landing to 4.7% in 2027.

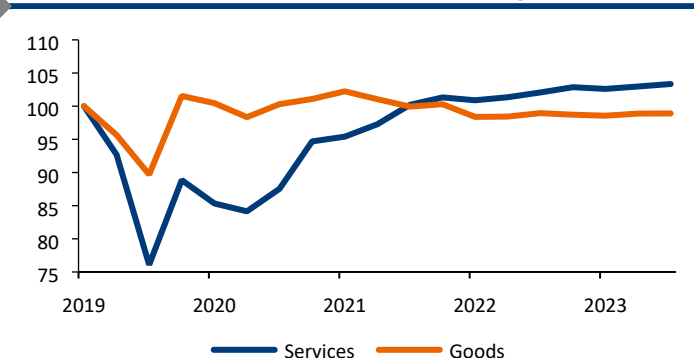
Secular trends boosting long term traffic growth

Airports: Gradual shift from Goods to Intangible (2014-2024)



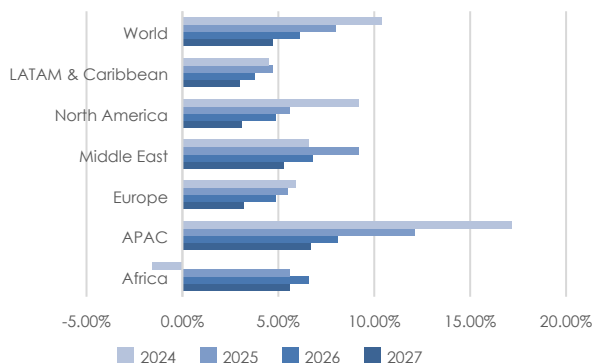
Source: Eurostat (data related to Germany, France, Italy and Spain)

Airports: Post pandemic shift from Goods to Intangible (2019-2024)



Source: Eurostat (data related to Germany, France, Italy and Spain)

Medium term traffic growth



Global traffic expansion by region

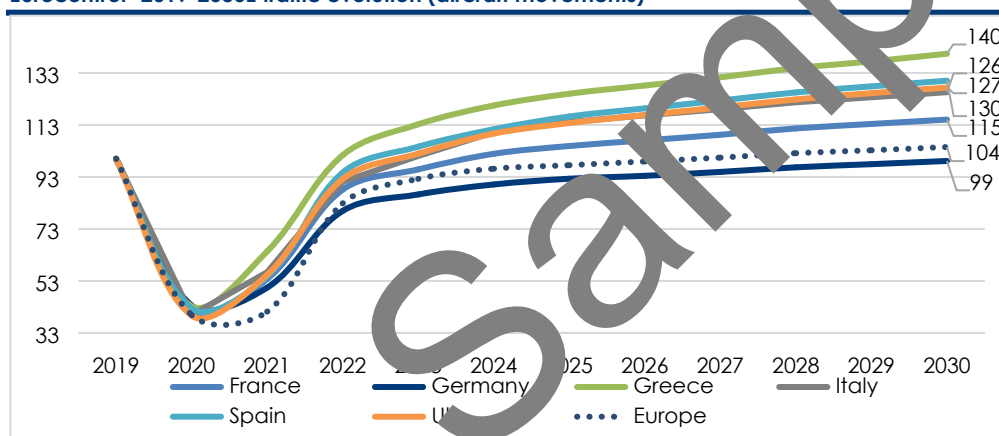
Region	CAGR % (2023/43)	Additional Passengers by 2043, M
Africa	3.7	179
APAC	5.3	2,750
Europe	2.3	656
Middle East	4.0	282
North America	2.7	659
LATAM & Caribbean	2.9	311
World	3.8	4,154

Source: IATA

Yearly forecast growth rates in total passenger numbers; Source: IATA

The positive IATA outlook is also matched by most recent data provided by Eurocontrol in October, which still envisages a solid path growth in Europe in terms of aircraft movements, showing an overall 2.7% growth (2024-30 CAGR). Southern Europe countries, such as Italy, Spain, Portugal and Greece, should continue to overperform the European average, thanks to their privileged status of touristic destinations and reflecting the strong air demand for leisure travel.

Eurocontrol - 2019-2030E traffic evolution (aircraft movements)



Source: Eurocontrol

VINCI is the global largest private airport operator, while Eiffage's activity is still in its infancy

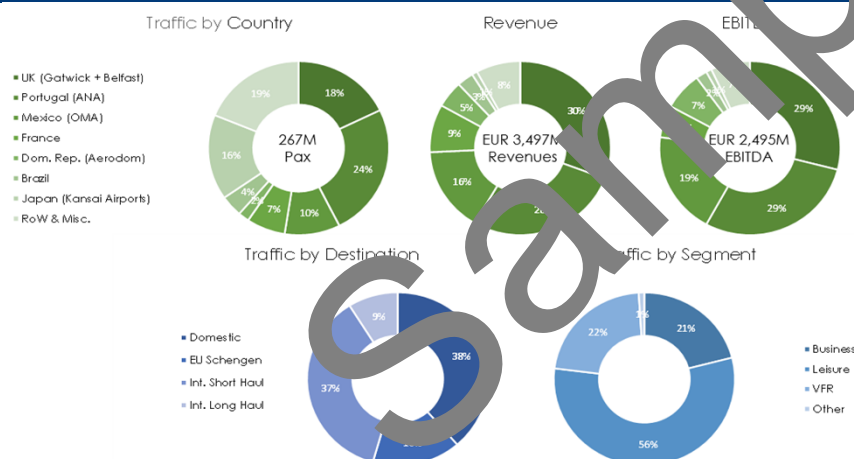
Eiffage airports business refers to the French Toulouse and Lille airports, which combined reached 9.5M pax last year. Eiffage acquired 49.99% of Toulouse airport in 2019, but it is fully consolidated; it won the concession of Lille airport in the same year and now owns 90% of it. The two assets have a good residual life, beyond the motorways concession, and expire in 2039 (Lille) and 2046 (Toulouse). Cumulated traffic has not regained pre-Covid level yet (at 82% of FY19), mainly due to the lack of domestic traffic, and we expect traffic to go back to 2019 level by 2/3 years' time. Based on recent management declarations during last conf. calls, Eiffage is currently only looking at the privatisation of the small Cayenne Felix Eboué airport, French Guyana. The French state through the civil aviation authority has launched a tender for the operation and maintenance of the infrastructure for a 30-year time. The bidding process is still ongoing and VINCI is looking at the asset as well.

On the contrary, VINCI boasts an extensive presence in the sector; it is the world's largest private operator, with more than 72 airports under management spread out in 14 different countries for cumulated 267M pax in 2023, including not fully consolidated assets. The three most important concessions generating approx. 70% of the segment sales are:

- **Gatwick** (31% of Airport sales at YE23), controlled by VINCI with a 50.1% stake and acquired in 2018 from GIP private equity and other shareholders for EUR 2.9Bn; Gatwick, the airport operating the world's busiest runway with 950 flights/day and second largest in the London area, was a landmark transaction allowing VINCI to access one of the richest catchment areas in Europe and the world's biggest air market;
- the fully owned Portuguese **ANA** operator (28% of Airport sales at YE23) acquired in 2013 for EUR 3.08Bn (EV), which manages 10 airports in its domestic country, including the two largest airports of Lisbon and Porto;
- the Mexican listed **OMA** operator (19% of Airport sales at YE23), of which VINCI detains a minority stake of 29.99% but is fully consolidated given its strong influence on the day-by-day and strategic decisions.

The chart below summarises key assets, including those consolidated as associates (Kansai Airports etc), and the traffic mix, significantly tilted to Leisure and VFR pax, the two segments growing the most since Covid and enjoying the brightest outlook.

VINCI – Airport business (FY23 Data)



Source: Company data

In the last decade, VINCI has grown very rapidly in the Airports segment through an aggressive acquisition strategy; just for the first four largest investments (i.e. ANA, Gatwick, Kansai and OMA), since 2013 VINCI has invested approx. EUR 8Bn largely funded through the significant cash flow generated by the Motorways segment. As we analyse below, this shopping spree proved to be very effective in terms of value creation and bodes well for the most recent transactions with Edinburgh airport and the concession extension of Aerodrom.

VINCI – Major Airport Deals

	Deal announced	Sales	EBITDA	Value 100% (EUR M)	VINCI invest. (EUR Terms)	Pax (M at acquisition)	Pax (M at YE23)	Expiry	Stake	Net debt	EV/EBITDA
ANA	2013	429.0	203.0	3,080.0	3,080.0	30.5	66.3	2063	100.0%	NA	15.2
Gatwick	2018	764.2*	411.2*	9,443.7	3,277.0	45.7	40.9	perpetuity	50.1%	2,671.0	20.3**
Kansai	2015	NA	NA	2,100.0	256.0	34.6	41.5	2060	40.0%	NA	NA
OMA	2022	603.4	473	3,901.3	1,170.0	23.2	26.9	2048	30.0%	439.05	9.2***

Source: Company data; * GBP terms; ** on FY18 data; *** on FY23 data

Of the above-mentioned transactions, ANA looks the most successful with the EBITDA more than tripled since the acquisition and last year reaching approx. EUR 740M. Gatwick, while not yet back to pre-Covid passenger levels, last year reached EUR 710M EBITDA from EUR 509M in FY22, with a solid momentum that continued also in 1H24 with EBITDA up 13.9% despite strong opex inflation denting margin by 50bps. As for Kansai Airports, the subsidiary suffered from the setback of the Covid and on 2023 results traffic, sales and EBITDA were -20%/-43%/-50% from pre-Covid level; however, 9M24 showed a solid recovery (traffic -7.5% vs. 2019) thanks to robust growth reported in 3Q24 at +15% yoy and bringing the gap vs. 2019 at -4.6% which further improved in October reaching a -6.1% YTD from 9M24.

Solid traffic recovery on ANA well above pre-Covid level

Interestingly, Gatwick is a freehold contract (i.e. perpetual), which partially explains the eye-catching multiple paid for the acquisition and the important capex plan related to the approval for relocate its runway to unleash further capacity to more than 70M pax by 2038; ANA and OMA have long concessions expiring by 2063 and 2048, respectively, which extends by far VINCI's portfolio duration. VINCI also manages some French airports, the most important of which is Lyon, fully consolidated despite being owned by 30.6%, as well as 40% of the Japanese Kansai airports (41.5M/pax at YE23) and the Chilean Santiago airport (23.3M/pax at YE23), both consolidated at equity method.

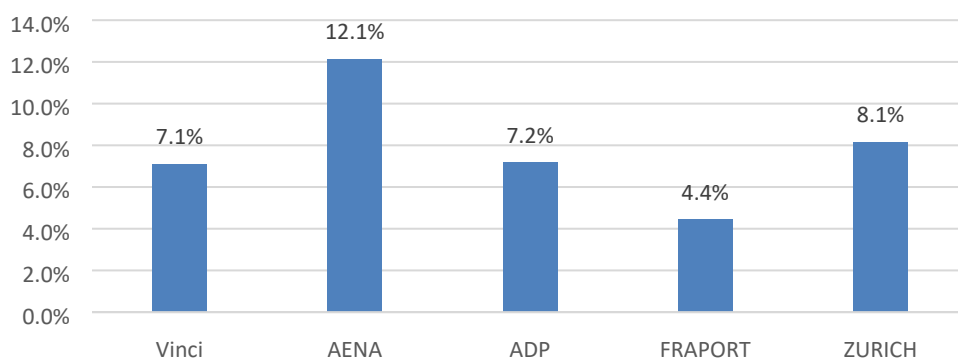
Thanks to the high profitability of this business (>60% last year) and close to the motorways segment, Airports generated 20% and 22% of VINCI's FY23 EBITDA and EBIT, respectively. More interestingly, VINCI diversification proved to be very effective and M&As have been significantly value accretive, notably on ANA and Kansai transactions. As for the former, VINCI invested approx. ten years ago EUR 3Bn and today we value its assets at EUR 10.6Bn (3.4x); for Kansai, the IRR was even more noteworthy, since our valuation of VINCI's equity stake is approx. EUR 1.5Bn against EUR 256M invested in 2005, thus corresponding to a 5.6x multiplier.

Significant value creation from ANA and Kansai deal

Finally, the chart below shows VINCI's Airports' Return on Capital Employed. At YE23, the value is at approx. 7%, almost aligned to the listed European airports under our coverage, but below the best-in-class Aena at 12%. It's worth mentioning that last year Gatwick airport was still far from the pre-Covid level in terms of traffic (at 88%); being one of the largest contributors of VINCI airports' platform, we expect a better ROIC at the end of this year as we project Gatwick to reach 94% of the 2019 traffic and a significant improvement on EBIT in the mid-teens area.

VINCI' airports ROIC limited by Gatwick lagging traffic recovery

VINCI – Airports' Return on Capital employed (YE23)



Source: Company data and Intesa Sanpaolo Research

Recent transactions suggest healthy environment and strong appeal on Airport infrastructure

As the pandemic now appears to be just a major temporary disruptive event and the airport infrastructure sector has regained good growth visibility, M&As have restarted vigorously. In November last year, Ferrovial announced the agreement to sell its 25% stake held in Heathrow airport for GBP 2,268M to Ardian and The Public Investment Fund. This resulted in an implied FY24 EV/EBITDA of 13.7x, which has now reduced to 13.2x as some investors exercised the tag-along right to sell their stakes together with Ferrovial. The deal is still pending, subject to the right of first offer and waiting for other minorities shareholders to exercise their tag-along rights. While partially explained by the uniqueness of the asset, the implied multiple suggests a dynamic private market as it embeds an approximately 40% premium vs. trading multiples which looks even more daring considering that i) the FY24 EBITDA is flagged by Ferrovial falling by 16% this year, since the British Civil Aviation Authority-CAA set lower aeronautical tariffs for Heathrow; and ii) the deal would not involve a majority buyout and a related premium.

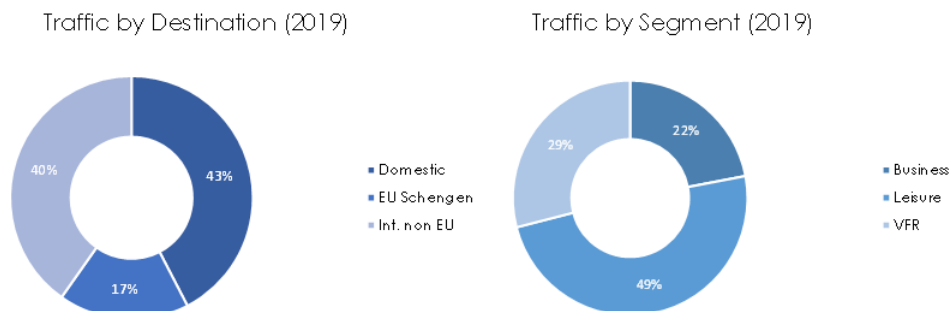
Private transactions well above trading multiples

In addition, Ferrovial and Macquarie recently finalized the disposal of their respective 50% stake on AGS, the JV which operates the Aberdeen, Glasgow, and Southampton airports. The race for the acquisition was crowded based on press rumours (e.g. Economist, Financial News) with ADP, AENA, MAG Group (Manchester, London-Stansted and East Midlands airports) looking at the deal and finally the UK AviaAlliance, which operates the airports of Athens, Dusseldorf and Hamburg, acquired the whole 100% of AGS for a total compensation of GBP 900M equity value, or GBP 1,535M EV. AGS reached GBP 67M of EBITDA at YE23, strongly growing yoy but still at 70% the level reached in 2019 reflecting the tariff not yet at pre-Covid level (76%). Based on the FY23 net debt of GBP 6.5M and expecting further improvement this year to approx. GBP EUR 83M EBITDA, we calculated an implied FY23/FY24 EV/EBITDA 22.9x/21x, also in this case well above current trading multiples. Ferrovial and Macquarie purchased AGS in 2014 for GBP 1Bn.

In this lively market, VINCI is playing an active role and a shopping spree continued also in recent months:

- In June the company announced the acquisition of 100.1% of **Edinburgh airport** (14.4M pax at YE23, freehold contract and no related tariffs) for GBP 1,270M (EV of GBP 3,600M), corresponding to an implied EV/EBITDA 17.9x vs. a sector average of 10x. The transaction should allow VINCI to strengthen its presence in the UK airport business, adding Edinburgh to Gatwick and Luton. The airport has a balanced airline mix, with Ryanair and EasyJet representing 31% and 28% of sales; it has a solid stream of outbound traffic and inbound passengers due to the attractiveness of the Edinburgh as tourist destination and financial district. In detail, traffic split is as follows: Leisure 49%, VFR 29% and Business 22%. Minorities refer to GIP, VINCI's partner in Gatwick. Edinburgh Airport financials are as follows: FY23 sales and EBITDA stood at EUR 313M and EUR 203M (EBITDA margin at 63%), with a net debt of EUR 1,256M (net debt to/EBITDA at 6.3x).

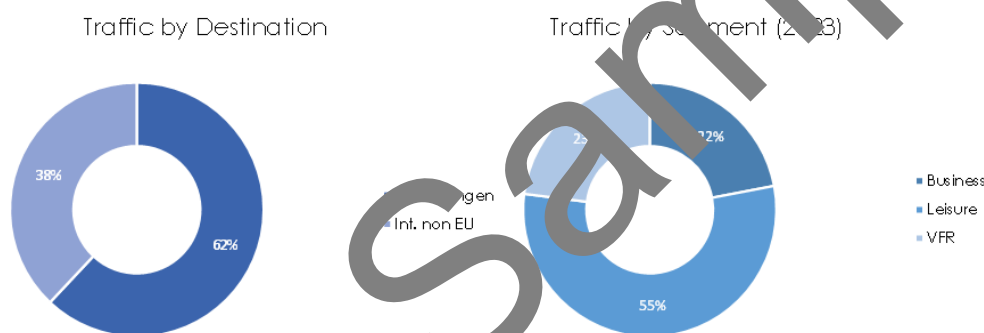
VINCI-Edinburgh airport traffic split



Source: Company data

- In June VINCI acquired a minority stake of 20% of **Budapest Airport** for a cash-out of EUR 320M, and EV of EUR 4.3Bn, corresponding to a FY23 EV/EBITDA of 20.4x. With this investment, which limited the exposure to the country, VINCI put its hands and expertise on managing the airport that last year reached 14.7M pax (91% of 2019 level) and hosts a very long concession expiring in 2080, with tariffs revised every 5 years based on i) European inflation; ii) historical capex; and ii) traffic growth (next update in 2026 to set 2027 tariffs).

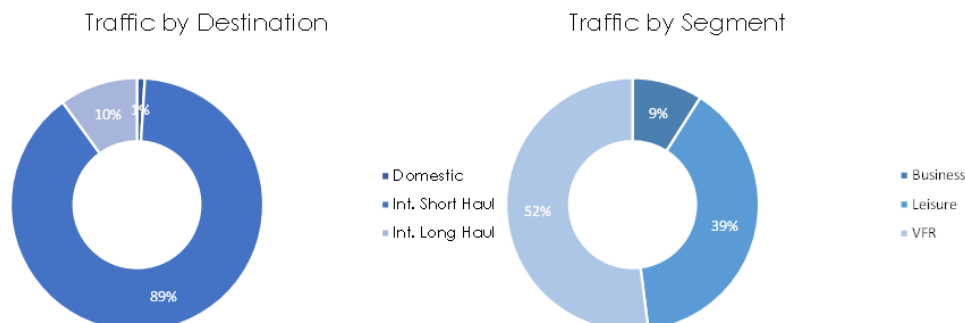
VINCI – Budapest airport traffic split



Source: Company data

- In December 2023, the company extended the concession of **Aerodrom**, the company operating six airports in the Dominican Republic, for an additional 30 years beyond the original expiration date of 2030. VINCI acquired 100% of Aerodrom in 2016 from Advent for a total consideration of USD 407M and now will operate the airport until 2060. The deal involves further investment of USD 1,605M of which USD 250M for the building of the new terminal adding significant capacity (4M pax on top of 6.6M reached in YE23), EUR 580M for maintenance capex and USD 775M as upfront fees. VINCI expects to increase the EBITDA by 50% in the next six years from EUR 173M (YE23) leveraging on additional pax, better penetration in the commercial business along with tariffs increase to catch up with inflation since 2018 (+13% in 1Q24, +3% in Nov. 24, +3 in Nov. 2025) followed by automatic revision based on US CPI. VINCI's actual equity investment is limited to USD 250M for the 30-year extension. Aerodrom is a mature asset with still good growth prospects and a resilient traffic mix; moreover, being a popular tourist destination for Northern Americans, 90% of its concession revenues are USD-denominated, providing a natural hedging to the USD financing.

VINCI- AERODOM airport traffic split



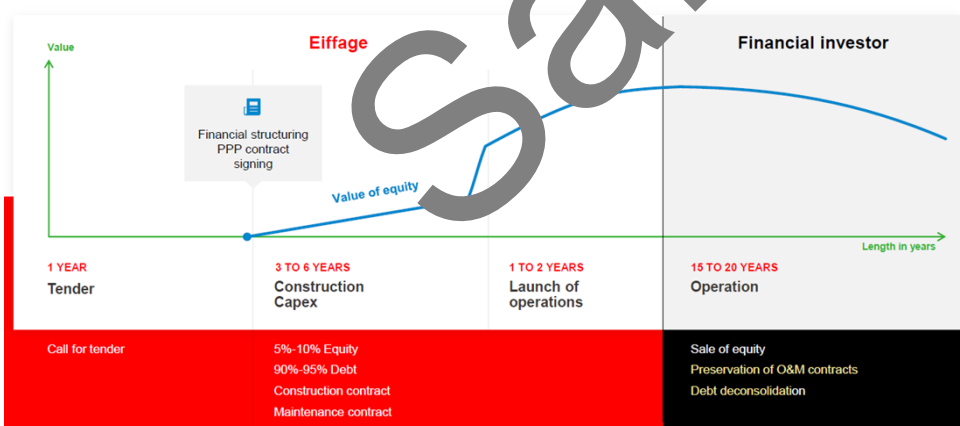
Source: Company data

Other Concessions and PPPs

In addition to the French motorways and airports, Eiffage and VINCI run also other toll road concessions abroad, notably VINCI, but also run railways business, stadiums as well as Public-Private-Partnerships in operating schools, universities, and motorways abroad as well. These concessions are both fully consolidated or accounted as equity participations (see company description and the appendix for the full list of concessions). While not a big game changer for both companies, these activities boast a sound profitability, notably for Eiffage, and strengthen their presence outside their domestic market, diversifying the geography mix and stabilising the long-term cash flow generation.

Eiffage – Value profile of a PPP

Life cycle of a PPP

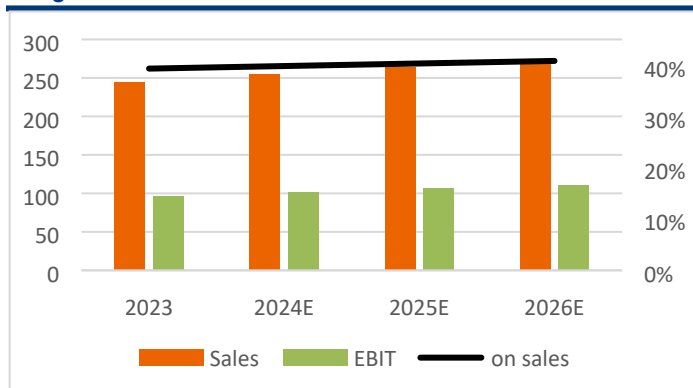


Source: Company data

Looking at the consolidated assets, VINCI and Eiffage revenues in this segment have grown steadily in the past decade and VINCI derives approx. EUR 600M from motorways operated abroad, the railways and stadium run in France. The most important assets are the Lima Express motorway in Peru and the concession over the Rion-Antirion bridge in Greece and the stadium run in France, such as Stade de France, St. Denis and the Marie-Marvingt, Le Mans. VINCI's strategy is to further grow abroad, also outside of Europe as done recently with the acquisition of the Northwest Parkway, a 14km stretch of the Denver ring road, Colorado in the US.

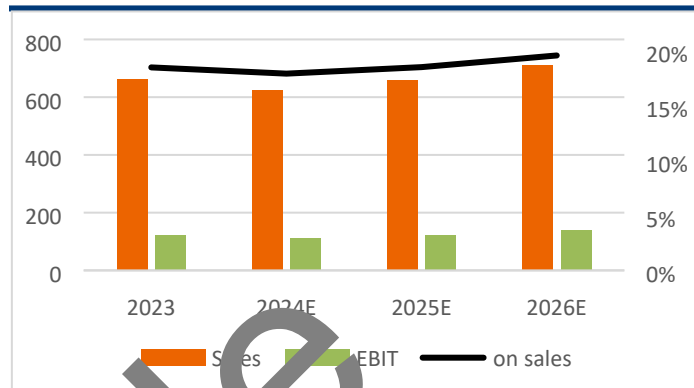
As for Eiffage, revenues sourced are smaller and last year reached EUR 250M. It is largely focused on Europe, notably on countries where already has a strong presence, with no interest to chase business in the US or Asia.

Eiffage – Other Concessions business Sales & EBIT 2023A-26E



Source: Company data and Intesa Sanpaolo Research estimates

VINCI – Other Concessions business Sales & EBIT 2023A-26E



Source: Company data and Intesa Sanpaolo Research estimates

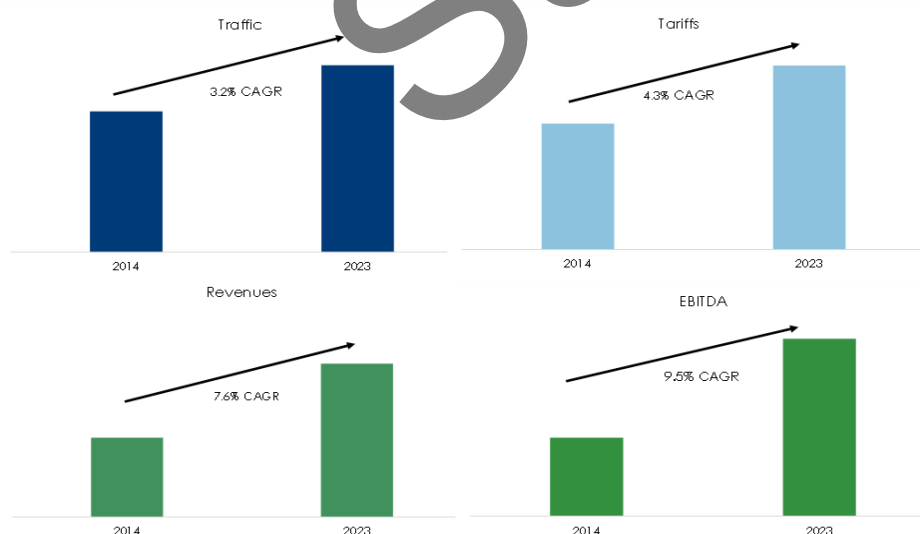
A quick deep dive on recent transactions

VINCI: a foray in the US concession market

As mentioned above, VINCI acquired in April a section of the Denver's beltway for an equity value of USD 1.2Bn (EV USD 1.55Bn). This is VINCI Concession's first large move in the US and represents a gateway to untap further potential growth opportunities in neighboring states (Virginia, Illinois) to take on other managed lanes projects but also provides VINCI with cross synergies in the construction business. The concession is very profitable, with an EBITDA margin above 70% in the last three years, though loss-making since 2020 for the high leverage (net debt at USD 350M, net debt/EBITDA at 15x). Traffic has been growing significantly post Covid (+12% on average) but is not back to 2019 level yet (at 85%).

Building critical mass in the US motorways

VINCI - Denver ring-road – 10-year key performances

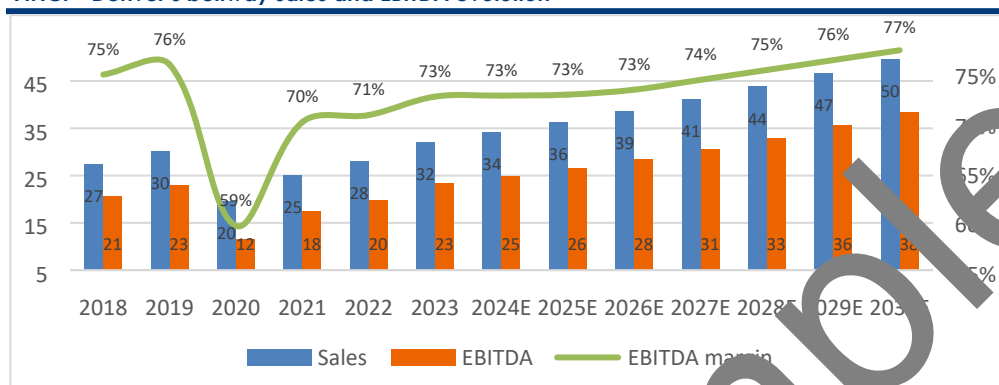


Source: Company data

With last year sales of USD 32M and EBITDA of 23M, the implied valuation is at first glance very expensive (EV/EBITDA >60x) and had raised investors' concerns on the capital allocation. However, the concession is very long, expiring in 2106 (83 years) and the motorways is in a wealthy area, with population and GDP growing above the US average. In addition, VINCI expects to extract interesting operational synergies streamlining the lifecycle and maintenance activity; the concession also provides a protective toll indexation formula linked to US nominal GDP growth, with a floor at 2%. Those factors should allow to double the EBITDA by 2030, according to VINCI. We prudently expect the concession to reach USD 50M and EBITDA of USD 38M by 2030 with tariffs and traffic growing each year by 3.3% and 3%, respectively.

>60x EV/EBITDA for a very long residual concession life of 83 years

VINCI – Denver's beltway sales and EBITDA evolution



Source: Company data and Intesa Sanpaolo Research estimates

Eiffage: strengthening the grip on a unique asset

Through a purchase in multiple steps started back in 2018, Eiffage currently detains a 20.55% financial stake and 27.56% of voting rights on Getlink. The company owns the concession for running the Channel Tunnel until 2086 and the ElecLink, the company operating the 1000MW electricity interconnection through a 500m long cable within the tunnel between the UK and France. On the back of the last purchase in October 2023, Eiffage is the largest shareholder of the company. Overall, Eiffage has invested more than EUR 1.6Bn since 2018 to build its stake on Getlink.

Getlink: the next step? Not in the short term

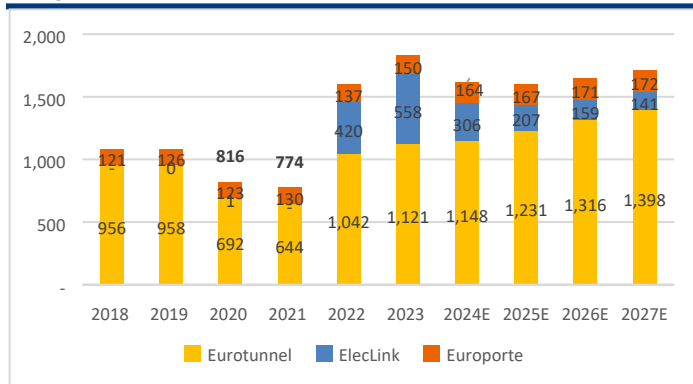
Eiffage – Getlink multiple purchase

EUR M, %	Stake %	Stake cumulated %	Cash-out	Cumulated cash-out
17 December 2018	5.08%	5.08%	308	308
26 October 2022	13.71%	18.79%	1,194	1,502
25 October 2023	1.76%	20.55%	144	1,645

Source: Company data

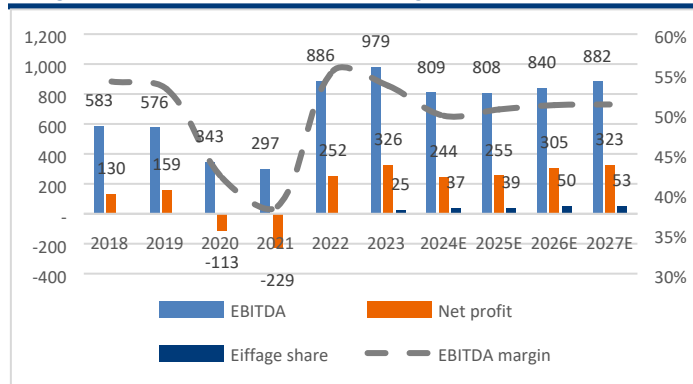
Getlink generated last year EUR 1,829M sales and EUR 326M net profit and is consolidated in Eiffage account with the equity method since last year, adding approx. EUR 30M into the associates' line. Based on Bloomberg's consensus estimates, Getlink's contribution to Eiffage results should gradually increase in the coming years following the expected traffic (Trucks and Cars 6.9%/4.8% 2024-27 CAGR) and EBITDA expansion and doubling by 2027, reaching approx. EUR 55M.

Eiffage – Getlink Sales breakdown 2018-2027E



Source: Bloomberg data

Eiffage – Getlink EBITDA, Net profit, Eiffage Net Profit share



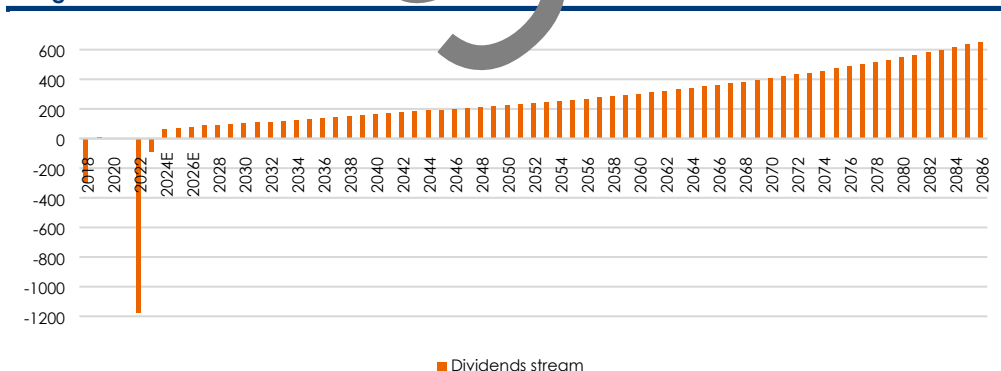
Source: Bloomberg data

Eiffage has repeated in the last two conference calls the intention to raise its stake in Getlink up to 30% (the threshold level beyond which a mandatory tender offer would be triggered) when there are the right conditions, firstly the price for what we understood. Getlink has a unique and irreplicable asset and managed by a French team, which would make the integration between Eiffage and Getlink smoother in case of an eventual acquisition. At least in the short-term, we think that Eiffage is not keen to acquire a full stake, given that it is a risky asset with several potential factors undermining its performances (see Brexit, the swine fever, migrants and so on) not in full control by management.

In conclusion, at this stage, Getlink looks like a financial investment that so far has generated approx. EUR 160M through dividends collected since 2018. The yield based on the dividend to cash-in for the next two years is close to 5% according to Bloomberg data, while we calculate an IRR of 8% of the investment assuming Eiffage's stake remains unchanged until the concession expires (dividend growth at 5% until 2024 and +3% afterwards). This compares to the 3.1% and 3.6% yield of the French 10/30Y government bond, implying a decent remuneration for the extra risk.

8% IRR vs. a 3.6% risk free rate on 30Y French govies

Eiffage – Getlink dividends stream



Source: Intesa Sanpaolo Research elaboration on Company and Bloomberg data

Contracting: The Building Blocks of the Business

Started in the past century, Contracting is the historical business for both VINCI and Eiffage and the largest contributor to the group revenues. Differently from Concessions, Contracting has generally a shorter cycle, is much less capital intensive and is more cyclical. Because of that, it is usually debt-free/debt-light to keep the business agile during recessions. At FY23, Contracting is cash positive for EUR 12.6Bn and EUR 1Bn for VINCI and Eiffage respectively, including the liquidity held at holding level. Running with margins that are a fraction of those characterising the Concessions, the cash flow generation is generally low and represents approx. 45% of the total for VINCI and approx. 40% for Eiffage, according to our calculations. Based on Eiffage reporting, Contracting is split in Construction, Infrastructure and Energy Systems while VINCI reporting envisages three different business units, Construction, Energy (including Cobra IS) and VINCI Immobilier. For more details, see the description of each company.

VINCI is a global leader in the Contracting, notably on Construction and Energy with a wide geographic footprint, while on the contrary Eiffage is mainly a European player (fourth in Europe, third in France) which expands around the world in export mode (i.e. it follows its key clients abroad also in regions where it doesn't have a stable presence). VINCI sources more than 60% of its sales outside of France, compared to 37% for Eiffage based on FY23 data.

VINCI has a more vertical and international business model with its subsidiaries operating independently under the parent company umbrella and sharing the same know-how and best practices developed at group level. Notwithstanding the different size, VINCI and Eiffage Contracting business in France has no major differences, although each of them is specialised in certain market niches (Eiffage on Retail, VINCI on roadworks and Residential/Non-Residential building).

Key in Contracting are the project selection, the quality and delivery time of the projects, the ability to design and build complex structures as well as the reputation, crucial for winning new contracts as well as to attract qualified and talented people, currently one of the key issues in Contracting. Contracts' size and duration can vary significantly, ranging on average from EUR 70k to 450k for VINCI Energy and Construction, while it is much larger on Cobra IS at EUR 195M. As for Eiffage, the company tends to embark on larger contracts though with a strict control on the related risks.

Riskiness of the business depends on the counterparty and overrun costs/inflation. Generally, risk is lower with public counterparties, varying from 25% (Energy) to 50% (Infrastructure) of sales for Eiffage and from 17% (Energy) to 58% (Construction) for VINCI. As far as the inflation is concerned, price indexation depends on each contract terms and prices can be linked to the inflation or are fixed, as is the case in most of property business where the counterparty is a private customer. Sometimes risks are shared with the counterparty as happens for example in the Eiffage's wind farms business, where risk on steel price is borne by the client. As for old and unprofitable contracts (legacy contracts), the positive trajectory of the profitability for both VINCI and Eiffage suggests that the two companies are very selective in the choosing contracts with minor burdens from those sealed in the past years.

Strong liquidity to withstand high cyclicity

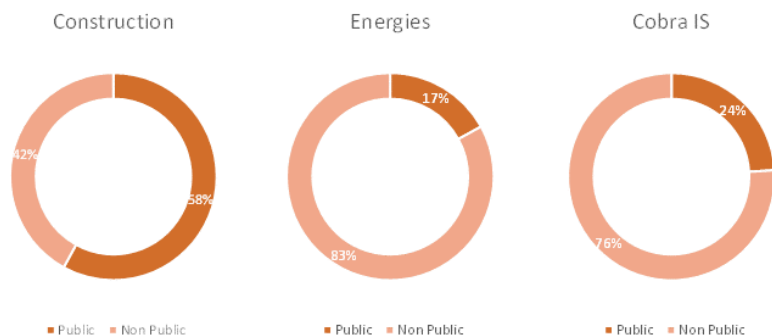
Similar business model with VINCI having a wider geographical footprint

Vertical integration and independent subsidiaries at VINCI

Lack of skilled people among major bottlenecks

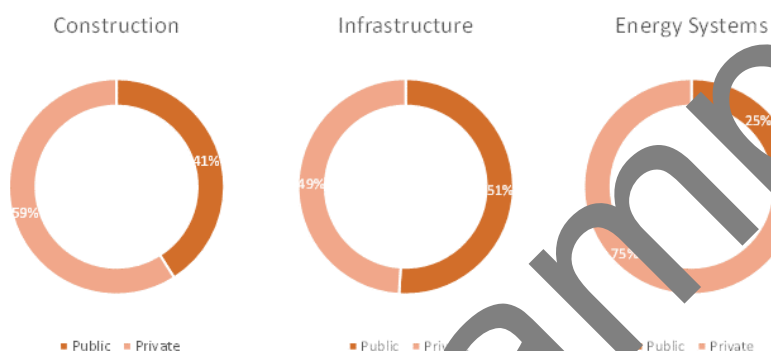
No legacy contracts to weight on future profitability

VINCI – Customer segmentation



Source: Company data

Eiffage – Customer segmentation

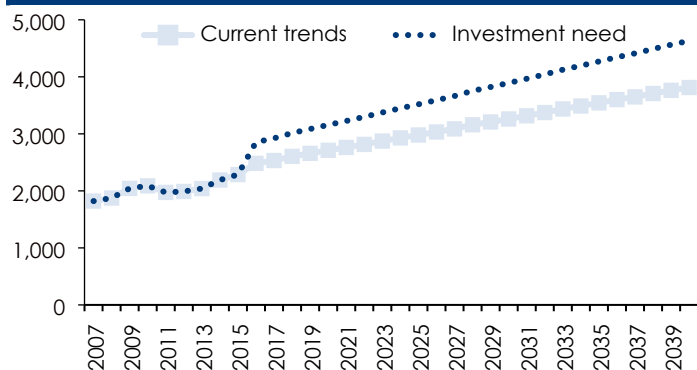


Source: Company data

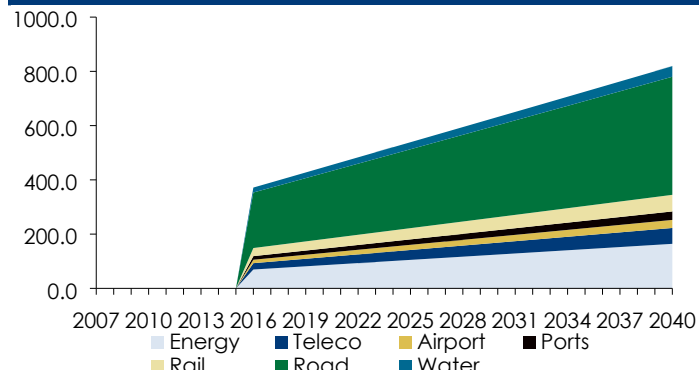
Outlook supported significant investment planned and needed

Outlook for the Contracting looks bright. According to the Global Infrastructure Outlook, investments on Infrastructure are poised to expand year over year and reach approx. EUR 4Trn by 2040 from USD 2.8Trn at YE23 on world-wide basis (56 countries are included). More interestingly, according to the report there's a huge gap between the planned capex vis à vis what would be needed, totaling USD 15Trn throughout the period. Given the overall constraints on public budget, this gap should be filled through a growing support of the private sector partnering with public entity. The sector with the widest gap is the road transportation, explaining approx. half of it (USD 6Trn), followed by the Energy sector (USD 2.2Trn) and the Rail Transportation (USD 0.9Trn). Geography-wise, Asia represents a large chunk of the planned capex (USD 46Trn out of the total USD 79Trn) with the Americas and Europe representing approx. USD 14Trn and 13Trn, thus providing good opportunities for Eiffage and VINCI, in our view. The Americas and Asia are the two regions with the most evident discrepancy between planned capex and what is needed, ranging from USD 4.6Trn (Asia) to USD 6.5Trn (Americas).

Large Infrastructure investments to fulfil long term growth

Contracting– Infrastructure capex: planned vs. needed

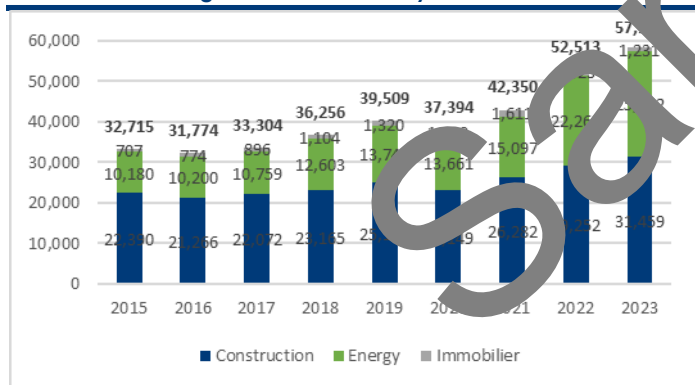
Source: Global Infrastructure Outlook

Contracting – Capex Gap by sector

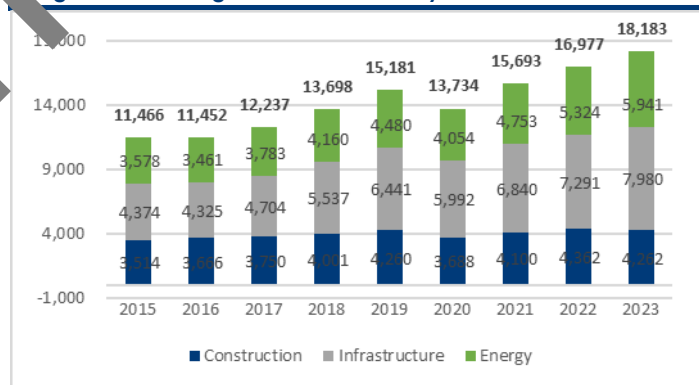
Source: Global Infrastructure Outlook

Growing profitability in the last decade driven by stricter criteria and solid underlying demand

As seen with Concessions, VINCI business in Contracting is much larger than Eiffage, with sales 3x of its smaller sister and reached almost EUR 58Bn at YE23 vs. Eiffage's 18Bn. Since 2019, sales growth has been sustained for both and at 9.8% for VINCI and 4.6% for Eiffage (2019-23 CAGR), led by organic as well as M&A, notably for VINCI. Even adjusting for acquisitions, VINCI looks to have reported better organic growth vis-à-vis Eiffage at +6.2% vs. +3.8% respectively.

VINCI – Contracting Sales Breakdown by business

Source: Company data

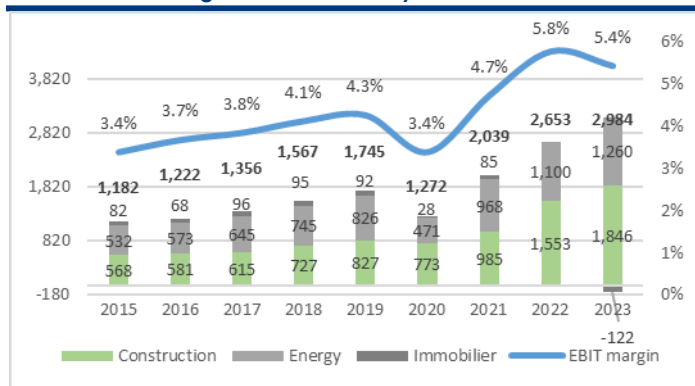
Eiffage – Contracting Sales Breakdown by business

Source: Company data

In the last five years, profitability in Contracting has been constantly rising for Eiffage, excluding the 2020 hit by the pandemic, and now is at its peak level with EBIT margin at 4%; for VINCI EBIT margin is at 5.4%, 40bps below the previous year due to the EUR 122M losses suffered by the real estate business (VINCI Immobilier). VINCI higher profitability is mainly explained by the greater exposure to the more profitable Energy, which also includes Cobra IS business; acquired in 2023 by ACS, Cobra IS boasts an EBIT margin of approx. 7.5%. The improving profitability stems from increasing contribution from the more valuable Energy segment, combined with a more selective approach from both VINCI and Eiffage preferring margins over volumes.

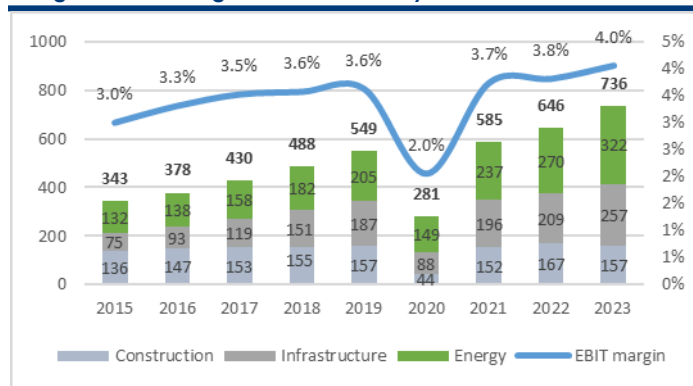
Mix and selectivity drive margin up

VINCI – Contracting EBIT Breakdown by business



Source: Company data

Eiffage – Contracting EBIT Breakdown by business



Source: Company data

Extensive order book calls for long-term visibility and predictable business evolution

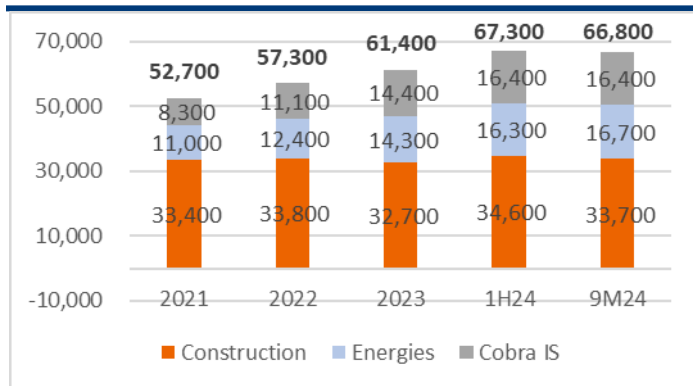
Contracting encompasses a wide range of activities, from civil engineering such as roads and railways works to residential/non-residential buildings, while in the Energy business it refers to projects largely related to the ongoing energy transition/decarbonisation. Market perspectives are linked among other things to the competition, which varies across geographies; the biggest players in Europe detain the largest position (VINCI Bouygues, Eiffage, Spie, Strabag in Germany, Balfour Beatty, Kier in the UK), while the rest is fragmented into many small players. GDP growth and the underlying demand from financial clients are other key factors, with the French economy as well the EU GDP influencing the cyclical nature of the business along with new laws, as for the Energy division (see below).

In addition, other macros such as market interest rates play a meaningful role in driving demand, for example in the Property business (through the cost of the mortgage for private buyers, as well as the lower gap between purchase-to-let yields and other asset class returns) with direct impact on VINCI Immobilier business (EUR 1.1bn sales in FY23) and Eiffage Property business (15% of Construction division in FY24).

Notwithstanding the sluggish GDP growth in France and in Europe, since 2021, VINCI and Eiffage order books have continued to grow significantly. By the end of 9M24 they reached 66.8Bn and EUR 28.8Bn respectively, up 27% for the former and almost doubling for the latter; this should provide a nice coverage of the business for more than thirteen months for VINCI and approx. fifteen months for Eiffage, whose order book relates to sales expected to come on stream beyond two years (for approx. 45%). It's worth mentioning that for VINCI 67% of the order book is from abroad, 42% of it is in Europe ex-France and the remaining 26% in the Rest of the World, thus suggesting a very well spread geographical risk.

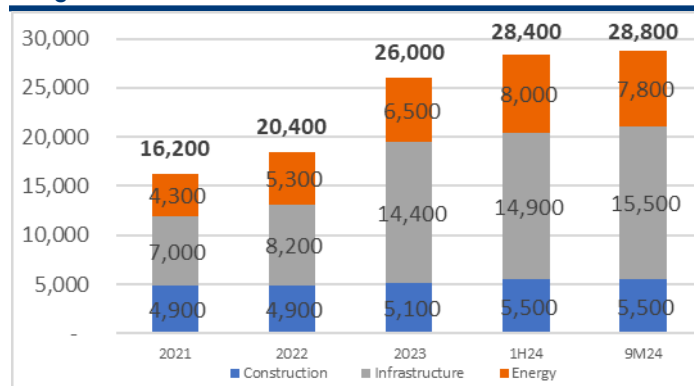
Huge order books give better visibility on sales

VINCI – Order book evolution



Source: Company data

Eiffage – Order book evolution



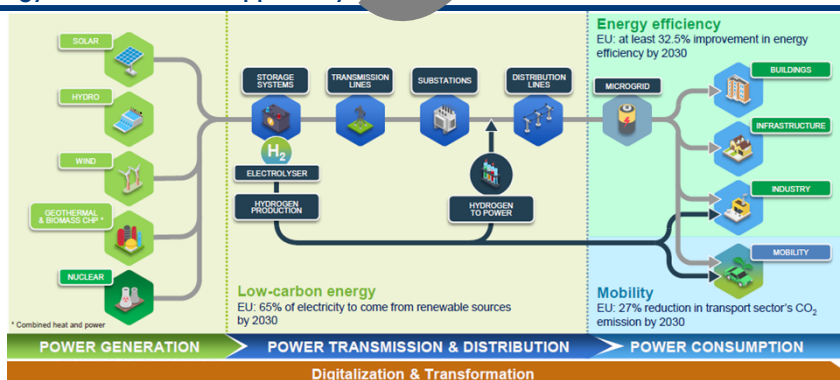
Source: Company data

Energy and Digital transition boost order book and provide long term growth opportunities

For both companies, the sharp increase on the order back book stems from the Energy division (approx. one third of the Contracting for both VINCI and Eiffage). The sector is benefitting from two major trends, notably in Europe, such as the energy transition and the digitalisation; the former aims to energy self-sufficiency (decarbonation of energy generation, optimisation of use and reduced energy footprint and increased energy generation) and the latter to industrial sovereignty (relocation & extension of manufacturing facilities, production of new goods and changing digital habits).

Those trends are largely driven by the enforcement of new regulation on long-term targets regarding the green gas emission ("Fit for 55" package in Europe). For example, energy savings of at least 60% between 2021 and 2027 are required, this implies that 3% of the building stock must be renovated each year. Another goal is the progressive exit from the fossil fuels by every industry leading to sustainable mobility (i.e. installation of charging points for electric and hybrid vehicles), as well as building and maintaining renewable energy production facilities, such as solar PV, wind power projects and so on.

The energy transition market opportunity



Source: Spie

Both VINCI and Eiffage with their subsidiaries are exploiting those trends, which provide a significant profit pool. For example, it is estimated that by 2030 EUR 153Bn will be invested in energy and transmission to meet the EU Recovery Plan targets (source: European Electricity Transmission Grids and the Energy Transition 2020, Spie). Moreover, France's Climate and

Resiliency law, which aims to set specific target as for the “no net land take” goal by 2050 in order to reduce uncontrolled urban development, should lead to new long term business opportunities on brownfield buildings regeneration.

Growth expectations are encouraging for both traditional markets as well as new emerging segments, as reported by the table below.

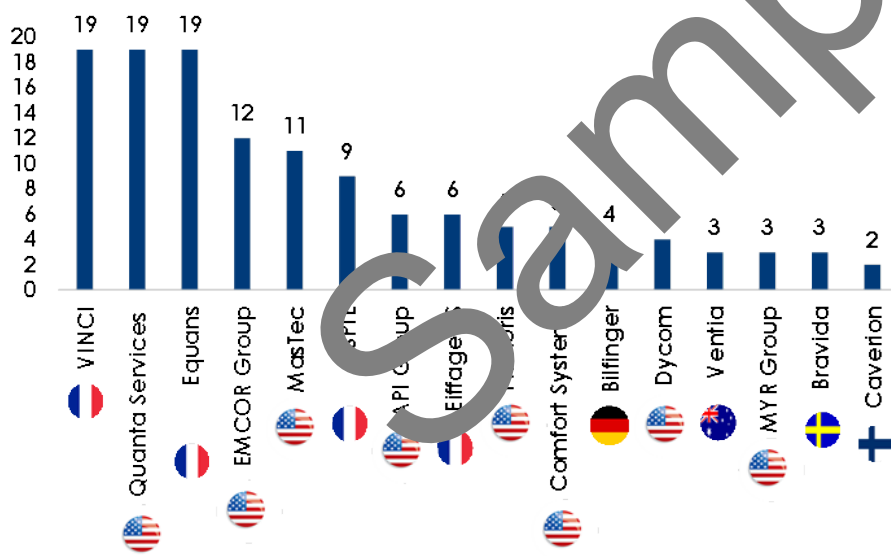
Growth prospect on Energy and Services market

Traditional markets CAGR examples 2021/27 CAGR		Fast growing markets CAGR examples 2021/27 CAGR	
HVAC	+4/6%	EV charging ports	+25/30%
Cooling & Fire protection	+5/6%	Data centres	>10%
Facility Management	+3/5%	Solar	>10%
Electric Grids	+5/6%	Mechanical and robotics	+10/15%
		Heat pump heating	emerging

Source: Equans

Based on 2021 data, VINCI through Cobra IS and VINCI Energy is the second largest player in the Energy & Services segment, while Eiffage is the sixth.

Energies and Services Market (EUR Bn)

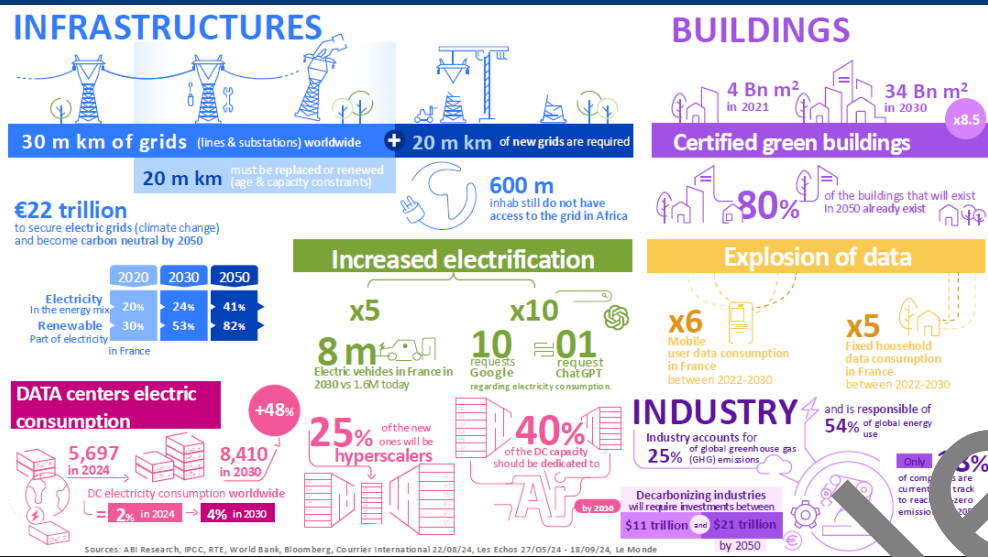


Source: VINCI

As for the digital transformation, the rapid increase of connected devices (40Bn by 2025, source: Spie), the need to increase optic fibre (197M homes are expected to be connected via fibre cabling by 2026 from 118M in 2020 (source: Spie) as well as the strong increase on data centres (+20% the reference market by 2025) are the drivers behind the growth expected in this area.

The solid growth prospects were also backed by the demand drivers outlined by VINCI in occasion of its latest CMD on the Energy business.

Energy sector: growth opportunities from Energy Transition and Digital transformation



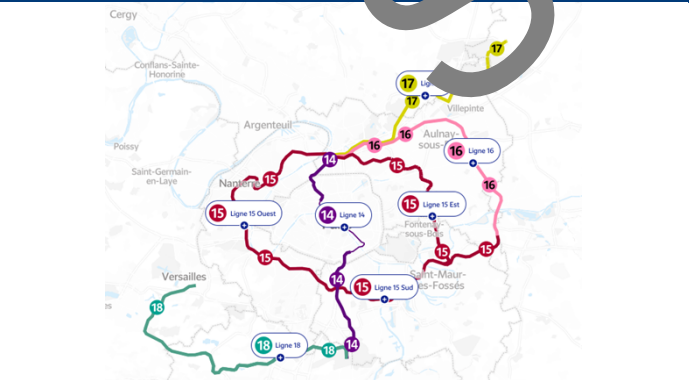
Source: VINCI

Grand Paris Express: leveraging on domestic roots

In 2011, the French State and the Region Ile-de-France signed an agreement to give birth to the Grand Paris Express. The project, whose works started right the following year, aims to build four new metro lines around Paris along with two line extensions, for a total of 200km automatic lines and 68 new stations. The total investment amounts to EUR 36Bn and works are expected to be completed by 2030. The network extensions are devised to improve daily lives of residents and speed up the transformation of the region, reducing the travelling time from the Parisian banlieues and ultimately reducing inequalities.

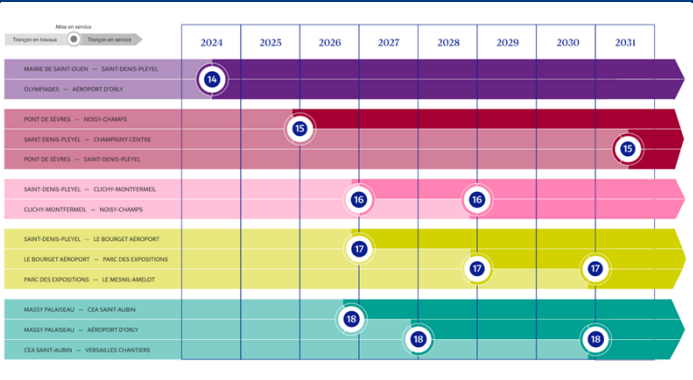
Grand Paris Express, more to come for Eiffage

Le Grand Paris Express: Map



Source: Le Grand Paris Express

Le Grand Paris Express: Timeline



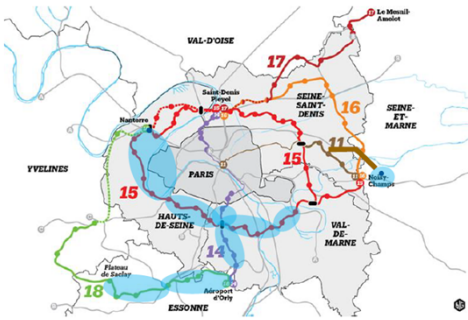
Source: Le Grand Paris Express

Given the size and the complexity of the project, several global sector players were involved in the building of the infrastructure and VINCI and Eiffage have been playing a key role, winning approx. one third of the whole value of the project. In fact, as of today, EUR 6.7Bn were attributed to VINCI and in 2023 the company won the contract for design-build of a section of the Line 15 West, worth approx. EUR 1.5Bn (EUR 1Bn on Construction and the Rest

on the Energy business). Eiffage won the contract for building a stretch of the Line 15 East, worth EUR 2.5Bn. Eiffage sales sourced from the Grand Paris Express totaled approx. EUR 4Bn across civil, energy system, ventilation and so on (see chart below), and are expected to sustain Eiffage Infrastructure segment sales in the medium term.

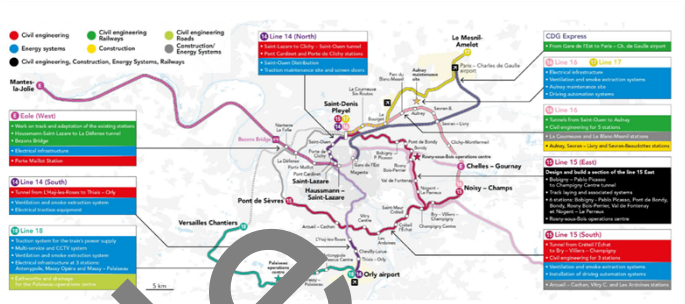
VINCI: Grand Paris Express involvement

Entities as of December 2023



Source: VINCI

Eiffage: Grand Paris Express involvement



Source: Eiffage

Capital Allocation: Dividend and Conquer

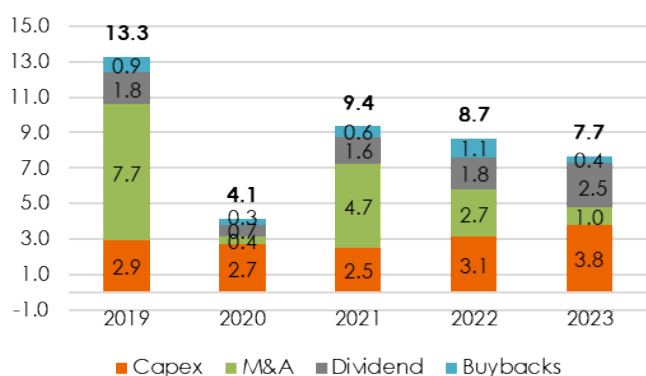
In this paragraph we deep dive on VINCI and Eiffage capital allocation. We look at how the operating cash flow generation is deployed in terms of M&A, Capex and, ultimately, cash returned to the shareholders through dividends and buyback.

Similar capital allocation with...

Despite the differences in absolute terms given by the size of the two companies (EUR 43Bn and EUR 13Bn cumulated for VINCI and Eiffage from 2019 to 2023), the allocation in percentage terms is similar.

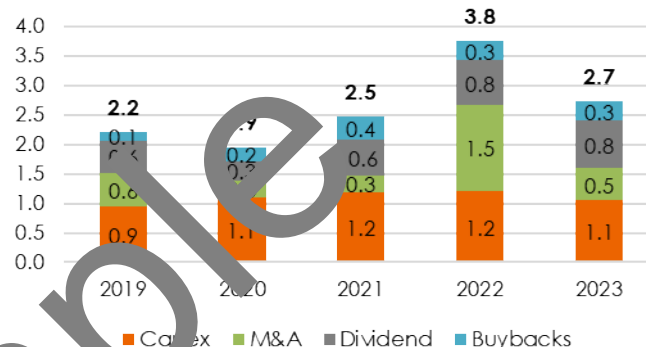
VINCI skewed to M&A

VINCI - 2019-2023A Capital Allocation (EUR Bn)



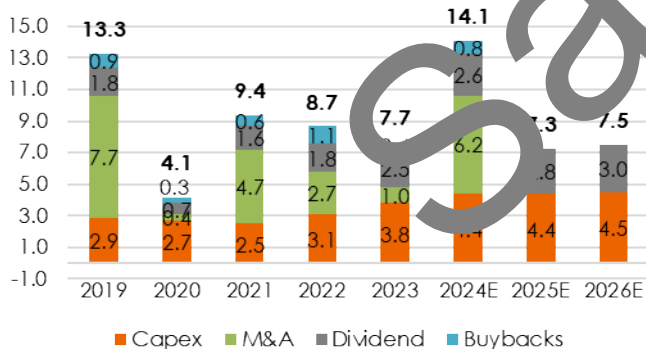
Source: Company data

Eiffage - 2019-2023A Capital Allocation (EUR Bn)



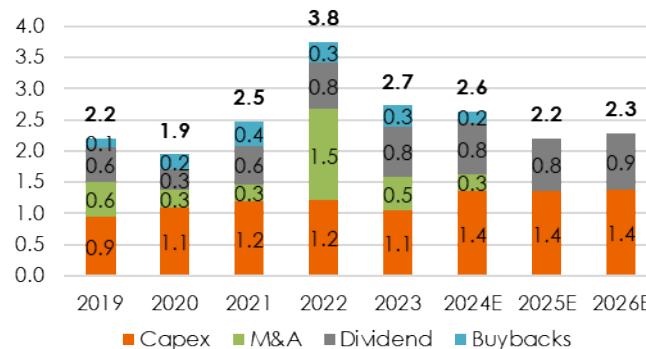
Source: Company data

VINCI - 2019-2026E Capital Allocation (EUR Bn)



A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

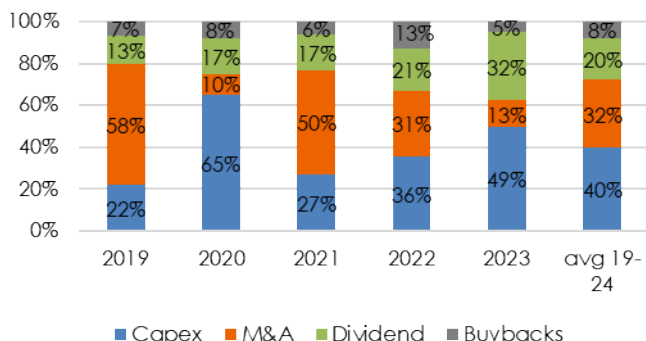
Eiffage - 2019-2026E Capital Allocation (EUR Bn)



A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

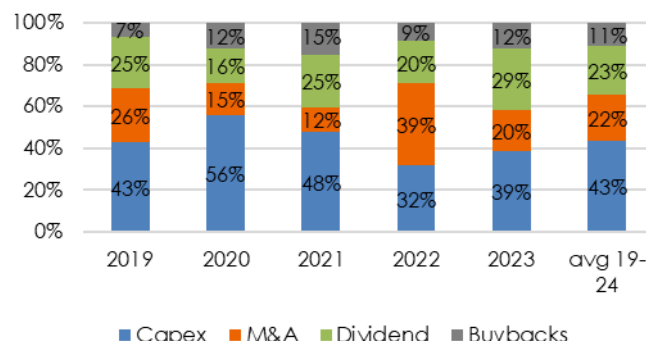
Overall, in the last five years, for both companies the bulk was absorbed by capex and M&A (approx. 70%). The latter played a bigger role on VINCI, given its more aggressive stance on external growth while on average the capex on sales percentage was similar, at approx. 6% for VINCI and Eiffage.

VINCI - 2019-2023A Capital Allocation (%)



Source: Company data

Eiffage - 2019-2023A Capital Allocation (%)



Source: Company data

Looking at the shareholders' returns, the buyback and the related share cancellation regards largely the employee share ownership schemes for both companies. Every year, the plans allow the workforce to become shareholders at the following conditions:

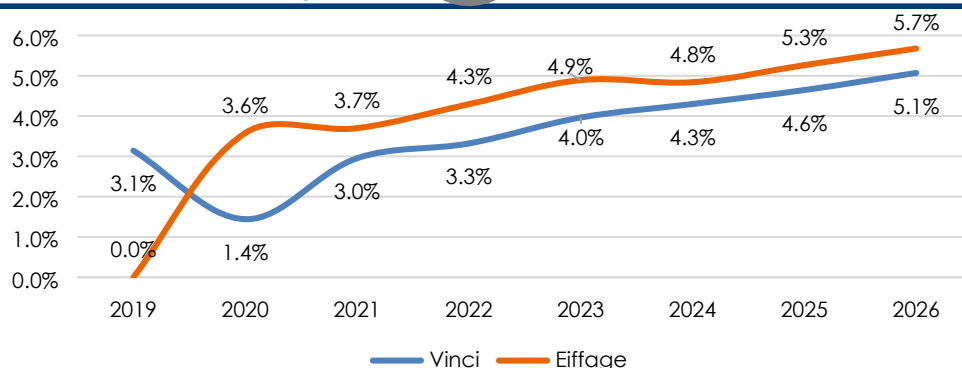
- For Eiffage, a 20% discount is applied to the average stock price over the prior six months from the board's approval;
- For VINCI, a 5% discount is applied, but with free shares doubling the overall assignment within the EUR 3,500 investment limit.

The incentives are very popular and employee ownership has been gradually increasing in the last five years; staff members now detain 10% and 20% of the shareholding capital of VINCI and Eiffage respectively, from 8.8% and 17.1% by the end of 2019.

The dividend policy is key for both VINCI and Eiffage and with exception of the 2020, the yield has all the time exceeded the 3% threshold, well above the long-term inflation rate of 2%. According to our estimates, we expect a generous dividend policy in the coming years with VINCI and Eiffage gradually increasing the dividend, expect to reach EUR 5.7/sh and 4.8/sh by 2026 respectively, corresponding to a 2024E/26E CAGR of 7.2% and 5.3%, respectively.

MSD dividend yield sustainable

Dividend Yield: VINCI vs. Eiffage



Source: Company data and Intesa Sanpaolo Research

Eiffage

Dare to Dream Big among Giants

Eiffage is among the largest players in the construction business in Europe and a key motorway operator that has successfully diversified its revenues' stream outside its French domestic market. With a vertically integrated business model like the bigger Vinci, Eiffage can count on the cash generative motorways platform to pay decent dividends and M&As to extend the duration of its concessions portfolio. In addition, the historically high order book to EUR 28.8Bn provides strong visibility over the Contracting business, whose sales are linked to energy and digital transition. Grounded by overreaction to French political risk, the stock has been down 13% YTD and trades at 25% discount vs. its 10Y average, despite solid underlying business and double-digit FCF yield.

Born in France, becoming International

Eiffage is the 4th largest player in the construction business and the 3rd largest motorway operator in Europe; over time, its strong presence in the domestic market (70% at YE2023) has been gradually supplemented by an expansion into foreign markets, which in the last ten years have doubled their contribution.

Redeploying Motorways' abundant cash flow to extend the concession duration

Eiffage operates the highly profitable APRR/AREA motorways concession in France. Since 2019, the good dividends received at group level have exceeded the threshold of EUR 2.0Bn. While the concession's relatively short duration (2035/36) is a main push-back for investors, we believe that Eiffage has the means and capabilities to get prepared to the expiry date, redeploying the motorways cash flow into greenfield assets or new business, such as airports.

Contracting: more gain than pain

While more volatile and less profitable, the historical Contracting business looks in better shape than ever. Sitting on EUR 2.2Bn of available cash and above all on an unprecedented high order book of EUR 28.8Bn at 9M24, this business can count on a very high visibility with sales covered for the next 18 months and it also can benefit from expected growth related to the energy and digital transition, which should boost the Eiffage Energy division.

We initiate with a BUY rating and a TP of EUR 129

We expect sales and EBIT growth of 4.7% and 3.9% (24-26E CAGR), respectively, aligned to BBG consensus and matching company targets. We initiate coverage of Eiffage with a BUY rating and EUR 129 target price. After the YTD stock price correction (-13% vs. -2% of CAC 40 and -5% Sector) largely explained by the heightened French political risks, Eiffage trades at 4.7x/4.3x FY24/25 EV/EBITDA vs. a 10Y avg. of 6.4x, despite solid underlying business and strong FCF generation in the next three years (average 17%). At our TP EUR 129, the upside is over 50%.

Eiffage – Key data

Y/E Dec (EUR Bn)	2022A	2023A	2024E	2025E	2026E
Revenues	20.32	21.83	23.18	24.31	25.23
EBITDA	3.55	3.89	3.89	4.06	4.20
EBIT	2.16	2.35	2.40	2.54	2.64
Net income	0.90	1.01	0.93	1.08	1.24
Adj. EPS (EUR)	7.96	9.17	10.34	11.55	12.51
Net debt/-cash	11.18	11.04	10.95	10.15	9.27
Adj P/E (x)	11.4	10.5	8.0	7.2	6.6
EV/EBITDA (x)	5.6	5.1	4.7	4.3	4.0
EV/EBIT (x)	9.2	8.5	7.6	6.9	6.3
Div ord yield (%)	4.0	4.3	4.3	5.0	5.7
FCF Yield (%)	0.7	12.3	11.4	19.7	21.5

Source: Company data and Intesa Sanpaolo Research estimates. Priced at 02/12/2024

5 December 2024: 7:42 CET

Date and time of production

BUY

Target Price: EUR 129.0

France/Infrastructure
Initiation of Coverage

Eiffage - Key Data

Price date (market close)	02/12/2024
Target price (€)	129.0
Target upside (%)	55.80
Market price (€)	82.80
Market cap (EUR M)	8,114.4
52Wk range (€)	107.0/82.8

Price Perf. (RIC: FOUG.PA, BB:FGR FP)



Source: FactSet and Intesa Sanpaolo Research estimates

Intesa Sanpaolo Research Dept.

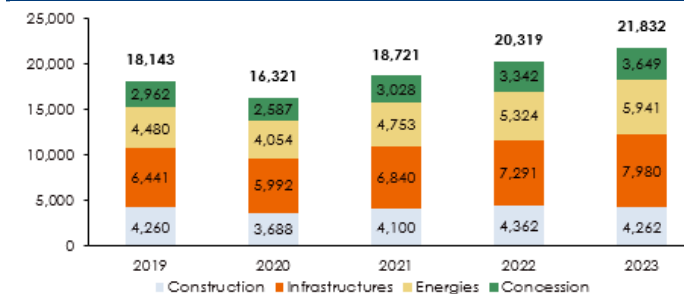
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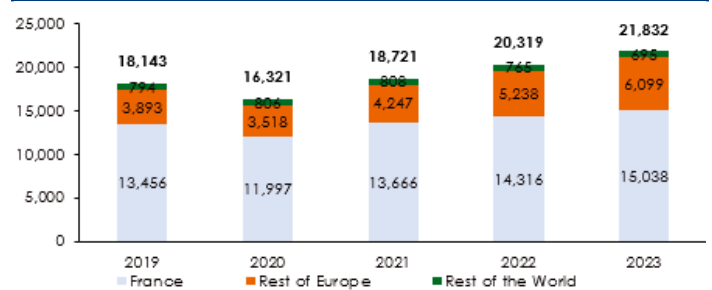
Key Charts

Eiffage – Revenue breakdown by division (EUR M)



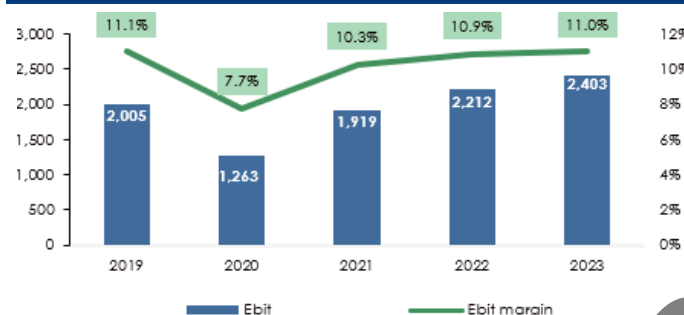
Source: Company data

Eiffage – Revenue breakdown by geography (EUR M)



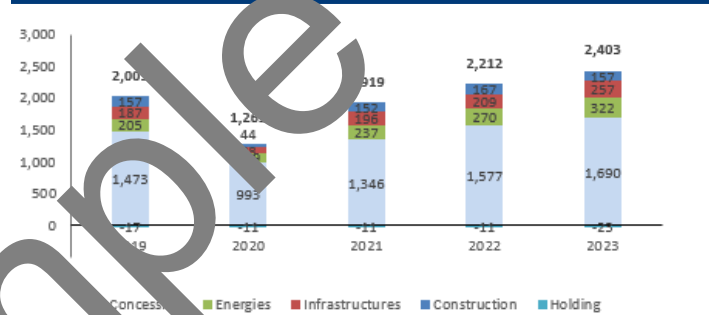
Source: Company data

Eiffage – EBIT (EUR M) and EBIT margin (%)



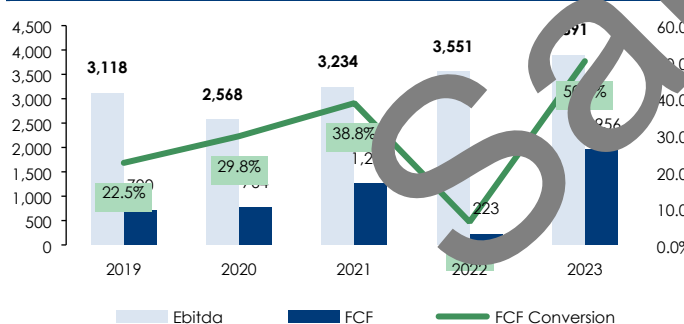
Source: Company data

Eiffage – EBIT breakdown by division (EUR M)



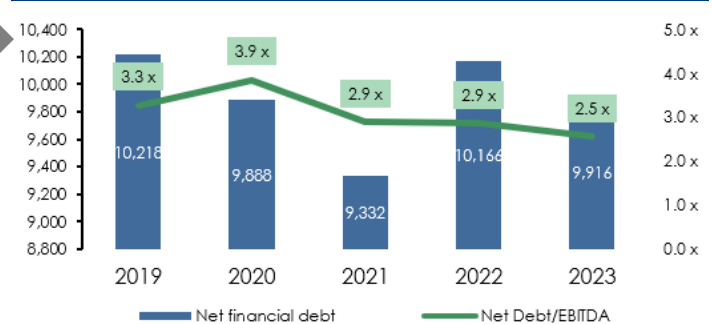
Source: Company data

Eiffage – EBITDA, FCF (EUR Bn) and FCF conversion rate (%)



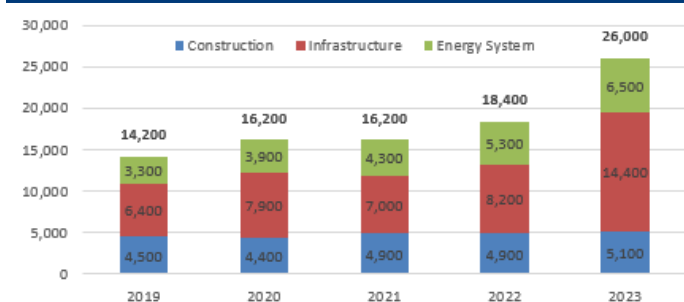
Source: Company data

Eiffage – Net financial debt (EUR Bn) and leverage (x)



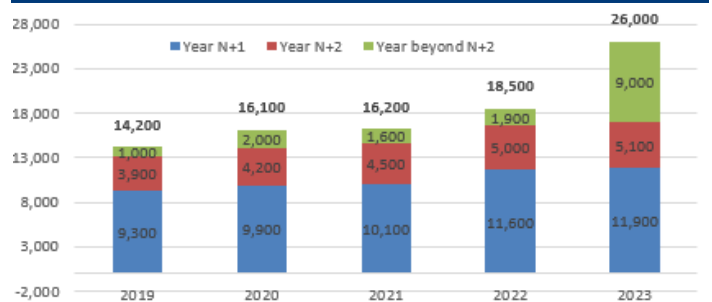
Source: Company data

Eiffage – Order book evolution by division



Source: Company data

Eiffage – Order book evolution by timing



Source: Company data

Background

Resulting as a merger from several French companies operating since 1844 in the contracting business, Eiffage is the 4th largest player in the construction business and the 3rd largest motorways operator in Europe; over time, its strong presence in the domestic market (70% at YE23) has been gradually supplemented by an expansion into foreign markets, which in the last ten years have doubled their contribution. Germany (8%), Spain (5.6%), Belgium (4.7%) and the UK (3.9%) are the largest reference markets outside France (22% combined on FY23 data). Eiffage had more 78K employees by the end of last year and is involved every year in more than 100k projects. In 2023, Eiffage reported sales in excess of EUR 21.8Bn (+7.4% yoy, 6.3% LFL), EBIT of EUR 2.4Bn (+8.6%) a net profit of EUR 1Bn (+13.1% yoy) with net debt slightly reducing to EUR 9.9Bn, resulting in a healthy balance sheet (net debt/EBITDA 2.5x).

The 4th largest player in the construction business and the 3rd largest motorways operator in Europe

Contracting is Eiffage's historical activity and the overall contracting segment generates the bulk of the sales (80%); however, most of the EBIT and cash flow generations stem from the concession segment, where Eiffage has successfully diversified its business starting from the privatisation of the French motorways in 2006. Eiffage looks for a fairly balanced mix between the contracting, a more cyclical and labour-intensive business, and the concession, which is characterised by heavy investment and long-term commitments along with strong free cash flow generation. Differently from Vinci, Eiffage's approach is to build a significant critical mass in selected countries across Europe leveraging on its competences to penetrate each geography through organic growth and M&A. Eiffage's export work leverages on its competences gained in its domestic market and most of the cases involves its customers to assist them in special projects.

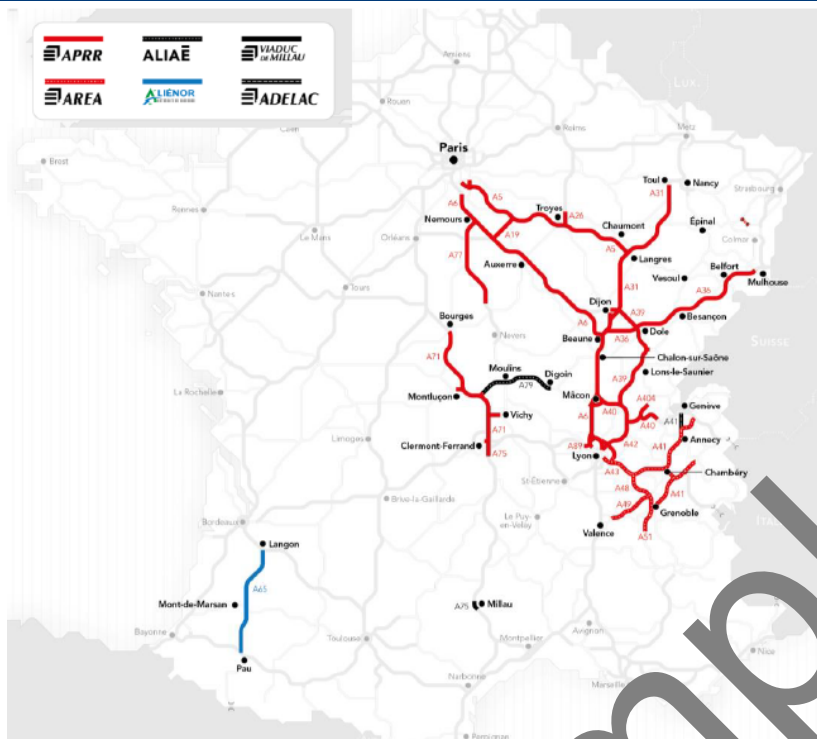
Contracting generates 80% of sales but only 31% of group EBIT

In detail, Eiffage business is split in four divisions: Construction, Infrastructure, Energy (which together form Contracting) and Concession.

In the **Concession** business, Eiffage is the second-largest motorways player in France after Vinci and operates a network of 2,560km (36% of total French toll network), the bulk of which is managed by APRR (1,910km) and AREA (408km), along with smaller stretches of the domestic network operated by A79 (10km), Allier (A65; 150km), Adelaïde (20km) and Viaduc de Millau (2.5km). The portfolio is rather mature, as APRR infrastructure was built more than 50 years ago and the concession expires in November 2035 (AREA, September 2036). The network is strategically located at the crossroads of Europe (links to Germany, Benelux, Switzerland and Italy) and connects the two wealthiest regions of Paris and Lyon. In addition, the network serves internationally well-renowned Alps' ski resorts, which helps diversify the traffic made of regular (i.e. business), seasonal and trade traffic flows. In addition, Eiffage was recently awarded the contract for building and operating for 55 years the A412 motorway, a 16.5km two-lane dual carriage motorway linking Thonon to Machilly to the south of Lake of Geneva. Works have not started yet, waiting for the French government's signing of the contract; however, based on ART (Autorité de Régulation des Transports), the cumulated sales generated by the concession over 55 years should be approx. EUR 3.5Bn, corresponding to avg. sales of EUR 60M and an IRR in the range of 5%/10%. Outside of France, Eiffage manages the Autoroute de l'Avenir, a 41km-long motorway located in Senegal whose concession expires in 2044. In FY23, the Motorways Concession segment recorded EUR 3.7Bn sales, 9.2% yoy and EBIT of approx. EUR 1.6Bn (+7% yoy).

Motorways, second largest player in France

Eiffage - French motorways Network



Source: Company data

More recently, Eiffage has widened its concession portfolio to the airport business acquiring 49.99% of the medium-sized Toulouse airport (7.8M pax), whose concession expires in 2046, and winning the bid for managing the small Lille airport (2019 pax; 90% stake) up to 2039. Finally, Eiffage operates several other concessions and PPPs (Public-Private-Partnerships) of which the most relevant are: i) the 214km long Bretagne-Pays de La Loire high-speed rail line in JV with SNCF (expiry in 2036) where Eiffage earns a fixed rate based on traffic volume and the compliance with the quality of the service provided; ii) the Nové JV with Arcade-VYV for the upkeep and maintenance of 11k housing units owned by the French Ministry of the Armed forces and the construction of 300 new units (total value of EUR 700M); iii) the Decathlon Arena Stade P. Mauroy, hosting many types of events (live concerts, football and rugby matches etc) near Lille; iv) the port infrastructure, where Eiffage teams up with several sector players managing/renovating marinas, such as the Villeneuve-Loubet, awarded in 2020, the Toulon marina, a concession awarded last year based on a 30-year contract partnering with Sodeports, the concession of the Colombian Puerto Antioquia for building an off-shore platform; v) renewable energies, where with its subsidiary Sun'R, Eiffage is involved in the solar photovoltaic business both on the upstream (finding suitable sites, structuring of the projects) and on the downstream (marketing of the electricity produced by plants).

Through a number of multiple step purchases dated back since 2018, Eiffage detains a 20.55% financial stake and 27.56% of voting rights on Getlink, the company owning the concession for running the Channel Tunnel until 2086, and Eleclink, the company running the 1000MW electricity interconnection through a 51km long cable within the tunnel to/from the UK and France. Getlink generated last year EUR 1,829M sales and EUR 326M net profit and is consolidated in Eiffage account with the equity method since last year (EUR 25M).

Airports, only domestic ones... for now!

Significant exposure to ancillary business through Public-Private-Partnership

Largest minority shareholders on Getlink

In 2023, the Concession business generated EUR 3,649M sales (19-23 CAGR: +5.4%) and EUR 1,690M operating profit (CAGR: +7.8%), of which EUR 1,459M from APRR and AREA (post Financière Eiffage goodwill).

Construction division is the historical business of Eiffage but the smallest in Contracting and with largest portion of subcontracting business. Eiffage's expertise is on urban and property development, construction and works and services. Last year's sales shrunk by 2.3% yoy to EUR 4,262M, reflecting the drop in the property development business not fully offset by contracting revenues (up 5.3% yoy).

The property development generated EUR 823M sales last year, down 25% yoy hit by shrinking demand in France (-22% reservation from new homes at EY23) resulting from higher purchase costs (i.e. cost inflation and higher interest rate) as well as a less appealing risk-reward profile in the buy-to-let subsegment. Property business is down 40% from the peak reached in 2019 and the outlook is for a stabilisation in the coming months, followed by a gradual recovery of the overall market started this year and gathering momentum in 2024 (new home reservations improved at 9M24 to 1,229 from 1,011 at 9M23). Given the tough market conditions, Eiffage's approach is to become more efficient and to prioritise margin vs. growth, being very selective in new contracts' winnings. Despite the drop in the property business, the most profitable within the Construction division (EBIT margin between 6/8%), the overall operating profit in Construction shrunk by 5% to EUR 157M with the profitability declining by only 10bps yoy to 3.7%.

Geography-wise, the bulk of the Construction sales is sourced in France, to a lesser extent in Belgium and a small portion in Poland. Other than in the housing sector, the division is involved in providing its customised services in the commercial sector, hospitals, hotels, students' and seniors' residences through Eiffage Immobilier and Eiffage Construction. Eiffage also operates as large urban developer teaming up with local authorities (Eiffage Aménagement) with 940k sqm of projects under construction and 930k sqm of projects in the structuring/development phase. The average contract size for the whole division varies significantly from small amount to very large contracts. Those with public entities are indexed to the inflation to safeguard profitability, while those with private counterparties have fixed prices, notably in the private property market.

At the end of FY23, the Construction order book amounted to EUR 5.1Bn (+3% yoy) and EUR 5.5Bn at 9M24 (+17% yoy), the highest level since 1H19. We highlight that last year Eiffage was awarded with Arcade VYV the Nové contract, a 35-year contract for managing 11k housing units for the French Ministry of Armed Forces. It is expected to generate recurring revenues in the tune of EUR 50/60M per year as per the concession business, but will also contribute to smooth out the softness of the revenues in housing business, as the contract envisages refurbishment projects and new building projects (65 planned by 2024, 730 by 2023) for a total amount of EUR 1.5Bn, of which EUR 200M recorded this year, EUR 400M in 2025 and the remainder spread out during the length of the contract.

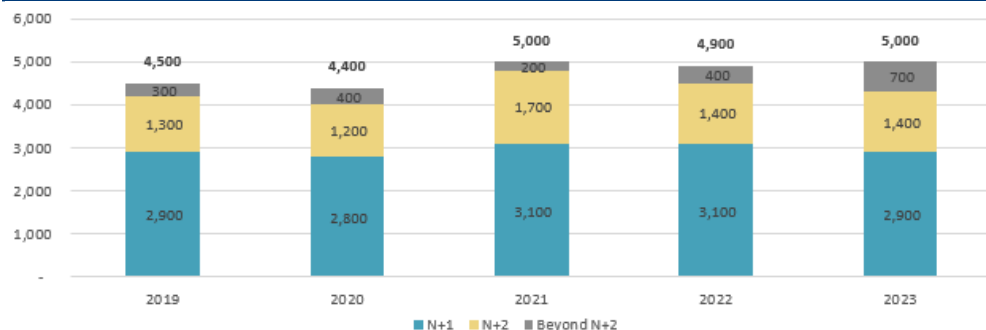
Construction, the smallest in Contracting plagued by Property market drop

Property market taking its toll, but momentum is slowly improving

France, Belgium and Poland the largest markets

Order book at highest level since 1H19 at EUR 5.5Bn in 9M24

Eiffage - Construction Order book evolution – 2019-2023



A Source: Company data

Infrastructure. This division is the largest in Contracting and last year reported sales of EUR 7,980M, up +9.5% yoy, mainly driven by the subsegment Metal unit (+41.8% yoy), boosted by the booming offshore wind segment, and the Roads unit (+3.4%). The Civil Engineering segment dropped by 11.9%, despite sales being underpinned by transport infrastructure, namely several work packages on the Grand Paris Express project.

Eiffage's expertise in the Infrastructure is on: i) roads, urban development and road works; ii) design, construction and servicing of onshore/offshore infrastructure; iii) design, construction and assembly of metal structures; iv) demolition, selective demolition, recycling and direct re-use. Visibility on sales is very good as the division should benefit from the energy transition (i.e. off/onshore wind farms), large projects such as the Lyon-Turin tunnel as well as the civil works for Penly EPR2 reactors (EUR 4Bn plus) and the construction of the Line 15 East of the Grand Paris Express Ligne (EUR 2.54Bn). Works for these two large-scale projects will start in 2026/27, providing a steady revenues' stream for 5/6 years of approx. EUR 400/500M for the 15 East line and about EUR 600/700M for the two reactors, whose construction will be completed in 6/7 years.

Eiffage does not provide the breakdown between the three different sub-segments, but the Civil Engineering is the largest chunk of the division's turnover (approx. 60%), the Road approx. 25% and Metal is the remaining portion. Profitability-wise, Metal is the most rewarding, given the complexity of the activity, while the Road is least profitable. In 2024, Eiffage was eventually awarded the construction and operation of the A412, a 16.5km motorway in the Haute-Savoie (see the Concession business) linking Thonon-les-Bains to Machilly and reducing the commuting time to/from Geneva. Once the works are over, Eiffage will receive recurring revenues for managing the motorways for 55 years but as soon as the works start the company will also record the related construction revenues, which should amount between EUR 200-500M based on the 2022 prices.

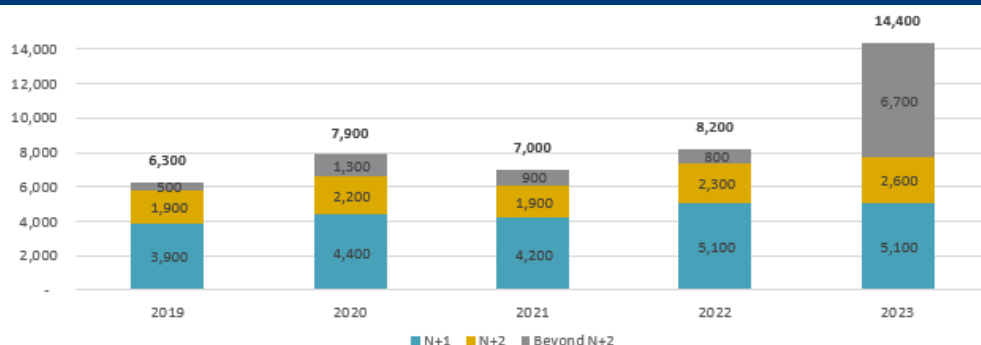
Infrastructure's order book almost doubled at the end of last year reaching EUR 14.4Bn reflecting two major contracts: i) civil works for Penly EPR2 reactors worth more than EUR 4Bn; ii) Grand Paris Express Ligne 15 East for EUR 2.54Bn. At 9M24, the order book further improved to EUR 15.5Bn as the first lot 1 of the Lyon-Turing rail link tunnel was added, worth EUR 0.6Bn.

The largest segment with a strong visibility thanks to a 24-month order book...

...boosted by the Grand Paris Express and two reactors at Penly nuclear power station

Order book up to EUR 15.5Bn including the Lyon-Turin rail link tunnel

Eiffage - Infrastructure Order book evolution – 2019-2023



Source: Company data

Energy. This is second-largest division in the Contracting and thanks to the secular trend led by the energy transition and digital transformation the underlying business has experienced a strong momentum in the last few years (7.3% 2019-23 CAGR). FY23 sales stood at EUR 5.1bn, up 11.6% yoy, mainly driven organic growth led by its domestic market (11.7% LFL +16.4% reported), while foreign markets recorded a slower growth (+3.2% yoy). At 9M24, sales momentum remained brisk with LFL up 16.9% (+27% reported) led by the business in Spain, boosted by the phasing of photovoltaic projects power.

The second-largest and most profitable division fuelled by the energy and digital transition

The Energy segment is also the most profitable, as its EBIT margin reached 3.2% last year (+30bps) improving from the trough of 2020 and well ahead of the 4.6% mark achieved in 2019. Growth drivers of this division, which are expected to stay on for many years, are the several projects behind the ongoing electrification process, the construction of data centres resulting from the digital transition and reindustrialisation projects (Industry 4.0).

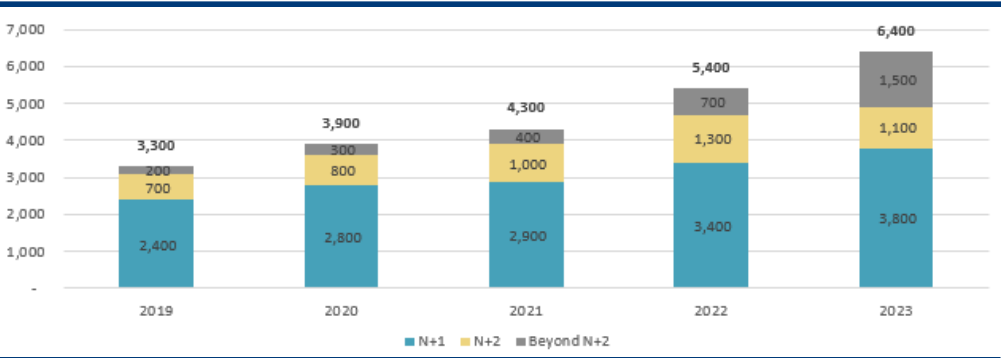
In detail, Eiffage is involved in projects to deploying charging vehicles points, strengthening the grid cable, energy storage, efficiency of buildings (smart buildings), street lighting and cars connectivity (smart cities) and projects for smart mobility. Its expertise varies from the design, production, operation and maintenance of electrical, industrial, HVAC and energy system equipment to customised offerings for the industrial, infrastructure and networks markets and the commercial sector.

In renewable energies, Eiffage is number one in Europe on ground-mounted photovoltaic power plants, with 7 Gwp capacity installed since 2007. Eiffage aims to untap the growth potential in this segment both through organic growth as well as via new acquisitions to strengthen its penetration in targeted countries in Europe and integrating the one executed in past years (11 acquisitions in 2023).

Thanks to the strong underlying momentum of its key secular growth drivers, the backlog of the Energy division has steadily grown and reached EUR 6.4Bn last year (+22.6% yoy) and reaching close to EUR 8Bn at the end of 9M24 (+31% yoy).

Order book at EUR 7.8Bn at 9M24, up 31% yoy

Eiffage - Energy Order book evolution – 2019-2023



Source: Company data

Similarly to Vinci, Eiffage's 2019-2023 growth path (+4.7%, CAGR) was boosted by M&A but its contribution, including FX, was just 1.2% throughout the period vs. +3.7% of Vinci. The organic growth stood at 3.5% CAGR, mainly driven by the Contracting unit (+3.8%) and by Infrastructure (+3.8%) and Energy (+3.1%), more than offsetting a negative I&I on Construction (-3.6%).

Eiffage - Revenue CAGR 2019-2023

%	Organic	Scope FX	Total
Concession	1.7	3.7	5.4
Contracting	3.8	0.8	4.6
Construction	-3.6	3.6	0.0
Infrastructure	3.8	1.7	5.5
Energy	3.1	4.2	7.3
Total	3.5	1.2	4.7

Source: Intesa Sanpaolo Research elaborations on company data

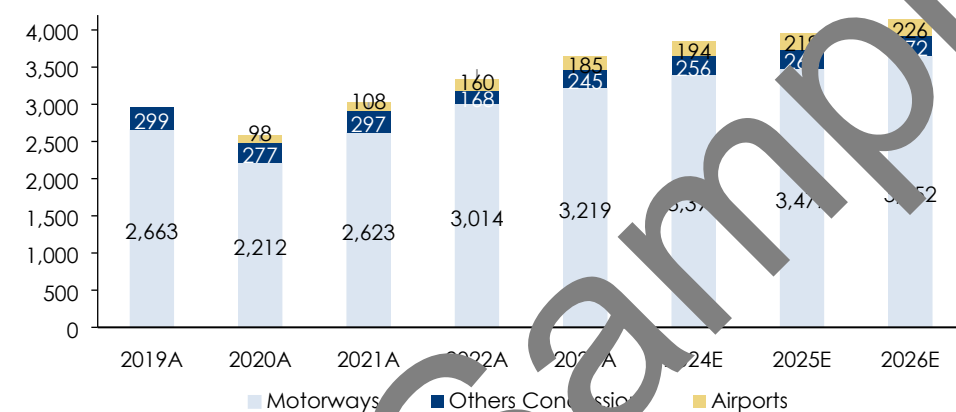
Business Drivers

Concession: Strong Airports' growth more than offsetting tax headwinds on Motorways

After the strong growth of the last three years, we expect a moderation on Concession sales growth, which project to expand by 4.4% (2024-26 CAGR) and reaching EUR 4.1Bn by 2026 from EUR 3.7Bn at YE23. Carving out the new Adelaç motorways concession, consolidated for the first time this year, the growth would reduce to 3.8% (2024-26 CAGR). We expect the overall motorways in France, APRR/AREA, to grow 3.6% in the period (CAGR) reflecting: i) a slightly negative traffic this year (-0.3%), followed by a recovery in 2025/26 at +0.9% and +1.3% despite the weak GDP mainly thanks to a comparison effect; ii) modest tariffs in 25/26 at +1.8% and +1.5% based on our macroeconomist inflation forecasts and slowing down from the +3.2% expected for this year. As for Airports, we anticipate traffic at Lille/Toulouse airport to regain pre-Covid levels by 2026 and thus grow at 6.9% CAGR in the period. As for PPA and Other concessions, we expect the Nové contract to gradually come into stream adding approx. EUR 47M by end of 2026.

Motorways growing despite sluggish French GDP dynamic

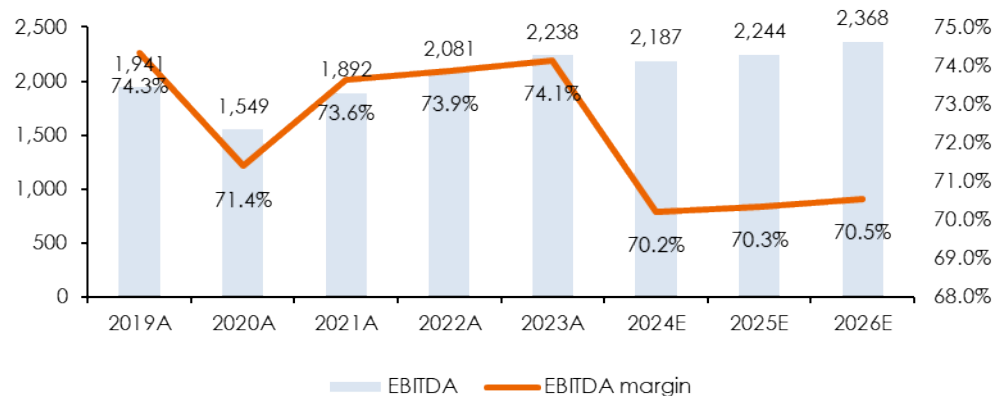
Eiffage – Concession Sales Evolution



A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

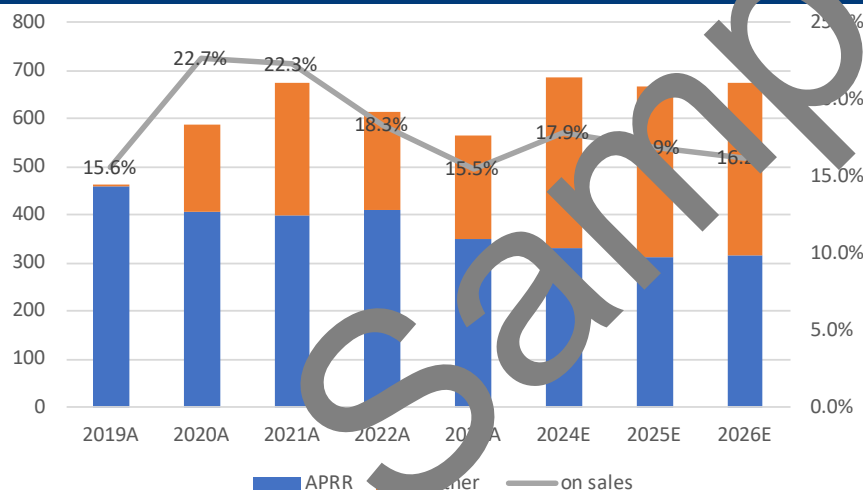
As far as profitability is concerned, we expect a less than proportional growth for the EBITDA vs. the top-line due the new tax on long-distance transportation infrastructure. The cash-out should significantly dent profitability this year for approx. EUR 130M, leading the EBITDA margin of APRR group down to 70.2% from 74.1% at YE23, then gradually improving at the same historical pace thanks to the efficiency and economy of scale to 70.5%. On the contrary, we expect a stronger growth on Airports as the traffic regains the pre-pandemic level and triggers the operating leverage (+15.7% EBITDA 2024-26E CAGR). Overall, we anticipate the Concession EBITDA in excess of EUR 2.5Bn from EUR 1.5Bn at YE23 and the Operating Profit after the amortisation of the asset revaluation and Eiffage costs to reach EUR 1.8Bn from EUR 1.5Bn at YE23 (+3.3% CAGR).

EBITDA margin recovering after this year's setback

Concession – APRR/AREA EBITDA margin evolution

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

We expect APRR to absorb half of the EUR 2Bn projected up to 2024, with the capex/sale ratio ranging from 16% to 17%.

Concession - Capex plan

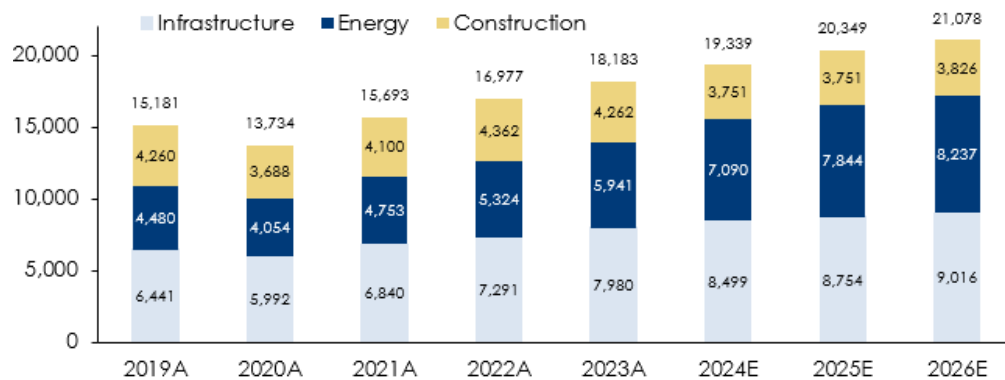
Source: Company data and Intesa Sanpaolo Research

Contracting: Property business weakness more than offset by the Energy and Infrastructure

With an order book of EUR 28Bn at 9M24 and approx. half of it expected to convert into sales in 2025 and beyond, visibility on Contracting is very strong, adding stability to the revenues stream in the medium term. We thus expect revenues to grow 5% (2024-26E CAGR) and reach EUR 21Bn in 2026E from EUR 18.2Bn. The main drive should come from the Infrastructure segment (+4.2% CAGR), boosted by the two relevant projects related to the Penly reactors as well as the Line 15 East of the Grand Paris Express; the Energy segment should also contribute, fuelled by the solid underlying demand in led by the energy transition and digital transformation, but also by the acquisitions executed this year (Salvia Group and Van den Pol and recently finalised Eqos acquisition in Germany) adding a full speed approx. EUR 500M. On the contrary, we anticipate the Construction business remaining a drag due to the Property business and resulting in a double-digit sales drop in 2024 and limiting the expansion of the Construction segment also next year (no growth) and in 2026 (+2%).

Strong visibility thanks to record-high order book

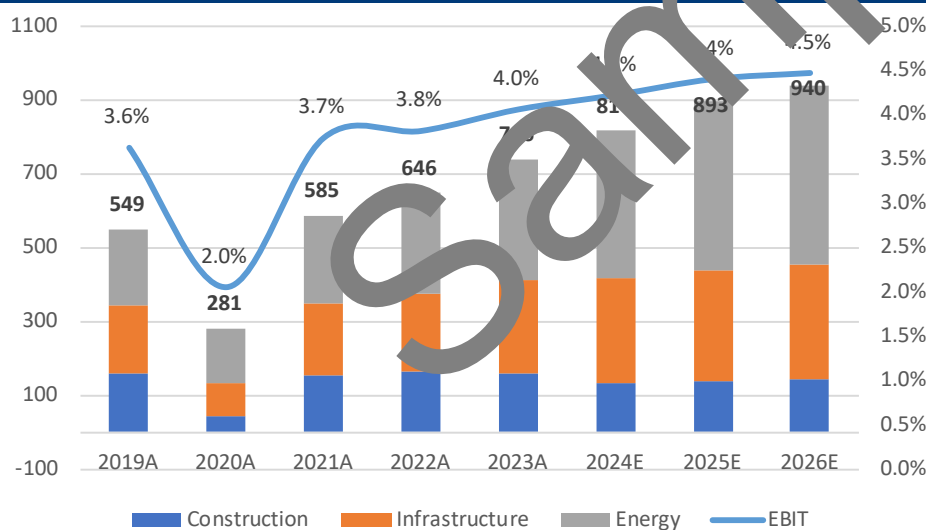
Contracting – Sales evolution by segment



A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Given the quicker growth of the more profitable Energy business and a selective approach to new projects, we see the Contracting profitability improving yoy up to 4.5% led by the Energy segment, whose EBIT margin is expected to reach 6% by end of FY26, despite the headwinds affecting Construction; the profitability of this segment should increase by 3.6% this year because of the sharp sales drop of the Property business. In absolute terms, we project the EBIT to reach EUR 940M in 2026E from EUR 736M at YE23 (+8.3% CAGR 2024-26E).

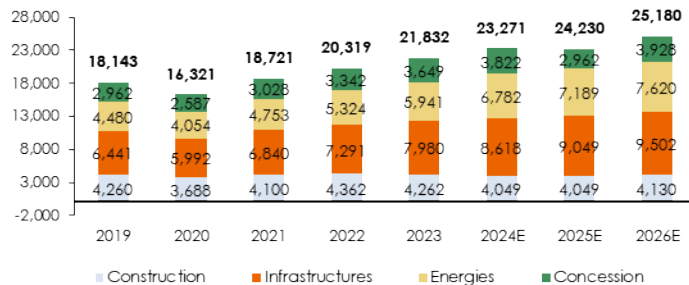
Contracting – EBIT evolution by segment



A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

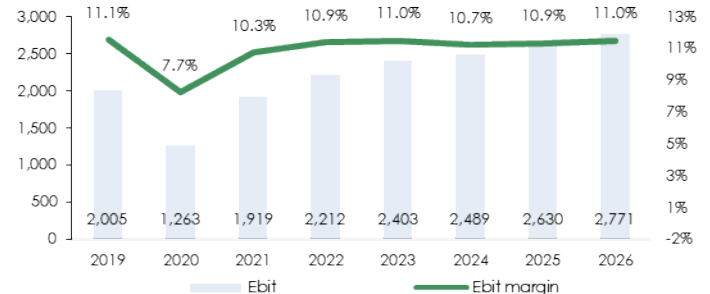
Financial KPIs

Eiffage – Revenue breakdown by division (EUR M)



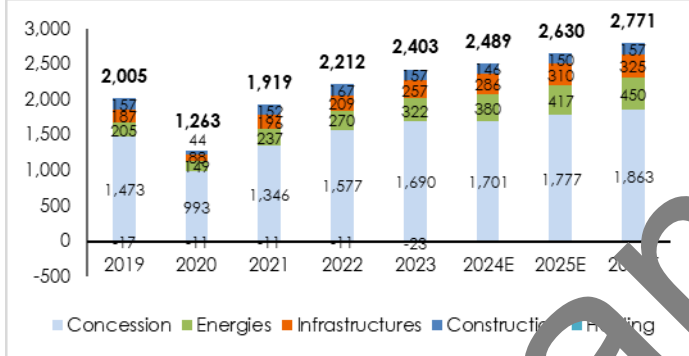
Source: Company data and Intesa Sanpaolo Research

Eiffage – EBIT (EUR M) and EBIT margin (%)



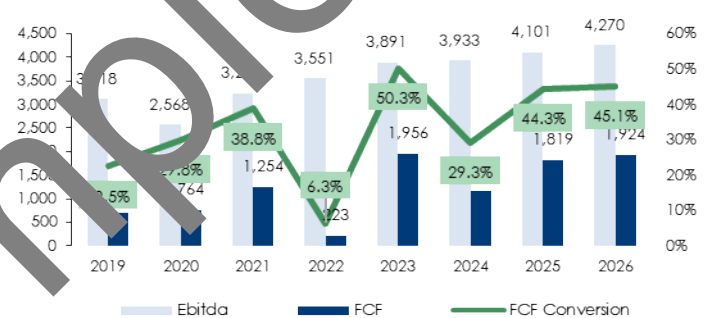
Source: Company data and Intesa Sanpaolo Research

Eiffage – EBITDA breakdown by division (EUR M)



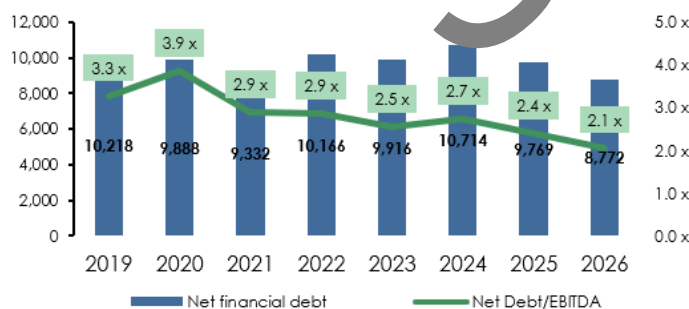
Source: Company data and Intesa Sanpaolo Research

Eiffage – EBITDA, FCF (EUR M) and FCF conversion rate (%)



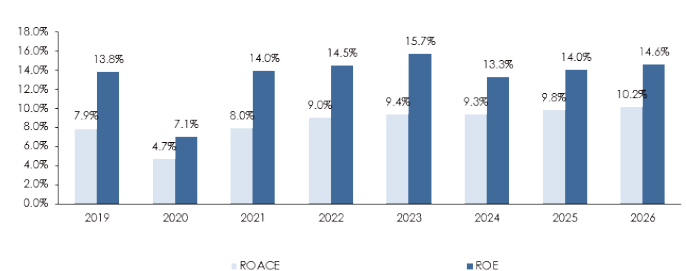
Source: Company data and Intesa Sanpaolo Research

Eiffage - Net financial debt (EUR Bn) and coverage (x)



Source: Company data and Intesa Sanpaolo Research

Eiffage – ROACE & ROE evolution



Source: Company data and Intesa Sanpaolo Research

Earnings Outlook

We anticipate 2024-26 group revenues, EBITDA and EBIT to grow (CAGR) at 4.9%, 2.6% and 3.9%, with the former to exceed EUR 25Bn and the EBIT to get close to EUR 2.7Bn by YE26E, with margin remaining almost unchanged at 12.2%. Our estimates are fairly aligned to the Bloomberg consensus down to the operating profit; we are on average below the consensus (-1.4%) on the bottom line, notably on FY24E figures as we already factor in the expected temporary hike on 2024/25 corporate tax for a cumulated cash-out of slightly above EUR 200M, of which the bulk should weigh on next year's free cash flow (EUR 130M). We remind that the French budget law calling for the tax increase has not been approved yet.

For the sake of completeness, we recall that Eiffage reiterated its FY24 guidance with the release of 9M24 results, flagging the growth on both Concession and Contracting business revenues and the expanding operating profit, thanks to improving margin on the Energy business, while the tax on long-distance transportation infrastructure will hit the Concession profitability. Barring any change on the corporate tax, Eiffage guidance is for a stable FY24 profit.

As far as the dividend is concerned, we expect a 3.6% yield on 2024 data. We assume that Eiffage may temporarily reduce the capital returned to the shareholders because of the higher corporate taxation (DPS at EUR 3.5 from EUR 4.1) and resume a growth path from the following year, to reach EUR 4.8/sh by 2026, aligned to the BBG consensus.

Looking at the balance sheet, despite the increased cash taxes and lower contribution from the NWC vis à vis the past few years, we project a sound cash flow generation from 2024 onwards, leading to a double-digit free cash flow yield in 2024 and progressively to reach 17% by 2026 with ROACE exceeding 10% from 9.4% YE23. We thus expect the balance sheet to remain solid and the net debt/EBITDA to further improve to 2.2x from EY23 2.8x, leaving ample room for M&As.

MSD EBIT growth, with net profit impacted by temporary corporate tax hike

Dividend to resume growth from 2025 with a MSD yield

Solid free cash flow generation leave room for further M&As keeping the balance sheet super solid

Eiffage – 2024-26E ISP estimates vs. Bloomberg consensus

EUR M	ISP	2024E Cons.	Delta %	ISP	2025E Cons.	Delta %	ISP	2026E Cons.	Delta %	Avg %
Sales	23,184	23,186	0.0	24,308	24,265	0.2	25,228	25,096	0.5	0.2
EBITDA	3,887	3,888	0.0	4,063	4,030	0.8	4,200	4,166	0.8	0.5
on sales %	16.8	16.8	0.0	16.7	16.6	0.1	16.6	16.6	0.0	0.1
EBIT	2,442	2,442	0.0	2,582	2,580	0.1	2,685	2,675	0.4	0.2
on sales %	12.2	12.2	0.0	12.2	10.6	16.0	12.2	10.7	12.2	11.2
Net Profit	925	1,016	-9.0	1,080	1,089	-0.8	1,244	1,178	5.7	-1.4
on sales %	6.8	4.4	54.5	6.8	4.5	50.0	6.8	4.7	44.4	37.8
Net Debt	10,948	9,826	11.4	10,147	9,176	10.6	9,271	8,318	11.5	11.2
Net Debt/EBITDA	2.8	2.5	10.7	2.5	2.3	8.7	2.2	2.0	10.9	11.2
Capex	-1,361	-987	37.8	-1,361	-1,015	34.1	-1,388	-1,011	37.3	36.4
Dividend/sh (EUR)	3.5	4.2	-15.5	4.1	4.5	-7.6	4.8	4.8	-1.8	-8.3

A: actual; E: estimates; Cons: Bloomberg consensus; Source: Company data and Intesa Sanpaolo Research

Eiffage – 2019A-26E profit and loss

EUR M	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E
Contracting	15,181	13,734	15,693	16,977	18,183	19,339	20,349	21,078
Concessions	2,962	2,587	3,028	3,342	3,649	3,845	3,959	4,149
Total Sales	18,143	16,321	18,721	20,319	21,832	23,184	24,308	25,228
% growth	+9.4%	-10.0%	+14.7%	+8.5%	+7.4%	+6.2%	+4.8%	+3.8%
EBITDA	3,118	2,568	3,234	3,551	3,891	3,887	4,063	4,200
% Margin	17.2%	15.7%	17.3%	17.5%	17.8%	16.8%	16.7%	16.6%
Depreciation	(1,041)	(1,195)	(1,258)	(1,272)	(1,412)	(1,446)	(1,480)	(1,514)
Provisions	(72)	(110)	(57)	(67)	(76)	0	0	0
Operating profit on ordinary activity	2,005	1,263	1,919	2,212	2,403	2,442	2,582	2,685
% Margin	11.1%	7.7%	10.3%	10.9%	11.0%	10.5%	10.6%	10.6%
Other operating income/(costs)	(68)	(50)	(51)	(52)	(51)	(46)	(46)	(46)
Operating profit	1,937	1,213	1,868	2,160	2,352	2,396	2,536	2,639
Net interest	(265)	(253)	(246)	(271)	(312)	(325)	(320)	(314)
Other Financial income/(expenses)	(12)	(29)	(20)	(53)	(2)	(2)	(2)	(2)
Recurring profit	1,660	931	1,602	1,836	2,038	2,069	2,214	2,324
% growth	+17%	-44%	+72%	+15%	+11%	+2%	+7%	+5%
Associates	13	13	11	10	38	52	50	90
Pre-tax profit	1,673	944	1,613	1,846	2,076	2,121	2,265	2,413
% growth	+17%	-44%	+71%	+14%	+11%	+2%	+7%	+7%
Taxes	(560)	(330)	(445)	(491)	(514)	(759)	(737)	(705)
Net profit	1,113	614	1,168	1,355	1,532	1,362	1,528	1,708
Minorities	(388)	(239)	(391)	(459)	(519)	(437)	(448)	(464)
Net attributable profit	725	375	777	896	1,013	925	1,080	1,244
% growth	+15%	-48%	+107%	+15%	+13%	-9%	+17%	+15%
Adj. net profit	729	380	780	899	1,013	1,132	1,226	1,329
% growth	+15%	-48%	+106%	+15%	+13%	+12%	+8%	+8%

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Eiffage – FY19A-FY26E Balance sheet

EUR M	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E
PPE	1,817	1,814	1,727	1,928	2,099	2,153	2,220	2,299
Right of Use	889	1,012	1,039	1,049	1,149	1,149	1,149	1,149
Investment property	62	59	57	81	75	75	75	75
Fixed assets held under concession	10,837	11,582	11,591	11,481	11,738	11,599	11,413	11,207
Goodwill	3,703	3,408	3,483	3,702	3,832	3,832	3,832	3,832
Other Intangible Assets	249	271	310	233	265	265	265	265
Equity accounted companies	162	169	176	296	2,046	2,098	2,148	2,237
Financial assets on non-current serv.	1,585	1,576	1,388	1,314	1,245	1,511	1,511	1,511
Concessions								
Deferred tax assets	254	262	189	180	220	220	220	220
Other assets	612	575	604	1,872	427	427	427	427
Total Non-Current Assets	20,170	20,728	20,564	22,136	23,096	23,329	23,260	23,223
Inventory	745	803	873	1,010	969	1,009	1,009	1,009
Trade Receivables	5,467	5,105	5,327	6,114	6,546	6,586	6,586	6,586
Current taxes	140	84	20	28	30	30	30	30
Fin. Assets on current serv. Concessions	60	64	60	67	70	70	70	70
Other current assets	1,718	1,745	2,058	2,085	2,170	2,210	2,210	2,210
Cash and Cash Equivalent	4,577	5,192	4,807	4,756	4,944	0	0	0
Current Assets	12,707	12,993	13,145	14,060	14,925	9,905	9,905	9,905
Total assets	32,877	33,721	33,709	36,196	38,021	33,234	33,165	33,128
Share capital	392	392	392	392	392	392	392	392
Consolidated reserves	4,131	4,534	4,400	4,888	5,050	5,661	6,239	6,914
Net profit	725	375	777	1,227	1,249	925	1,080	1,244
Shareholder's funds	5,248	5,301	5,569	6,178	6,455	6,978	7,711	8,550
Minority Interests	983	1,172	1,227	1,248	1,486	1,486	1,486	1,486
Total equity	6,231	6,473	6,796	7,426	7,941	8,464	9,197	10,036
Long-term&Rented assets debt	11,340	12,815	12,530	12,530	13,337	10,948	10,147	9,271
Deferred taxes	811	949	875	875	786	786	786	786
Provisions	787	831	778	720	799	799	799	799
Other non-current liabilities	151	145	170	177	299	299	299	299
Total Non-Current Liabilities	13,089	14,740	14,353	14,301	15,221	12,832	12,031	11,155
Trade Creditors	4,174	4,236	4,223	4,177	5,051	5,011	5,011	5,011
Other Short Term Liab.	4,015	4,059	4,695	5,229	5,829	5,789	5,789	5,789
Short term loans&Other borrowings	3,047	3,071	2,224	2,353	1,524	0	0	0
Non-current Loans due within one year	1,534	1,531	1,554	1,024	1,122	0	0	0
Taxes	197	177	192	243	292	292	292	292
Provisions	77	645	658	805	845	845	845	845
Total Non-Current Liabilities	13,089	14,740	14,353	14,471	14,663	11,937	11,937	11,937
Total liabilities and Shareholders' Capital	32,877	33,721	33,709	36,196	37,825	33,234	33,165	33,128
Working capital	(125.0)	(492)	(660)	(837)	(1,195)	(995)	(995)	(995)
Net debt (incl swaps)	11,164	11,165	10,514	11,180	11,039	10,948	10,147	9,271
Reported Net Debt	10,211	9,888	9,332	10,166	9,916	9,825	9,024	8,148

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Eiffage – FY23A-FY26E cash flow

EUR M	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E
Net profit	725.0	375.0	777.4	896.0	1,013.0	925.1	1,079.5	1,244.2
Minorities	388.0	239.0	391.0	459.0	519.0	436.6	448.0	463.9
D&A	1,041.0	1,195.0	1,258.0	1,272.0	1,412.0	1,445.5	1,480.3	1,514.2
Funds	161.0	92.0	(39.7)	88.7	119.0	0.0	0.0	0.0
NWC	(64.0)	233.0	168.0	177.0	358.0	(200.0)	0.0	0.0
Others	17.0	170.0	35.3	12.7	107.0	0.0	0.0	0.0
Operating Cash flow	2,268.0	2,304.0	2,590.0	2,905.4	3,528.0	2,607.2	3,007.8	3,222.2
Capex	(944.0)	(1,091.0)	(1,184.0)	(1,207.0)	(1,038.0)	(1,360.5)	(1,361.1)	(1,388.0)
Financial Capex	(566.0)	(297.0)	(285.0)	(1,462.0)	(309.0)	(266.0)	0.0	0.0
Others	(883.0)	(365.0)	375.0	(175.0)	(1,025.0)	(51.7)	(50.2)	(89.6)
Free cash flow	(125.0)	551.0	1,496.0	61.4	1,156.0	928.9	1,596.6	1,744.7
Dividends	(534.0)	(442.0)	(811.0)	(752.0)	(805.0)	(838.4)	(794.9)	(868.7)
Third Party equity movements	(284.0)	(50.0)	(336.0)	(438.0)	(281.0)	(436.6)	(448.0)	(463.9)
Equity delta	(642.0)	179.0	651.0	(666.0)	141.0	90.6	801.6	875.9
Net deb beg	10,702.2	11,344.2	11,165.2	10,514.2	11,180.2	11,039.2	10,948.7	10,147.0
delta	(642.0)	179.0	651.0	(666.0)	141.0	90.6	801.6	875.9
Net deb end	11,344.2	11,165.2	10,514.2	11,180.2	11,039.2	10,948.7	10,147.0	9,271.1

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Valuation

We value Eiffage with a Sum of the parts, valuing APRR through a DCF until the end of the concession (WACC: 7.76%), the other concessions and PPPs through the book value. The entire Concession explains approx. 74% of the overall group EV, but 32% of the Equity value due to the Minorities. As far as Contracting is concerned, we value Eiffage Construction and Infrastructure business using avg. sector multiples (see page 6), corresponding to a 6x EV/EBIT while we use an EV/EBIT of 9.7x to value the Energy division, adjusting the pure-player sector multiple applying a 20% discount to factor in Eiffage smaller size and lower profitability.

We initiate coverage of Eiffage with a TP of EUR 129 and a BUY recommendation. Eiffage trades at 4.7x/4.3x on FY24/25 data vs. the historical avg. (-10Y) of 6.4x, thus corresponding to a 26% discount or to a 41% if compared to Eiffage pre-Covid historical multiple of 7.4x. The stock has not regained the pre-Covid level yet and is down 17%, significantly underperforming the Sector (+10%) as well as the CAC40 (+21%) partially explained by adverse interest rate movements, and more recently, to the heightened political risks in France as well as the unfavourable Constitutional Council ruling on the long transportation infrastructure. YTD, the stock is down 13% vs. the Sector down 5% and CAC40 down 2%.

Eiffage – 10 EV/EBITDA NTM vs. Price



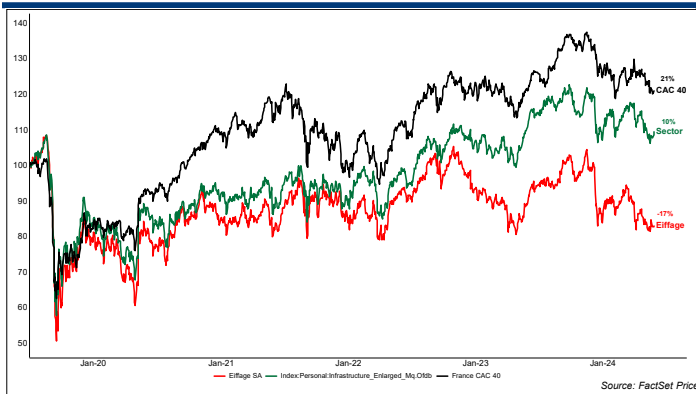
Source: Factset

Eiffage – Pre-Covid 10 EV/EBITDA NTM vs. Price



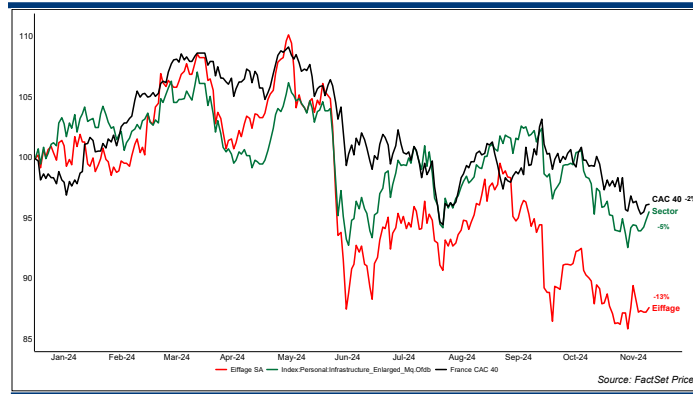
Source: Factset

Eiffage – Pre-Covid performance vs. Sector and CAC 40



Source: Factset

Eiffage – YTD performance vs. Sector and CAC 40



Source: Factset

We acknowledge that Eiffage's exposure to Europe's struggling economy may limit EPS momentum, delaying the recovery of the Construction business, and that the French political risk is weighing on investors' sentiment; however, we believe that the current discount is undeserved, given: i) the substantial order book, providing a very good visibility on contracting (18 months sales' coverage), notably on the Infrastructure; ii) the secular trend of the energy transition and digital transformation underpinning Eiffage Energy business long term prospects, with profitability likely to expand more than our and consensus figures on the back of the strong underlying demand; iii) the double-digit free cash flow yield expected for this year and growing to approx. 20% by 2026; iv) the solid balance sheet that leaves Eiffage ample room to extend the duration of concession portfolio through M&As in airports and new greenfield asset in motorways. In addition, the downward trend of interest rates in Europe may further help re-rate the stock, given the high contribution of Concession business to the group EBITDA.

Eiffage – SOP valuation

EUR M	Cons.	Stake %	Method	EV	EBITDA/ EBIT FY24	EV/EBITDA- EBIT FY24	Net debt	Equity value	Minorities	EQV post minorities	% EV	P.S. (EUR)	Equity %
Concessions				18,159	2,307.7	7.9x	10,002	7,157	3,226	4,050	74	41	32
ow													
Eiffage/APRR	Full	52.0	DCF	12,614	2,128.2	5.9x	7,686	4,928	2,365	2,562	51	26	20
Millau viaduct	Full	100.0	BV	341	57.9	5.9x	568	217	0	-217	1	-2	-2
Toulouse Airport	Full	49.9	BV	1,014	62.8	16.7x	1,014	5	473	472	4	5	4
Other Concessions	Full	52/100	BV	4,133	232.3	17.8x	2,587	1,603	388	1,215	17	12	10
Contracting		100.0		6,354	814.3	7.7x	-966	7,320	0	7,320	26	75	58
ow													
Construction	Full	100.0	EV/EBIT (6x)	805	135.0	6.0x	NA	NA	NA	NA	NA	NA	NA
Infrastructure	Full	100.0	EV/EBIT (6x)	1,682	282.2	6.0x	NA	NA	NA	NA	NA	NA	NA
Energy	Full	100.0	EV/EBIT (9.7x)	3,868	397.1	9.5x	NA	NA	NA	NA	NA	NA	NA
Concessions & Contracting				24,513	3,122	7.9x	9,916	14,597	3,226	11,371	100	116	90
Getlink	Equity	20.6	MV							1,837		19	15
Tax assets/liabilities*										-771		-8	-6
Treasury shares		2.4	MV							198		2	2
Total										12,635		129	100
Eiffage sh. price (EUR)												82.8	
Up/(downside) %												55.8	

*Includes temporary tax hike in France; NA: not available; NM: not meaningful; BV: book value; MV: market value; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Valuation and Key Risks

Valuation basis

We value Eiffage through a Sum of the Parts. We value French motorways concession with a DCF (wacc:7.7%), other concessions and PPP at their book value. We value the Construction and Infrastructure business at 6x Ev/EBIT (peers average) and the Energy business with an adjusted 9.7x EV/EBIT (20% discount vs. sector pure players). Gefling is valued at market value. We finally deduct the approx. EUR 200M from the temporary corporate tax hike in France, still to be approved by the French Parliament.

Key Risks

Company specific risks:

- Short residual motorways concession life;
- Energy business failing to reach expected profitability expansion
- Delayed recovery on Property market
- Risk of overpaying new assets

Sector generic risks:

- Motorways and air traffic slowdown due to macros headwinds
- Risk of adverse regulatory changes (Concession & Contracting)
- Political and Geopolitical Risks

Company Snapshot

Company Description

Eiffage is one of Europe's leading construction and concessions companies. The company controls a number of companies operating in four segments encompassing various business lines: the Construction segment for construction, property development, and urban development and redevelopment; the Infrastructure segment for roads, civil engineering, and metallic construction; the Energy Systems segment for energy-related businesses; and the Concessions segment for motorway, airport, and other concessions as well as public-private partnerships and similar mechanisms. Operating through a dense network of locations spanning nearly 50 countries, Eiffage completed over 100,000 projects annually, split between private and public sector contracts. France accounts for the vast majority of Eiffage's business (source: Bloomberg)

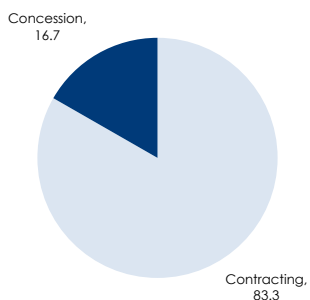
Key data

Mkt price (€)	82.80	Free float (%)	82.5
No. of shares	98.00	Major shr	16.1
52Wk range (€)	107.0/82.8	(%)	16.1
Reuters	FOUG.PA	Bloomberg	FOUG.PA
Performance (%)	Absolute	Rel. Euronext Stoxx 50	
-1M	-3.9	-1M	-4.0
-3M	-12.9	-3M	-9.1
-12M	-11.8	-12M	-18.8

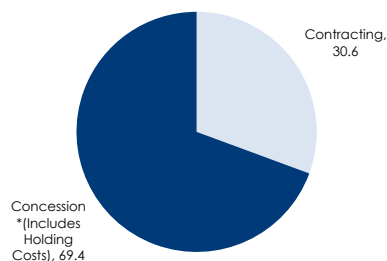
Estimates vs. consensus

EUR mn (Y/E Dec)	2023A	2024E	2024C	2025E	2025C	2026E	2026C
Sales	21.83	23.18	23.23	24.31	24.29	25.23	24.93
EBITDA	3.89	3.89	3.89	4.06	4.05	4.20	4.16
EBIT	2.35	2.40	2.43	2.54	2.56	2.64	2.67
Pre-tax income	2.08	2.12	2.11	2.26	2.26	2.41	2.41
Net income	1.01	0.925	0.999	1.08	1.06	1.24	1.17
Adj. EPS (€)	9.17	10.34	10.26	11.55	10.92	12.51	12.05

Sales breakdown by business (%)



Operating Profit breakdown by business (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 02/12/2024)

Eiffage – Key Data

Rating BUY	Target price (€/sh) Ord 129.0		Mkt price (€/sh) Ord 82.80		Sector Construction	
Values per share (EUR)	2021A	2022A	2023A	2024E	2025E	2026E
No. ordinary shares (M)	98.00	98.00	98.00	98.00	98.00	98.00
Total no. of shares (M)	98.00	98.00	98.00	98.00	98.00	98.00
Market cap (EUR M)	8,510.7	8,900.3	9,407.0	8,114.4	8,114.4	8,114.4
Adj. EPS	3.87	7.96	9.17	10.34	11.55	12.51
BVPS	56.8	63.0	65.9	71.2	78.7	87.2
Dividend ord	3.10	3.60	4.10	3.54	4.13	4.76
Dividend SAV Nc	4.00	5.00	6.00	7.00	8.00	8.00
Income statement (EUR M)	2021A	2022A	2023A	2024E	2025E	2026E
Revenues	18,721.0	20,319.0	21,832.0	23,184.1	24,307.8	25,227.8
EBITDA	3,234.4	3,551.0	3,891.0	3,887.3	4,062.8	4,199.6
EBIT	1,868.4	2,160.0	2,352.0	2,395.8	2,536.5	2,639.4
Pre-tax income	1,613.4	1,846.0	2,076.0	2,120.9	2,264.7	2,413.1
Net income	777.4	896.0	1,013.0	925.1	1,079.5	1,244.2
Adj. net income	379.5	780.4	898.7	1,013.0	1,132.0	1,225.6
Cash flow (EUR M)	2021A	2022A	2023A	2024E	2025E	2026E
Net income before minorities	1,168.4	1,355.0	1,532.0	1,537.7	1,527.5	1,708.1
Depreciation and provisions	1,258.0	1,272.0	1,412.0	1,416.5	1,480.3	1,514.2
Others/Uses of funds	-4.4	101.4	226.0	0	0	0
Change in working capital	168.0	177.0	358.0	-200.0	0	0
Operating cash flow	2,590.0	2,905.4	3,528.0	3,754.2	3,007.8	3,222.2
Capital expenditure	-1,184.0	-1,207.0	-1,038.0	-1,380.5	-1,361.1	-1,388.0
Financial investments	-285.0	-1,462.0	-87.0	-266.0	0	0
Acquisitions and disposals	375.0	-175.0	-1,025.0	-51.7	-50.2	-89.6
Free cash flow	1,496.0	61.4	1,156.0	928.9	1,596.6	1,744.7
Dividends	-811.0	-752.0	-805.0	-838.4	-794.9	-868.7
Equity changes & Non-op items	-34.0	24.6	110.0	0	0	0
Net change in cash	651.0	-666.0	144.0	90.6	801.6	875.9
Balance sheet (EUR M)	2021A	2022A	2023A	2024E	2025E	2026E
Net capital employed	17,310.4	18,600.0	19,300.0	19,412.7	19,343.7	19,307.1
of which associates	2,168.0	3,412.0	3,718.0	4,035.7	4,085.9	4,175.5
Net debt/-cash	10,514.0	11,190.0	11,039.0	10,948.4	10,146.8	9,270.9
Minorities	1,227.0	1,210.0	1,486.0	1,486.0	1,486.0	1,486.0
Net equity	5,569.4	6,178.0	6,455.0	6,978.3	7,710.9	8,550.2
Minorities value	3,225.6	3,225.6	3,225.6	3,225.6	3,310.2	3,427.5
Enterprise value	20,082.3	19,014.0	19,953.7	18,252.8	17,485.5	16,637.2
Stock market ratios (x)	2021A	2022A	2023A	2024E	2025E	2026E
Adj. P/E	22.4	11.4	10.5	8.0	7.2	6.6
P/CFPS	3.3	3.1	2.7	3.1	2.7	2.5
P/BVPS	1.4	1.4	1.5	1.2	1.1	0.95
Payout (%)	80	45	45	34	36	38
Dividend yield (% ord)	3.6	4.0	4.3	4.3	5.0	5.7
FCF yield (%)	17.6	0.7	12.3	11.4	19.7	21.5
EV/sales	1.1	0.98	0.91	0.79	0.72	0.66
EV/EBITDA	6.2	5.6	5.1	4.7	4.3	4.0
EV/EBIT	10.7	9.2	8.5	7.6	6.9	6.3
EV/CE	1.2	1.1	1.1	0.94	0.90	0.86
D/EBITDA	3.3	3.1	2.8	2.8	2.5	2.2
D/EBIT	5.6	5.2	4.7	4.6	4.0	3.5
Profitability & financial ratios (%)	2021A	2022A	2023A	2024E	2025E	2026E
EBITDA margin	17.3	17.5	17.8	16.8	16.7	16.6
EBIT margin	10.0	10.6	10.8	10.3	10.4	10.5
Tax rate	NM	NM	NM	NM	NM	NM
Net income margin	4.2	4.4	4.6	4.0	4.4	4.9
ROCE	10.8	11.6	12.4	12.3	13.1	13.7
ROE	14.3	15.3	16.0	13.8	14.7	15.3
Interest cover	-7.0	-6.7	-7.5	-7.3	-7.9	-8.4
Debt/equity ratio	154.7	150.6	139.0	129.3	110.3	92.4
Growth (%)	2021A	2022A	2023A	2024E	2025E	2026E
Sales		8.5	7.4	6.2	4.8	3.8
EBITDA		9.8	9.6	-0.1	4.5	3.4
EBIT		15.6	8.9	1.9	5.9	4.1
Pre-tax income		14.4	12.5	2.2	6.8	6.6
Net income		15.3	13.1	-8.7	16.7	15.3
Adj. net income		NM	15.1	12.7	11.7	8.3

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Appendix: Eiffage Concessions

Eiffage-Consolidated Concessions details

Project	Type	Country	End of concession	Status	% Shares
APRR & AREA	Concession	FR	2035/2036	Operational	52.00%
A79 – Aliaé	Concession	FR	2068	Operational	52.00%
A41 – Adélac	Concession	FR	2060	Operational	52.00%
A65 – Aliénor	Concession	FR	2067	Operational	100.00%
Millau Viaduct	Concession	FR	2079	Operational	100.00%
Autoroute de l'Avenir motorway	Concession	SEN	2044	Operational	75.00%
Toulouse Airport	Concession	FR	2046	Operational	49.99%
Lille Airport	Concession	FR	2039	Operational	90.00%
Bretagne-Pays de la Loire HSRL	PPP	FR	2036	Operational	100.00%
Nové	Concession	FR	2056	Operational & under construction	50.00%
Decathlon Arena Pierre Mauroy stadium and related	PPP	FR	2043/2076	Operational	100.00%
Sun'R Investissement	Renewable energy	FR	/	Operational & under construction	77.80%
Hydroelectric power stations	Renewable energy	FR	/	Operational & under construction	100.00%
Reims Arena	Concession	FR	2036	Operational	100.00%
Marina Baie des Anges	Concession	FR	2038	Operational & under construction	96.00%
Grande Arche	PPP	FR	2034	Operational	100.00%
Îlot Perrée – Police station	PPP	FR	2039	Operational	100.00%

Source: Company data

Eiffage- Equity accounted and participations Concessions details

Project	Type	Country	End of concession	Status	% Shares
Getlink	Concession	FR	2086	Operational	20.55%
Amiens Aqua center	Concession	FR	2042	Operational	15.00%
Bordeaux-Mérignac Nautical Stadium	Concession	FR	2041	Operational	3.00%
Prado South Tunnel	Concession	FR	2054	Operational	41.50%
Prado Carénage Tunnel	Concession	FR	2032	Operational	34.15%
Brittany university	PPP	FR	2038	Operational	10.00%
Jean-Zay Lorraine high school	PPP	FR	2034	Operational	15.00%
Seine-St-Denis middle schools lot 1	PPP	FR	2034	Operational	15.00%
Seine-St-Denis middle schools lot 3	PPP	FR	2034	Operational	15.00%
Région Centre high school	PPP	FR	2025	Operational	19.00%
HD CG 54 network	PPP	FR	2032	Operational	19.00%
Prisons Lot 1	PPP	FR	2037	Operational	19.90%
GreEn-ER Grenoble university	PPP	FR	2041	Operational	19.90%
Lille university	PPP	FR	2041	Operational	15.00%
Aix-Marseille university	PPP	FR	2042	Operational	15.00%
Metz university	PPP	FR	2042	Operational	15.00%
Nancy university	PPP	FR	2043	Operational	19.90%
Marche-en-Famenne prison	PPP	BEL	2038	Operational	18.37%
A94	PPP	GER	2046	Operational	33.33%
A3	PPP	GER	2050	Under construction	50.00%
Huatacondo PV	Renewable energy	CHIL	2047	Operational	6.30%
Ten Merina	Renewable energy	SEN	2042	Operational	15.00%
Maurepas Aqua center	Concession	FR	2044	Operational	5.00%
Var middle schools	PPP	FR	2043	Operational	19.90%

Source: Company data

VINCI

The Sun Never Sets on Vinci's Business

VINCI is a global leader in its three strategic businesses: construction, concessions and energy. We believe that VINCI is a quality asset, with a solid balance sheet and strong cash flow generation to reinvest on M&As for value creation as seen with past transactions. Through VINCI, an investor gains exposure to: 1) significant and stable cash flow generation of the French motorways business; 2) energy and digital transition mega trends expected to fuel a profitable sales growth in the long term; and 3) expected strong global air traffic demand.

First among equals

VINCI is a world leader in construction, concessions, energy and related services. The group operates in over 120 countries with approx. 280k employees, 308k worksites and 4k business units.

Unlocking the upside from the unavoidable energy and digital transition...

After the transformative acquisition of the highly complementary Cobra IS, VINCI has become a global top player in the Energy business, boasting a powerful platform with a unique business model and a strong track record over profitable organic and external growth as well as value creation. We believe that VINCI is now well positioned to exploit the long-lasting mega trends of the energy transition and digital transformation. These require material investment to: i) irrevocably decarbonise the private and corporate daily activities; ii) improve the energy efficiency from buildings to industry; iii) face the expected sharp increase of electricity consumption led by the wider adoption of AI; and iv) cope with the increasing needs for cyber security and significant increase of data management.

...and the secular air passenger growth

By strategically reinvesting the cash flow from its motorways operations through targeted M&As, VINCI has, over the past decade, become the global largest private airport operator and created significant value. After the Covid pandemic, prospects appear increasingly optimistic, supported by strong global air passengers' growth driven by structural consumer behaviour shift from physical goods to experiences, along with long trends such as the rise of middle class, migration and tourism. IATA expects global passengers to double by 2040 from 2019.

We initiate with a BUY recommendation and a TP of EUR 135

We anticipate sales and EPS growth of 3.4% and 7.4% respectively (2024-26 CAGR), a cumulated FCF of EUR 13Bn (10% CAGR) and dividends for EUR 8Bn in the period, in total 35% of current market cap. VINCI is a quality asset, with a good sales visibility coupled with solid balance sheet and strong cash flow generation to reinvest for value creation through M&As, notably on airports. VINCI trades at 6.3x/5.6x 24/25 EV/EBITDA vs. an historical avg. of 8.1x. Despite the business resiliency to the harsher taxation in France and macros headwinds, the stock is down 12% YTD vs. -2% of CAC 40.

VINCI - Key data

Y/E Dec (EUR Bn)	2022A	2023A	2024E	2025E	2026E
Revenues	61.67	68.84	71.43	73.95	76.19
EBITDA	10.22	11.97	12.55	13.40	14.00
EBIT	6.48	8.18	8.60	9.20	9.66
Net income	4.26	4.70	4.44	5.12	5.83
Adj. EPS (EUR)	7.22	8.11	7.67	8.70	9.89
Net debt/-cash	19.04	16.35	19.85	16.05	12.57
Adj P/E (x)	12.7	13.1	12.7	11.2	9.8
EV/EBITDA (x)	7.8	7.1	6.1	5.5	5.0
EV/EBIT (x)	12.3	10.4	8.9	7.9	7.3
Div ord yield (%)	4.3	4.2	4.5	5.2	5.9
FCF Yield (%)	2.1	8.2	-1.0	11.9	12.0

Source: Company data and Intesa Sanpaolo Research estimates. Priced at 02/12/2024

5 December 2024: 7:42 CET

Date and time of production

BUY

Target Price: EUR 135.0

France/Infrastructure
Initiation of Coverage

VINCI - Key Data

Price date (market close)	02/12/2024
Target price (€)	135.0
Target upside (%)	38.80
Market price (€)	97.26
Market cap (EUR M)	57,290.9
52Wk range (€)	120.1/97.3

Price Perf. (RIC: SGEF.PA, BB:DG FP)



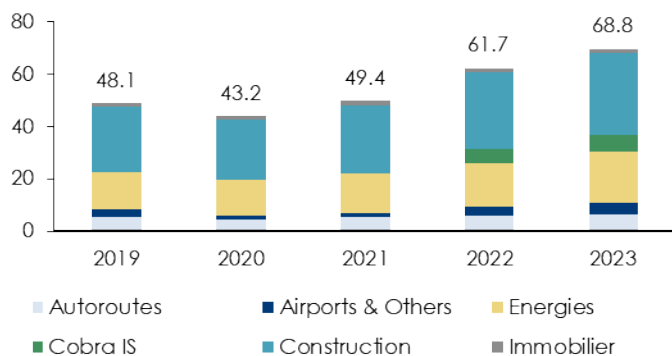
Source: FactSet and Intesa Sanpaolo Research estimates

Intesa Sanpaolo Research Dept.

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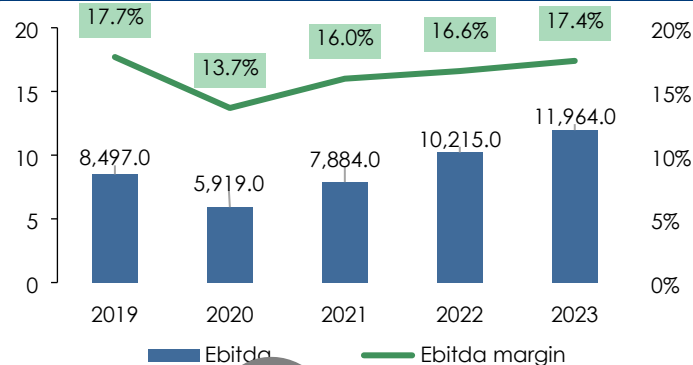
Key Charts

VINCI – Revenue by division (EUR Bn)



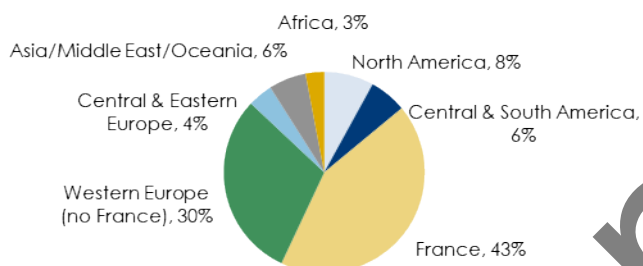
Source: Company data

VINCI – EBITDA (EUR Bn) and EBITDA margin (%)



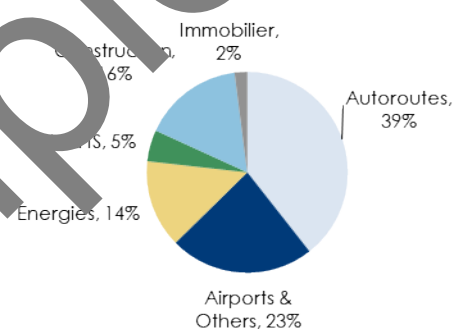
Source: Company data

VINCI – FY23 Revenue by region



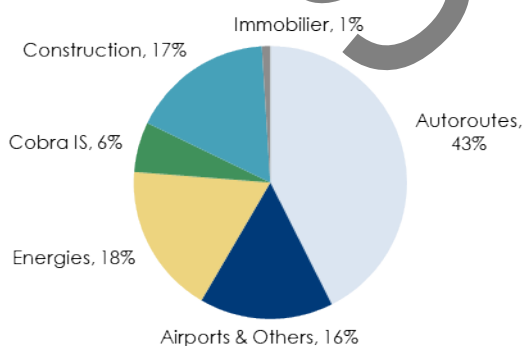
Source: Company data

VINCI – FY23 EBITDA by division



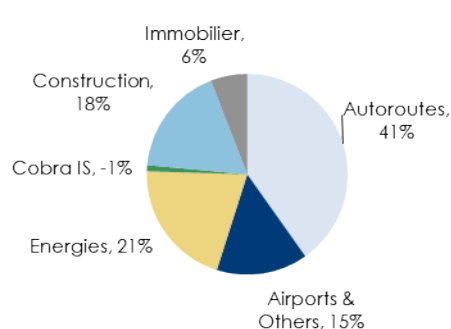
Source: Company data

VINCI – FY23 Net income by division



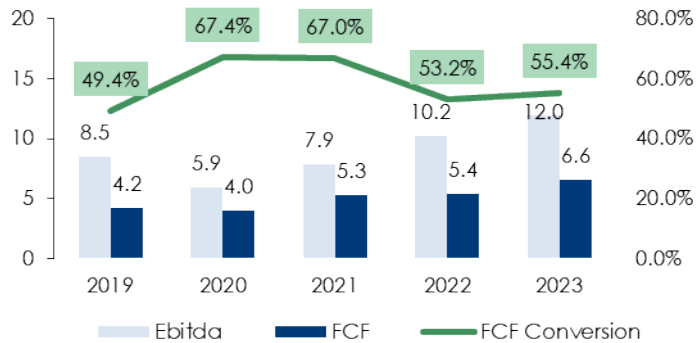
Source: Company data

VINCI – FY23 FCF by division



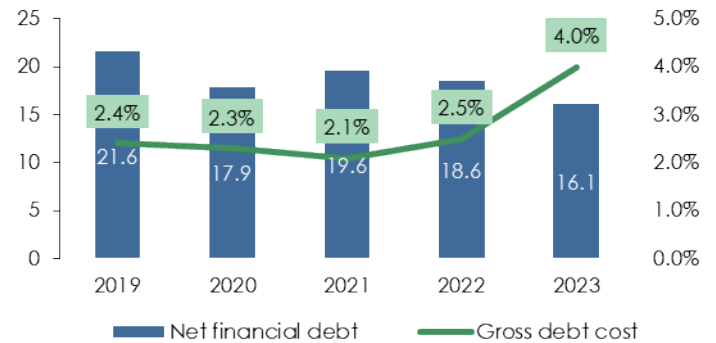
Source: Company data

VINCI – EBITDA, FCF (EUR Bn) and FCF conversion rate (%)



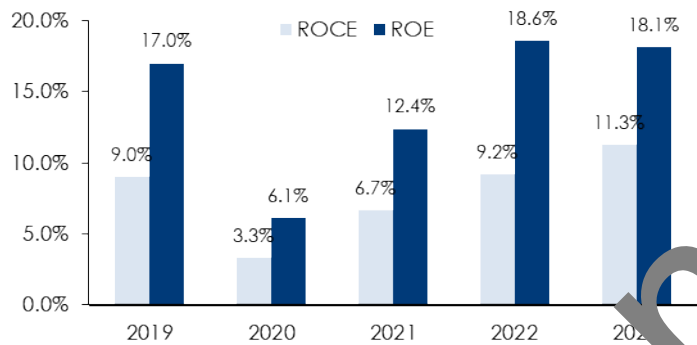
Source: Company data

VINCI - Net financial debt (EUR Bn) and avg gross cost of debt (%)



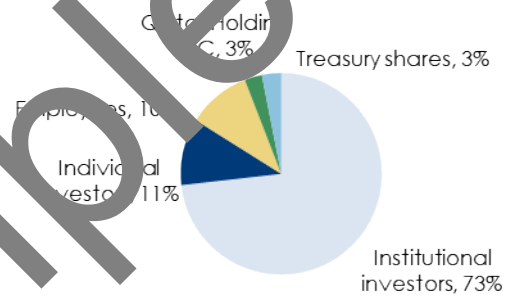
Source: Company data

VINCI – ROCE and ROE (%)



Source: Company data

VINCI – shareholder structures of December 2023



Source: Company data

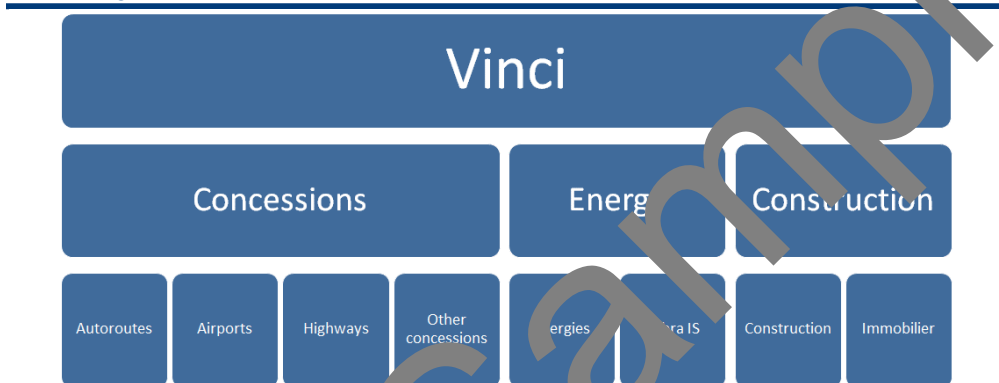
Background

Founded in France in 1899, VINCI is a world leader in construction, concessions, energy and related services. The group operates in more than 120 countries with approximately 280k employees, 308k worksites and 4k business units. VINCI manages more than 70 airports, controls 7,500 km of motorways and operates more than 200 quarries. Its business model is based on three main areas of expertise: Concessions, Energy and Construction. In FY23, VINCI generated revenues of EUR 68.8Bn (+11.6% yoy) and EBITDA of EUR 11.9Bn (17.4% EBITDA margin vs. 16.6% in FY22), with total net income of EUR 4.7Bn (+10.4% yoy). With a net debt of 16Bn at YE23, VINCI boasts a sound balance sheet with a net debt/EBITDA at 1.4x.

From a geographical standpoint, in the last decade the company has significantly increased its international exposure while diversifying its areas of expertise. In FY23, 57% of the group's revenues were generated outside France, a 20-point increase since 2013. The international 10-year (2013/23) revenue CAGR was 9.9%, compared to 1.7% in France. The Americas and Western Europe (ex-France) were the fastest-growing regions, contributing 14% and 30% of total revenues respectively in 2023. Asia, Middle East and Oceania accounted for 6% of total FY23 revenues, followed by Central and Eastern Europe (4%) and Africa (3%).

In FY23, 57% of revenues were generated outside France

VINCI - Organisation structure



Source: Company data

VINCI manages three main core business segments: Concessions, Energy and Construction. In the **Concessions** business, VINCI is a world leader in transport infrastructure, using its integrated model to design, finance, build, operate and maintain more than 100 airport, motorway and railway projects. It aims to diversify, expand and internationalise the group's mix of concessions and public-private partnerships through its subsidiaries VINCI Airports, VINCI Autoroutes, VINCI Highways, VINCI Railways and VINCI Stadium. The key features of the Concession business are its highly predictable cash flow generation, low risks, and significant capex absorption. In FY23, Concessions represented 15.9% of total revenues (EUR 10.9Bn, +19.3% vs. FY22), 62.4% of EBITDA (EUR 7.5Bn, +20.4% vs. FY22) and 55% of the group free cash flow. This positioned it as the company's most profitable business line, boasting an EBITDA margin of 68.3% and high single digit ROIC post tax. In addition, the segment is heavily dependent on the French market, as 64% of its revenues are generated in the country, mainly due to the exposure to the motorways business.

Concessions segment specialises in transport infrastructure: 15.9% of total revenue but around two-thirds of EBITDA

VINCI – Motorway concessions in France



Source: Company data

- **VINCI Autoroutes:** the division finances, designs, builds and operates motorways in France. As the leading motorway concession holder in the country, it manages a network of 4,443 km (>35% of the total motorway network) through concessions operated by ASF, Cofiroute, Escota, Arcour, and Arcos. The network is located in Southern and North-Western France, with both business and leisure traffic and connecting Paris to key cities (Nantes & Bordeaux); the network also links France to Spain and to Italy. In FY23, over 54Bn km were travelled on the VINCI Autoroutes network (+1.3% compared to FY22, driven by +1.7% growth in light vehicle traffic) and the division generated EUR 6.3Bn of revenue (9.2% of total revenue, +5.3% vs FY22). In terms of profitability, VINCI Autoroutes reported the highest EBITDA margin (74% in FY23) among subsidiaries. However, the business unit delivered the lowest revenue and EBITDA CAGR at 3.1% and 2.9% respectively in the 2019/23 period. The division performance is partially influenced by France's GDP growth (0.8% 2019-23 avg.) and there remains significant uncertainty regarding the renewal of major French motorway concessions: these include Escota expiring in 2032, the Cofiroute network in 2034, and ASF in 2036, covering a total of over 4,300 km (see General section for more details).

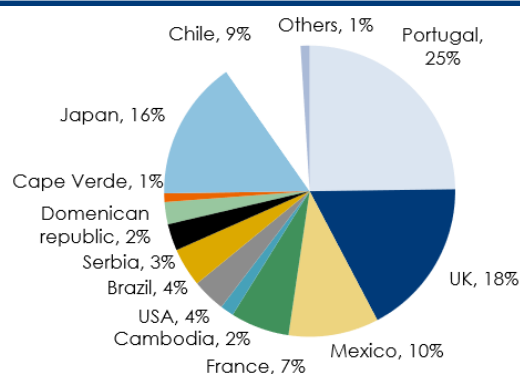
VINCI Autoroutes is France's leading motorway concession holder and the top division by EBITDA margin at 74%

VINCI – Managed airports by country



Source: Company data

Passenger traffic by country



Source: Company data

■ **VINCI Airports:** as the world's leading private airport operator, it designs, builds and operates 72 airports across 14 countries. In FY23, it served 267M passengers (+26% vs FY22, -4% vs FY19), with traffic at many of the network's airports rebounding over 2019 levels (particularly in Portugal, Serbia and Mexico). 2023 was also a year of expansion for VINCI Airports, marked by its takeover of Cabo Verde's 7 airports for a 40-year term and the integration of 13 airports operated by OMA in central and northern Mexico into its network. The airport business is the group's fastest growing division, with a revenue and EBITDA 2019/23 CAGR of 11.8% and 14.5% respectively. With EUR 3.9Bn (+47% yoy, +24% on a like-for-like basis) and EUR 2.5Bn (+57% yoy) the division represents, respectively, 5.7% and 21% of total revenue and EBITDA, corresponding to a reported 63.2% EBITDA margin. In early 2024, VINCI Airports finalised a deal to purchase a controlling 50.01% share in Edinburgh Airport LT for approximately GBP 1.27Bn and a 20% stake in Budapest Airport in 2024 for EUR 620M, valuing the two assets GBP 2.5Bn and EUR GBP 3.1Bn for 100% equity value. The acquisition aligns with the strategy to extend the duration of VINCI Airports' asset portfolio, mainly by reinvesting the cash flow generated by the Autoroutes division. Other significant expansions in the business include: 1) Lonsdale Airports in 2016 (investment EUR 256Bn, for VINCI 40% stake); 2) Belfast International in 2018; 3) London Gatwick in 2019 (investment EUR 2.9Bn);

■ **Other concessions:** this aggregate includes VINCI Highways, VINCI Railways and VINCI Stadium. **VINCI Highways** finances, designs, builds, operates and maintains 3,000 km of motorways, urban roads, bridges, tunnels and digital toll services in about 10 countries (for example: Entrevias, Bogotá-Girardot and Fredericton-Moncton Highway). **VINCI Railways**, on the other hand, carries out the same activities in rail and urban transport infrastructure (for example, it controls the South Europe Atlantic high-speed rail line) while **VINCI Stadium** manages a network of four stadiums (Stade de France, Matmut Atlantique, Allianz Riviera and Stade Marie-Marvingt). The aggregate delivered EUR 0.7Bn revenue in FY23 (1% of total revenue) and EUR 0.3Bn EBITDA (42.9% EBITDA margin).

Other concessions include VINCI Highways, VINCI Railways and VINCI Stadium

The second core business **Energy** (divided into VINCI Energies and Cobra Industrial Services) focuses mainly on energy transition and digital transformation. VINCI Energy boasts a specific business model aimed at reducing the overall riskiness of its activities, with the average size of the contracts being very small (EUR 70k for VINCI Energies) and a low capex intensity, while Cobra IS has a unique expertise on large and complex Engineering, Procurement and Construction projects. In FY23, it accounted for 30.5% of total revenue (EUR 25.8Bn, +16% vs FY22) and 19.2% of EBITDA (EUR 2.3Bn, +18.8% vs FY22) with an EBITDA margin of 8.9%.

The Energy core business focuses on energy and digital transformation

■ **VINCI Energies:** operates in 61 countries with a network of 2k business units, helping customers modernise and refurbish buildings, infrastructure and industrial production sites to make them more reliable, energy-efficient and sustainable. VINCI Energies is the number 1 global integrator of multi-technical services in Europe; the division has a wide expertise in the industry (infrastructure, industry, building solutions, ICT), best-in class performance (n.1 in Europe, n. 3 Global in EBIT margin) and boasts the highest ROCE within the group (19.9% at FY23) and a remarkable free cash flow conversion of 161% at YE23 (free cash flow/net results before minorities) led by an asset-light business model (capex/sales ratio <1.5%).

VINCI Energies enhances energy efficiency and is a major player in France

The business is highly diversified in terms of customers (top 10 customers account for 9% of FY23 sales), with a high proportion of recurring customers (80% have been active for more than 5 years) and a strong low-risk flow business (orders for EUR <5M) accounting for >80% of sales. VINCI Energies is a major player in the French (45% of sales) and German (16%) markets and is a leader in Morocco. In FY23, total revenue increased 15% yoy (+11% IFl) to EUR 19.3Bn (28.1% of total revenue) with an EBITDA margin of 8.6% (+0.1% vs FY22). The Energies business is the Group's second fastest growing division (revenue/EBITDA 2019/23 CAGR of 8.9%/11.9%), and it boasts a peculiar business model with: i) a very decentralised organisation to provide customised services to its clients; ii) an agile team

with a strong entrepreneurial approach and corporate culture. Finally, VINCI Energies has a noteworthy track record on M&As and successful integration and sizeable growth opportunities through M&A in a very fragmented market. In the last 10 years it performed 288 acquisitions (one every two weeks) investing EUR 3.2Bn (EUR 11M average ticket; 0.5x equity/sales ratio) corresponding to pro-forma sales of EUR 6.8Bn, contributing significantly to the division's growth (5.7% 2023-2013 CAGR) without diluting margins and ROCE. At its recent CMD, VINCI Energies stated the following goals by 2030: mid-to high single digit revenues growth (including M&As), profit margin guided, likely prudently, of at least 7.5% (7% at YE23, ISP at 7.3% at EY26, BBG at 7.2% before CMD) and a cash conversion of at least 100% on average and the International business reaching 65% of total sales vs. 58% at YE23. Growth will be achieved increasing sales density in the area where it already operates without penetrating new geographies; M&As will mainly concentrate on bolt-on acquisitions, with a focus on North America providing interesting growth opportunities;

- **Cobra IS:** this unit was acquired in 2021 from ACS for a price tag of EUR 4.9Bn and at FY1 EV/EBIT of around 10.2x and EV/sales of 0.8x and represented a key strategic move and a real breakthrough for VINCI strategy in the Energy business. The rationale of this acquisition was to: i) create a global leader in engineering, works and services focused on the energy sector; ii) develop renewable energy concession and complex EPC projects; iii) extend the average maturity of its concession portfolio and iv) broaden the geographical footprint, particularly in the Iberian Peninsula and Latin America. Today Cobra IS provides specialised services in a wide range of sectors, including energy, industry, telecommunications and is primarily focuses on small and medium-sized recurring operations, with over 80% of these conducted with the same clients, accounting for nearly two-thirds of its business volume. Additionally, the company is still actively involved in large-scale EPC projects, mainly in the energy sector.

Cobra IS is a leading global contractor specialised in services and infrastructure construction

In FY23, the division generated EUR 6.5Bn revenue (+1.7% yoy – also IFl, 9.4% of total revenue) and EUR 0.6Bn EBITDA (+23.2% yoy) with an EBITDA margin of 9.6% (+0.4% vs FY22). Cobra IS operates in 65 countries but still has a significant presence in Spain (its domestic market, 44% of FY23 revenue) and Latin America (33% of revenue); it is well positioned to exploit the energy transition megatrend being present in its entire value chain, from power generation to transmission & distribution to consumption. Finally, through Cobra IS, VINCI has acquired a platform to build, own and operate long-terms concession like assets in the Renewable energy with the aim to reach 5GW capacity by 2025 (installed or under construction) and >12GW by 2030 with an avg. capex deployed/year of EUR 1.2Bn and a 90/10% mix between solar and wind production. During the December 2023 CMD, Cobra IS stated the following goals: at least EUR 7.5Bn revenues in 2025 and operating margin of at least 7.5% in 2024/25.

The last core business is **Construction**. It is the Group's oldest business, now recognised as France's leading construction company and a major global player. Divided into three business lines (Major Projects, Specialty Networks and Proximity Networks), VINCI Construction builds a wide range of mobility infrastructure (roads, green corridors, railways, etc.), everyday buildings (offices, schools, cultural centres, etc.) and civil engineering structures (bridges, tunnels, dams, etc.). With EUR 31.5Bn of revenue (45.7% of total revenue, +7.5% yoy and +8.6% IFl), this business accounts for almost half of the Group's revenue and it is mainly driven by the third pillar Proximity networks (EUR 22.9Bn in FY23, +6.1% vs. FY22) and road projects (43% of Construction revenue).

VINCI Construction accounts for almost half of the Group's turnover

Although VINCI Construction operates in more than 100 countries, it remains deeply rooted in its home market France (43% of revenue) and more than 85% of its business is carried out in nine countries in Europe, North America and Oceania. In terms of profitability, the division

recorded EUR 1.9Bn of EBITDA (+11.6% yoy, 15.9% total EBITDA) with an EBITDA margin of 6.1% (+0.3% vs FY22). The business line recorded a revenue and EBITDA 2019/23 CAGR of 5.8% and 8.4% respectively. In the Construction business, VINCI aims to increase profitability being very selective in new projects to acquire.

In addition to the three core businesses, **VINCI Immobilier** is an independent division specialising in the design, construction and management of residential and business properties in France, with 1.3K employees and EUR 1.2Bn revenue in FY23 (-19% yoy, 1.8% of total revenue). The division was significantly impacted by the downturn in the French real estate sector, with a 30% decrease in reserved homes and a 36% yoy reduction in new projects in FY23. Consequently, VINCI Immobilier reported a 19% yoy decrease in revenue and a negative EBITDA margin for FY23. The division is currently focused on cost reduction and organisational adaptation to address the challenges posed by the high-borrowing rate environment. In the last few quarters, this division reported some signs of rebound, with housing reservations jumping by 29% yoy at 9M24 and improving prospects fuelled by lower interest rates.

VINCI Immobilier is an independent division specialising in real estate development in France

Over the past five years, the group's growth trajectory has been significantly influenced by its dynamic acquisition strategy. The 2019-23 CAGR in revenue was 9.4%. Of this growth, more than half, or 5.7%, can be attributed to LFL expansion. The remaining growth of 3.7% was driven by FX effects and changes in scope due to acquisitions. The M&A activity has been particularly robust in the Airports and Energies business segments. These segments have seen substantial growth through strategic acquisitions, which have expanded the company's footprint, geographical coverage and capabilities. In contrast, the Autoroutes segment has experienced almost entirely organic growth.

VINCI – 2019/23 revenue CAGR (%) by business

%	Organic	Scope-FX	Total
Autoroutes	3.1	0.0	3.1
Airports	4.6	6.1	10.7
Other conc & Highways		-4.3	20.0
Energies	5.9	3.0	8.9
Construction	5.8	0.3	5.8
Immobilier	-1.9	3.2	-1.7
Total	5.7	3.7	9.4

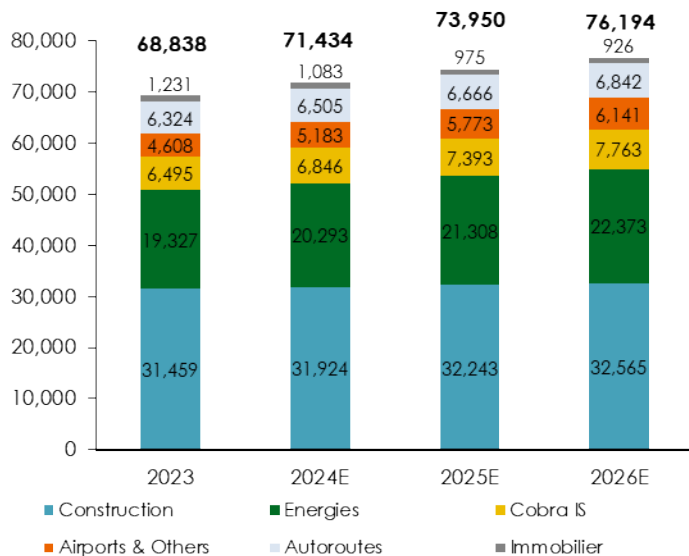
Source: Intesa Sanpaolo Research elaborations on Company data

As of December 2023, institutional investors hold a dominant 73.2% stake in total shares, with notable allocations of 23% in North America and 14.1% in France. Employee savings plans represent 10.2% of the total share capital, aggregating investments from approximately 166k former and current employees. The remaining shares are distributed among individual shareholders (10.7%), treasury shares (3.1%), and Qatar Holding LLC (2.8%).

Employees are the biggest shareholder with 10.2% of VINCI's share capital

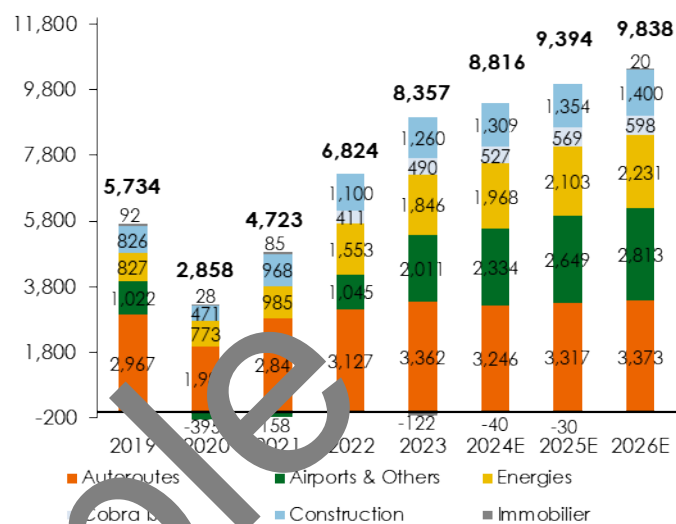
Financial KPIs

VINCI – Revenues by business



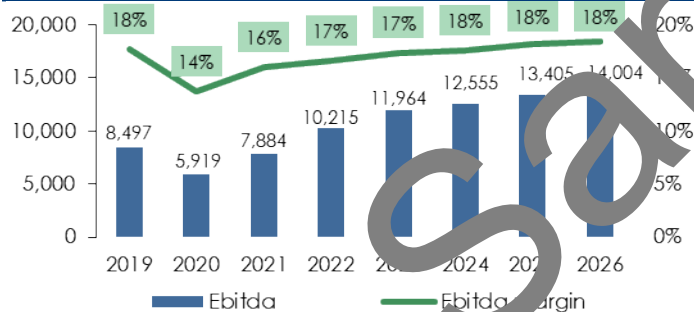
Source: Company data and Intesa Sanpaolo Research

VINCI – EBIT by business



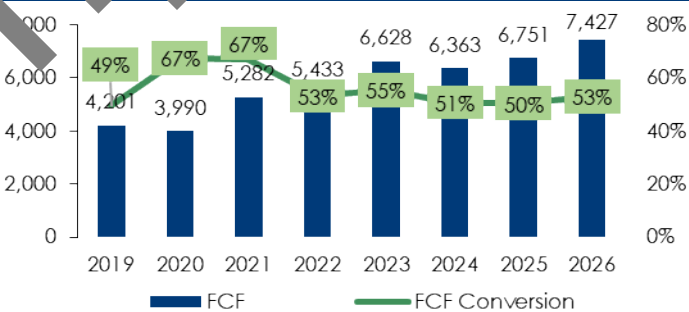
Source: Company data and Intesa Sanpaolo Research

VINCI – EBITDA, EBITDA margin



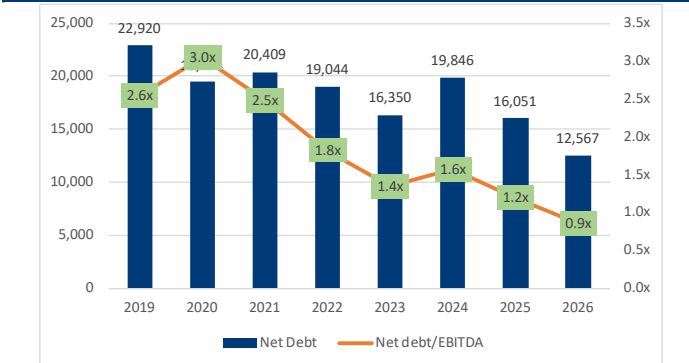
Source: Company data and Intesa Sanpaolo Research

VINCI – FCF, FCF conversion



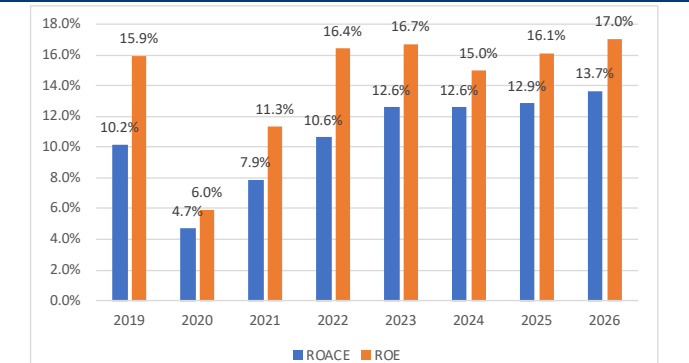
Source: Company data and Intesa Sanpaolo Research

VINCI – Net debt-Net Debt/EBITDA



Source: Company data and Intesa Sanpaolo Research

VINCI – ROACE & ROE evolution



Source: Company data and Intesa Sanpaolo Research

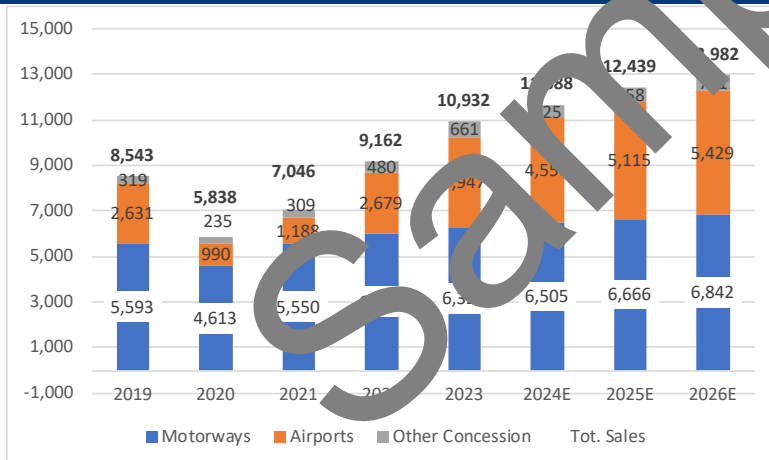
Business Drivers

Concession: Strong Airports' growth more than offsetting tax headwinds on Motorways

After the robust growth reported in the last three years to recover from the Covid trough (+23% 21-23 CAGR), we expect for Concession a normalised but still solid MSD growth (+5.8% 24-26 CAGR) with sales expected to exceed EUR 13Bn by the end of the period from EUR 10.9Bn at YE23. Adjusted for the Edinburgh deal, the organic growth would be still solid at 4.8% (CAGR) and driven by the projected HSD Airports segment expansion (+11.2% reported) and followed by muted growth on the Motorways business (+2.9% CAGR). We expect a healthy air traffic demand continuing in the medium term, along with favourable tariffs evolution supporting most of VINCI's airports, notably Gatwick and Aerodrom. On the other hand, we see the lacklustre economy prospects in France limiting traffic expansion in the next three years (negative in FY24 and up 1.5/1.8% in FY25/FY26) with sales largely driven by tariffs (+2.7% in FY24E, +1.3%/+1.2% in FY25/FY26E), which factors in the gradual reduction of the inflation. As far as the Other Concessions (Stadiums, Highways, Railways etc) are concerned, we expect a 5% drop this year, hit by the negative impact of the Olympic games on VINCI Stadium's business, partially offset by solid growth on the Highways (i.e. Peru-Lima Expressa) and the consolidation since April of Northwest Parkway (approx. EUR 20M pro-rata). For the following two years, we project MSD growth for the Other Concessions segment. Overall, our 2024-26E Concessions estimates are approximately 2% above Bloomberg consensus with the gap mainly explained by our more positive stance on Airports (+6% vs. BBG).

Airports organic and external growth leading the way

VINCI – Concessions sales evolution (EUR M)

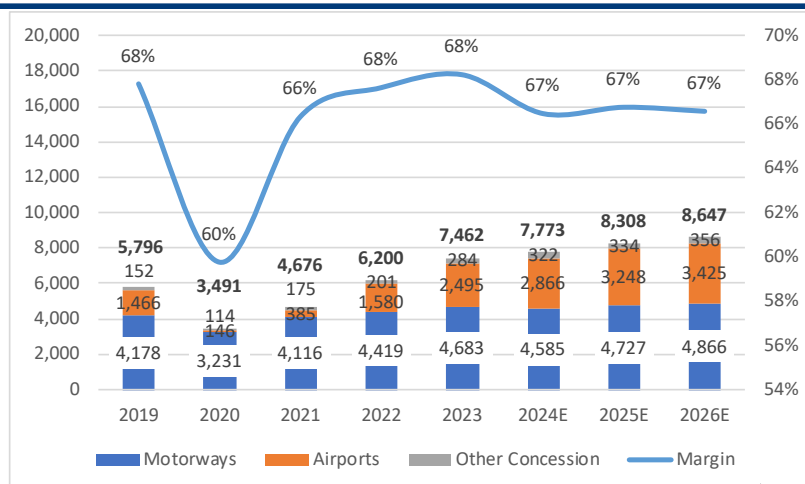


Source: Company data and Intesa Sanpaolo Research

On profitability, we highlight the impact of the Infrastructure tax introduced by the French government last year, which will burden VINCI Concession motorways by approx. EUR 280M in FY24E/EUR 287M in FY25E/EUR 295M in FY26E (EUR 120M at 1H24). As such, this is the main disruptive event that has derailed the company's EBITDA margin from the recovery path that began after the Covid crisis. We thus expect profitability to decrease to 66.5% from 68.3% this year and moderately improve the next, reflecting French Motorways margin deterioration to 70.5% YE24E from 74.1% in YE23. Despite that, we project a 5.2% EBITDA growth (2024-26E CAGR) reaching EUR 8.7Bn by 2026 (+2.6% vs. BBG consensus), mainly driven the expected strong improvements on the Airports (11.1% 2024-26 CAGR), topping EUR 3.4Bn by 2026.

FY24 EBITDA growing despite tax headwinds

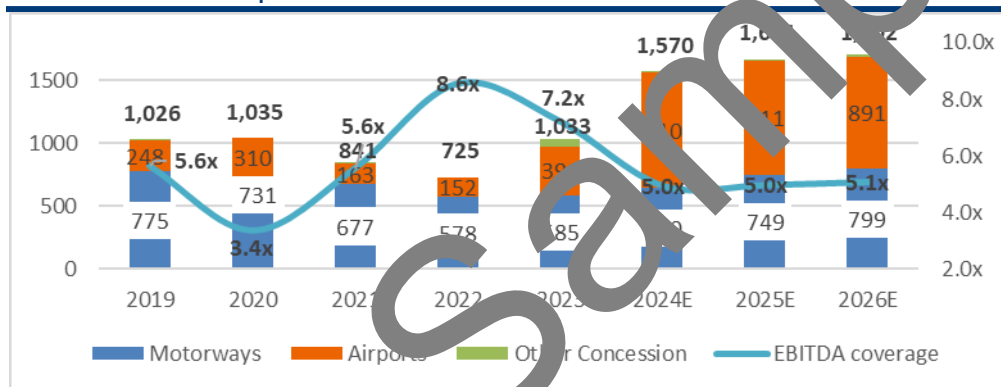
VINCI - Concessions EBITDA evolution (EUR M)



Source: Company data and Intesa Sanpaolo Research

As for the capex commitment, we anticipate an increase in investment over the next three years to a total of approx. EUR 4.9Bn, divided between the EUR 2.2Bn for Motorways and EUR 2.7Bn for Airports, with the bulk absorbed by Gatwick and ANA and from 2025, by Aeroporti.

VINCI - Concessions Capex commitment



Source: Company data and Intesa Sanpaolo Research

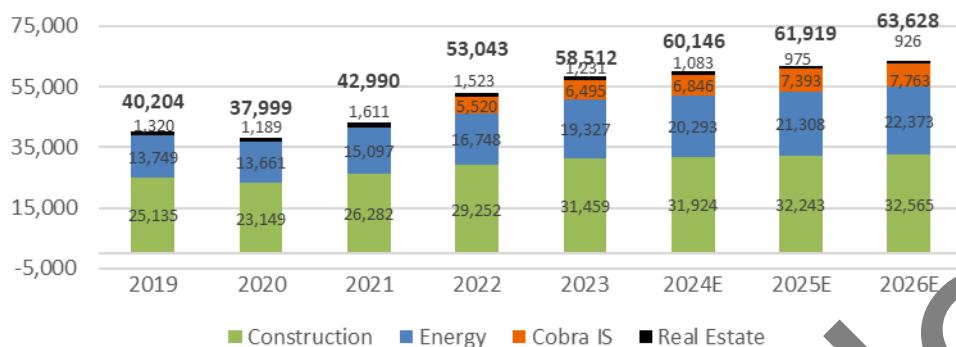
Contracting: Energy transition and digitalisation leading the growth

We envisage a much slower progression in the Contracting business. The expected solid growth rates of 5% (CAGR) and 6.1% (CAGR) respectively projected on the Energy division and Cobra IS are limited by: i) a modest growth on Construction (+1%), given the very selective approach adopted by VINCI; and ii) the prolonged drop envisaged on the Real Estate business (i.e. VINCI Immobilier), which we see shrinking next year (-10%) and in FY26E (-5%) after the -12% forecast for 2024, notwithstanding the early signs of reversal in 9M24 and a potential quicker recovery as market interest rates retrace. Key drivers on Energy segments, on top of the external growth (RH Marine deal in Netherland and Fernao acquisition in Germany for combined EUR >400M), are the decarbonisation of industrial plants, the electrification process on infrastructure, the automation and digitalisation of plants as well as the ICT business related to optic fibre, cyber security and energy savings policies also related to fast-growing AI-related capex (i.e. data centres); these are to sustain the business in the medium-long term for VINCI. On Cobra IS, growth should stem from contracts won on transportation and distribution of energy as well as the progressive roll-out of its strategy to become an important player in the renewable energy sectors, with 10/12GW of installed capacity by 2030 for potential additional sales of 1Bn (EUR 100M sales each 1GW) with nice

Energy division leading the growth and margin expansion

contribution on margin (EBITDA margin at approx. 70%) and free cash flow generation (50%). We currently project for Cobra IS EUR 6.9Bn and EUR 7.4Bn sales on 24/25E vs. the EUR 7Bn/7.5Bn targeted by the company during its CMD held last year. Overall, we see Contracting top line reaching EUR 63Bn by 2026E from EUR 58.5Bn at YE23.

VINCI – Contracting sales evolution 2019A-2026E

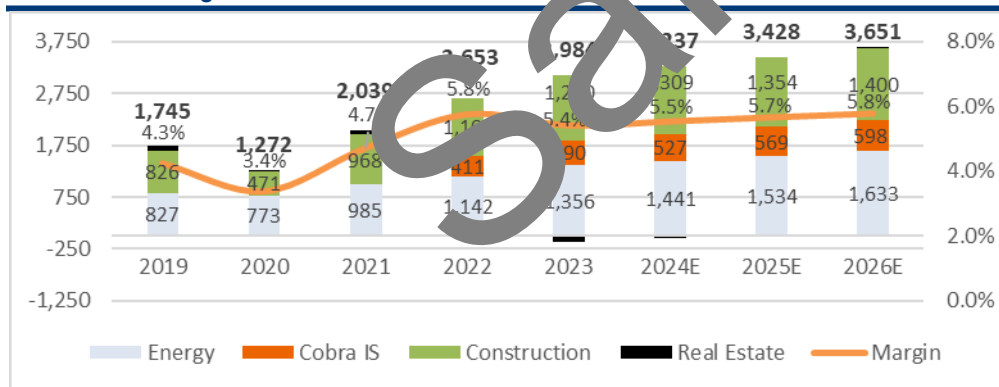


Source: Company data and Intesa Sanpaolo Research

As far as profitability is concerned, we expect the EBIT margin gradually improving year on year and reaching 5.8% by 2026 as VINCI keeps focusing on the most profitable contracts on Construction (4.3% by 2026 from 4% at YE23A) and the sales mix shifts progressively to the more profitable Energy activity, where we expect Cobra IS EBIT margin to reach 7.5% (VINCI's target >7.5%) and the core Energy business to stabilise at 7.3%. Overall we anticipate the Contracting EBIT to reach approx. EUR 3.7Bn by 2026 (7% of sales) from EUR 3Bn at YE23A, aligned to the BBG consensus.

EBIT margin up to 5.8% by FY26

VINCI – Contracting EBIT evolution 2019A-2026E



Source: Company data and Intesa Sanpaolo Research

Earnings Outlook

We see VINCI sales growing by a LSD (2024-26E CAGR) and reaching approx. EUR 76.2Bn sales by the end of 2026, with an even pace between the different segments. The Concessions, Energy and Cobra IS should benefit from the strong underlying demand, which is air traffic for the former, and energy and digital transition for the latter segments; thus, they are expected to deliver a solid MSD growth. On the contrary, we forecast a persisting weakness on the Property business (-9% CAGR) and a very modest growth on Construction.

Solid top-line growth despite persisting weakness on Property

On the back of improving profitability on the Airports segment (i.e. Edinburgh consolidation, Aerodrom) coupled with the increasingly contribution of the more profitable Energy/Cobra IS business as well as a margin vs. volumes strategy, we expect a gradual group margin expansion at EBITDA/EBIT level by 30bps on avg/year, despite the drag of the long-distance transportation tax, hitting French motorways this year (EUR 280M). We thus expect the FY26E EBITDA and EBIT at EUR 14Bn (+5.4% CAGR) and EUR 9.8Bn (+5.6%) approx. 1%/1.5% above BBG consensus. On the contrary, as we already include the temporary spike on French corporate tax for cumulated EUR 600M in FY24E/25E, our FY24E expectations on net profit are 5.6% below BBG consensus, fractionally below on next year and 4.4% above in 2026.

Margin expansion led by improving sales mix, selective contract winning and Airports growth

Given the significant M&As pursued this year (EUR 7Bn), we see the net debt rising to EUR 19.1Bn (from EUR 16.2Bn) and the leverage marginally worsening to 1.6x; the decrease should result from the following year, given the abundant free cash flow generation of approx. EUR 7.2Bn expected and reaching 0.9x by FY26E, as we do not assume major M&As. We expect the ROAC to move from 12.6% at YE23 to 13.7% by 2026E and a double-digit free cash flow yield.

Net debt to shrink on remarkable free cash flow generation

As far as the dividend is concerned, we assume a DPS of EUR 4.4 (4.2% yield) from EUR 4.5 last year and reaching EUR 5.7/sh by 2026.

For FY24, the company forecasts a rise in total revenue and earnings, albeit with more restrained growth compared to 2023. Throughout the year, guidance has been updated and revised upwards, except for the less enthusiastic motorway traffic trend in France and without factoring in the potential impact of the corporate tax increase on French profits for large companies should the 2025 budget law be approved as drafted, and weighting on VINCI's net profit for EUR 400M this year and halving much in 2025. In detail: 1) VINCI Autoroutes expects traffic close to 2023 levels, with the slight increase guided in February; 2) VINCI Airports anticipates passenger numbers exceeding those of 2019, from slightly exceeding; 3) VINCI Energies projects organic revenue growth continuing, though at a slower rate than in 2023, while operating margin above last year level of 7.0%, from an initial stable guidance; 4) Cobra IS plans to increase revenue, enlarge its operating margin from 2023, from confirming it, and expand its renewable energy portfolio by adding new projects, aiming for a total capacity of approximately 3.5 GW by year-end (+1.5 GW from FY23); 5) VINCI Construction anticipates revenues at least equal to those of 2023 levels vs. initial indications of stable sales, while continuing to enhance its operating margin.

VINCI – ISP vs. Bloomberg consensus (2024E/26E)

EUR M	2024E			2025E			2026E			avg %
	ISP	Consensus	Delta %	ISP	Consensus	Delta %	ISP	Consensus	Delta %	
Sales	71,434	71,446	0.0	73,950	74,151	-0.3	76,194	76,391	-0.3	-0.2
EBITDA	12,555	12,587	-0.3	13,405	13,277	1.0	14,004	13,829	1.3	0.7
on sales %	17.6	17.6		18.1	17.9		18.4	18.1		
EBIT	8,816	8,714	1.2	9,394	9,231	1.8	9,838	9,719	1.2	1.4
on sales %	12.3	12.2		12.7	12.4		12.9	12.7		
Net Profit	4,443	4,707	-5.6	5,124	5,151	-0.5	5,827	5,583	4.4	-0.6
on sales %	6.2	6.6		6.9	6.9		7.6	7.3		
Net Debt	19,846	19,127	3.8	16,051	17,197	-6.7	12,567	14,563	-13.7	-5.5
Net Debt/EBITDA	1.6	1.5		1.2	1.3		0.9	1.1		
Capex	-3,560	-4,050	-12.1	-3,660	-3,931	-6.9	-3,690	-3,862	-4.4	-7.8
Dividend/sh (EUR)	4.4	4.6	-5.2	5.0	5.0	0.8	5.7	5.5	5.4	0.3

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

VINCI – 2019-2026E P&L

EUR M	2019	2020	2021	2022	2023	2024E	2025E	2026E
Concessions	8,543	5,838	7,046	9,162	10,932	11,688	12,439	12,982
Energy	13,749	13,661	15,097	22,268	25,822	27,139	28,701	30,136
o/w Cobra IS				5,520	6,495	6,846	7,393	7,763
VINCI Construction	25,135	23,149	26,282	29,252	31,459	31,924	32,243	32,565
Property	1,320	1,189	1,611	1,523	1,231	1,083	975	926
Eliminations	(695)	(605)	(639)	(530)	(605)	(400)	(408)	(416)
Revenue excl concession operators' construction rev	48,052	43,232	49,396	61,675	68,839	71,434	73,950	76,194
% Growth	10.4%	-10.0%	14.3%	24.9%	11.6%	3.8%	3.5%	3.0%
Other income	700							
Total income	48,752	43,232	49,396	61,675	68,839	71,434	73,950	76,194
% Growth	10.4%	-11.3%	14.3%	24.9%	11.6%	3.8%	3.5%	3.0%
Total op. expenses	(40,255)	(37,313)	(41,513)	(51,460)	(56,874)	(58,879)	(60,546)	(62,190)
% Sales	83.8%	86.3%	84.0%	83.4%	82.6%	82.4%	81.9%	81.6%
EBITDA	8,497	5,919	7,884	10,215	11,965	12,555	13,405	14,004
Margin %	17.7%	13.7%	16.0%	16.6%	17.4%	17.6%	18.1%	18.4%
% Growth	23.2%	-30.3%	33.2%	29.6%	17.1%	4.9%	6.8%	4.5%
Depreciation & amortisation	(2,763)	(3,061)	(3,161)	(3,391)	(3,511)	(3,738)	(4,011)	(4,167)
EBIT	5,734	2,858	4,723	6,824	8,357	8,816	9,394	9,838
% Growth	14.8%	-50.2%	65.2%	24.5%	17.5%	5.5%	6.6%	4.7%
Share based payment expense	(291)	(240)	(288)	(311)	(360)	(460)	(460)	(460)
Associates/Other Rec. Operating items	260	(108)	29	178	178	241	262	286
Operating profit	5,703	2,511	4,464	6,481	8,075	8,597	9,196	9,664
% Growth	15.8%	-56.0%	77.8%	23.0%	26.1%	5.2%	7.0%	5.1%
Cost of net financial debt	(551)	(589)	(658)	(611)	(894)	(1,064)	(1,053)	(764)
Other total	(71)	(47)	40	279	(157)	0	0	0
Net financial income / cost	(622)	(636)	(618)	(335)	(1,051)	(1,064)	(1,053)	(764)
Exceptional	(40)	(52)	(24)	8	(105)	(100)	0	0
Profit before tax	5,041	1,823	3,788	6,143	7,019	7,434	8,143	8,900
% Growth	13.9%	-63.8%	109.6%	61.2%	14.1%	5.9%	9.5%	9.3%
Tax	(1,634)	(807)	(1,625)	(1,735)	(1,917)	(2,430)	(2,424)	(2,431)
Effective tax rate %	32.4%	44.3%	42.5%	28.2%	27.3%	27.3%	27.3%	27.3%
Net profit	3,407	1,016	2,163	4,417	5,102	4,931	5,645	6,394
Discontinued operations	0	0	0	0	0	0	0	0
Minority interests	(148)	226	402	(157)	(400)	(489)	(521)	(567)
Net profit attributable to parent	3,259	1,242	2,597	4,259	4,702	4,443	5,124	5,827
% Growth	11.1%	-61.2%	109.1%	64.0%	10.4%	-5.5%	15.3%	13.7%
Margin	6.8%	2.9%	5.3%	6.9%	6.8%	6.2%	6.9%	7.6%
Adjusted EPS (EUR)	5.43	2.26	4.73	7.22	8.11	7.67	8.70	9.89
% Growth	10.5%	-58.4%	109.5%	52.5%	12.4%	-5.5%	13.5%	13.7%
Reported EPS (EUR)	5.43	2.26	4.56	7.55	8.28	7.82	9.02	10.25
% Growth	11.1%	-60.6%	112.0%	53.8%	9.6%	-5.5%	15.3%	13.7%
DPS (EUR)	2.04	2.04	2.90	4.00	4.50	4.38	5.05	5.74
% Growth	-23.6%	0.0%	42.2%	37.9%	12.5%	-2.7%	15.3%	13.7%

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

VINCI –2019-26E Cash Flow

Cash flow	2019	2020	2021	2022	2023	2024E	2025E	2026E
Net profit	3,259.0	1,241.5	2,596.5	4,259.3	4,702.0	4,442.8	5,123.8	5,826.7
Minorities	148.0	-226.0	-402.0	157.4	400.0	488.7	521.1	566.8
D&A	2,763.0	3,061.0	3,161.2	3,390.8	3,608.0	3,738.3	4,010.9	4,166.7
Funds	887.0	-147.0	873.0	-9.8	897.8	0.0	0.0	0.0
Nwc	976.0	1,747.0	936.0	1,044.0	1,525.0	1,350.0	800.0	0.0
others	2,452.0	148.0	1,248.0	1,092.2	131.8	0.0	0.0	0.0
Operating Cash flow	10,485.0	5,824.5	8,412.7	9,933.9	11,264.6	10,019.7	10,455.8	10,560.2
Capex	-1,065.0	-1,085.0	-815.4	-836.3	-1,130.0	-1,559.6	-1,660.1	-1,690.4
Operating capex	-1,249.0	-994.0	-1,077.0	-1,602.0	-2,010.0	-2,000.0	-2,000.0	-2,000.0
others	-14,587.0	765.0	-7,036.8	-6,352.5	-2,961.0	-7,020.9	0.0	0.0
Free cash flow	-6,416.0	4,510.5	-516.5	1,143.1	5,163.6	-560.9	6,795.7	6,869.8
Dividends	-1,772.0	-721.0	-1,557.5	-1,892.0	-2,481.0	-2,536.2	-2,602.4	-2,987.4
Third Party equity movements	1,823.0	-217.0	130.4	1,423.4	57.8	0.0	0.0	0.0
Equity	-234.0	-95.5	979.4	690.3	-47.0	-398.1	-398.1	-398.1
delta	-6,599.0	3,477.0	-964.2	1,364.8	2,693.4	-3,495.2	3,795.3	3,484.3
Net deb beg	16,322.8	22,921.8	19,444.8	20,409.0	19,044.2	16,350.8	19,846.0	16,050.7
delta	-6,599.0	3,477.0	-964.2	1,364.8	2,693.4	-3,495.2	3,795.3	3,484.3
Net deb end	22,921.8	19,444.8	20,409.0	19,044.2	16,350.8	19,846.0	16,050.7	12,566.4

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

VINCI – 2021A-26E Balance sheet

EUR M	2019	2020	2021	2022	2023	2024E	2025E	2026E
Concession intangible assets	26,869	25,886	25,329	28,224	29,000	26,821	24,471	21,994
Goodwill	11,647	11,619	16,099	17,360	17,577	17,577	17,577	17,577
Other intangible assets	7,410	6,846	8,421	9,045	8,038	8,038	8,038	8,038
Property, plant and equipment	10,131	9,760	10,303	10,805	13,012	15,012	17,012	19,012
Investments in companies accounted for under the equity method	1,870	1,035	950	1,014	1,267	8,288	8,288	8,288
Other non-current financial assets & Derivatives	2,576	3,487	3,025	2,964	2,771	2,771	2,771	2,771
Deferred tax assets	370	493	767	883	1,122	1,122	1,122	1,122
Total non-current assets	60,873	59,126	64,894	70,294	72,787	79,629	79,278	78,802
Inventories and work in progress	1,434	1,428	1,591	1,785	1,878	1,878	1,878	1,878
Trade and other receivables & other current assets	19,823	18,212	21,868	25,494	26,496	25,996	25,496	25,496
Current tax assets	166	266	238	259	351	301	301	301
Other current financial assets & Derivatives	263	231	960	826	875	775	775	775
Cash and cash equivalents & cash management financial assets	8,544	11,902	11,265	13,333	16,177	11,280	14,130	17,471
Total current assets	30,230	32,039	35,922	41,297	44,772	40,230	42,580	45,921
Total assets	91,103	91,165	100,816	111,991	117,559	119,859	121,859	124,723
Equity attributable to owners of the parent	20,438	20,863	22,881	25,939	28,113	29,621	31,745	34,186
Non-controlling interests	2,604	2,161	1,889	3,476	3,928	4,417	4,938	5,505
Total equity	23,042	23,024	24,771	29,409	32,041	34,038	36,683	39,691
Non-current provisions & Provisions for employee benefits	3,252	2,873	2,596	2,110	2,303	2,303	2,303	2,303
Bonds	23,300	23,136	22,122	21,925	22,048	22,048	22,048	22,048
Other loans and borrowings & Derivatives	3,548	3,982	3,179	5,111	5,042	5,042	5,042	5,042
Deferred tax & other non-current Liabilities	4,463	4,682	5,791	6,638	6,781	6,781	6,781	6,781
Total non-current liabilities	34,563	34,673	30,778	34,316	36,174	36,174	36,174	36,174
Current provisions	4,741	4,971	6,111	6,599	7,304	7,304	7,304	7,304
Trade payables & other current liabilities	23,847	24,045	29,501	34,252	37,013	37,713	38,013	38,013
Current tax liabilities	292	321	360	607	594	594	594	594
Current borrowings & Derivatives	4,616	4,522	6,282	6,808	5,432	4,036	3,091	2,948
Total current liabilities	33,496	33,860	42,266	48,266	50,343	49,647	49,002	48,859
Total liabilities	68,059	68,533	73,044	82,581	86,517	85,821	85,176	85,033
Total equity and liabilities	91,101	91,164	100,816	111,991	118,558	119,859	121,859	124,723
Net Debt to EBITDA	2.6x	3.5x	2.5x	1.8x	1.4x	1.6x	1.2x	0.9x

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

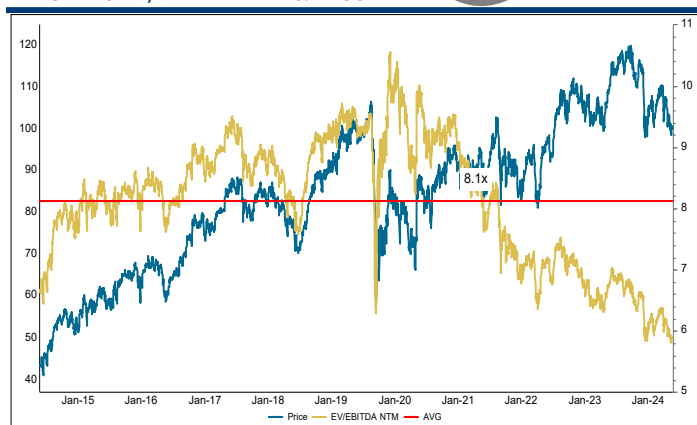
Valuation

We value VINCI through a Sum of the parts, valuing French motorways (ASF, Cofiroute, Arcour) via a DCF model (WACC: 7%) as well as ANA (WACC: 6%), Gatwick (WACC: 7%) and Kansai (WACC: 6.5%) airports. Waiting for the delivery, we value Edinburgh at its transaction value (implied EV/EBITDA at 18x) as is the case of Northwest Parkway. Other Airports at trading multiples (10x EV/EBITDA) while Highways&Others concessions at EV/EBITDA 6x. The entire Concession explains approx. 70% of the overall group EV and almost 40% of the Equity value. As far as Contracting is concerned, we value Construction business using avg. sector multiples at 6x EV/EBIT (see page 6) while we prudently value the Energy division as well as Cobra IS through the pure-players sector multiples of 12.2x, with no adjustments. For the sake of completeness, our valuation of the Energy division of EUR 17.5Bn, is approx. 12% below the EUR 20Bn suggested by VINCI during the CMD using a DCF approach; this could be an appropriate methodology in their view, given the high predictability of the revenues stream, similarly to concessions-like assets but with much lower capex commitment.

Should we add to the market multiples a premium to consider: i) VINCI's leadership; ii) the promising North America business (8% of Energy sales); and iii) the exposure to the fast-growing ICT business (19% of sales), the group overall valuation would increase by 2% with 10% premium applied to the Energy division and would increase by 3% using VINCI's more optimistic scenario. Finally, we also value Cobra IS' 12GW pipeline on renewable energy sources (RES; for simplicity 100% solar) expected in operation/under construction by 2033 as targeted during its CMD. We calculate a NPV of EUR 1,120M using a weighted WACC of 7.8% (50/50% split between mature/emerging market) resulting in a low-teens P/R (11.8x), sales and EBITDA at full regime (2033) of EUR 1Bn and EUR 716M (EBITDA margin at 70%), respectively. This valuation does not take into account the potential value crystallisation stemming from any disposal of the projects/plants to VINCI ACSE or to third parties.

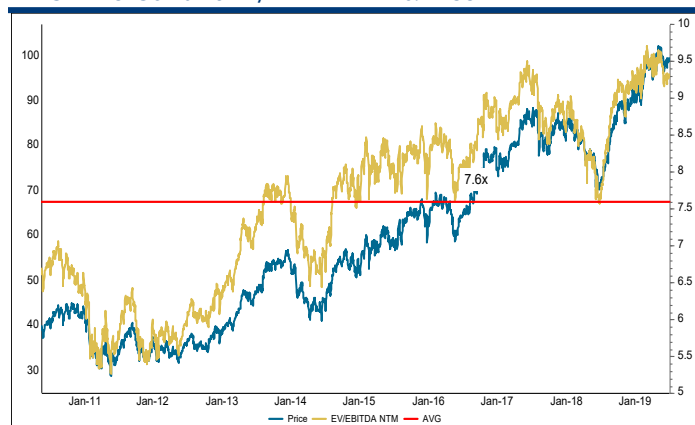
We initiate coverage of VINCI with a TP of EUR 135 and a Buy recommendation. VINCI trades at 6.1x/5.5x on FY24/25 EV/EBITDA vs. the historical (2015-10Y) of 8.1x, thus corresponding to a 22% discount rising to 26% if compared to VINCI's Pre-Covid historical multiple of 7.6x. Differently from Eiffage, VINCI stock has shown a better recovery and it has fully regained the pre-Covid level, but still lags behind the CAC40 (+21%) and the Sector (+10%). We believe VINCI's more widespread geographic footprint has helped the company hedge against the French political risks, but the YTD drop of -17% vs. the CAC 40 (-2%) and Sector (-5%) is largely explained by the negative news flow from its domestic market.

VINCI – 10 EV/EBITDA NTM vs. Price



Source: Factset

VINCI – Pre-Covid 10 EV/EBITDA NTM vs. Price



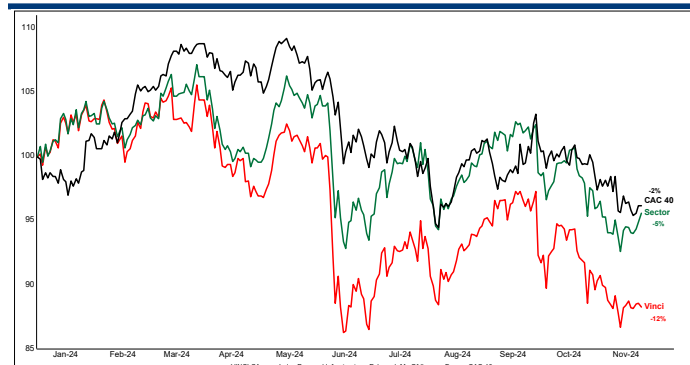
Source: Factset

VINCI – Pre-Covid performance vs. Sector and CAC 40



Source: Factset

VINCI – YTD performance vs. Sector and CAC 40



Source: Factset

Our positive stance on the stock relies on the following: 1) VINCI motorways' strong cash flow which supports the group diversification and portfolio duration extension; 2) its exposure to the air passenger traffic secular growth through its worldwide airport platform; 3) the exposure to the energy transition and digital transformation mega trends, expected to fuel the medium/long term growth ambition; 4) the appealing capital allocation, notably on M&As on the back of a solid track record in value creation through external growth, as shown with the acquisition of ANA/Kansai airport or in the Energy business; 5) the super solid balance sheet (net debt/EBITDA <1x by 2026) along with an eye-catching free cash flow yield progressively from 8.5% at YE23 to 11.3% by YE26.

VINCI – Sum of the Parts Valuation

(EUR M)	Cons.	Stake %	Method	EV FY24	EBITDA/ EBIT 24	EBITDA/ EBIT 24	NFP	Equity Value	Minorities	EQV post minorities	% EV	% Equity
Concession				7,145	1,440	9x	30,809	41,606	9,773	31,833	70	40
Airports (1)				43,883	3,213	13x	14,276	29,561	9,773	19,789	42	25
ANA	Full	100	DCF (WACC: 6%)	11,035	812	14x	443	10,613	0	10,613	11	13
Gatwick	Full	50	DCF (WACC: 7%)	10,250	797	13x	4,081	6,169	3,084	3,085	10	4
Edinburgh	Full	50	TV	7,140	233	18x	1,213	2,927	1,463	1,464	4	2
OMA	Full	30	Market value	3,977	454	8x	424	3,035	2,125	910	3	1
Lyon	Full	31	EV/EBITDA	1,757	127	10x	-115	1,382	959	423	1	1
Kansai	EM	4	DCF (WACC: 6.5%)	4,660	633	7x	860	3,600	2,160	1,440	4	2
Other Airport	Full	1	EV/EBITDA	5,030	533	10x	22	5,008	0	5,008	5	6
Concessions												
Highways&Others	Full	NA	EV/EBITDA	1,797	300	6x	3,421	-1,624	0	-1,624	2	-2
Northwest Parkway	Full	100	TV	1,372	28	49x	0	1,372	0	1,372	1	2
Equity Investments	Full	100	Market Value	1,032	NA		3,926	-2,894	0	-2,894	1	-4
Motorways				28,581	4,585	6x	16,533	12,048	0	12,048	28	15
ASF	Full	100	DCF (WACC: 7%)	20,628	3,311	6x	6,756	13,873	0	13,873	20	17
Cofiroute	Full	100	DCF (WACC: 7%)	6,931	1,202	6x	3,202	3,729	0	3,729	7	5
Arcour	Full	100	DCF (WACC: 7%)	1,022	72	14x		1,022	0	1,022	1	1
Holding	Full	100					6,576	-6,576	0	-6,576	0	-8
Contracting				31,766	3,277	10x	-4,859	36,625	0	36,625	31	46
Energy	Full	100	Mkt multiples (3)	23,967	1,968	12.2x	-699	24,666	0	24,666	23	31
Construction	Full	100	Mkt multiples (3)	7,800	1,309	6x	-4,160	11,960	0	11,960	8	15
RES Pipeline#			NPV (WACC: 7.8%)	1,120				1,120		1,120	1	1
Holding (2)							-7,749	7,749	0	7,749	0	10
Total				104,181			18,201	85,981	9,773	77,328	100	97
Liabilities*										1,776		2
Eq.invest. & Fin. As										1,224		2
ADP										871		1
Treasury shares										1,831		2
Total										79,478		100
N. of shares										589		
Equity value/share										135		

EM: equity method; #RES: Renewable Energy Sources; TV: transaction value; Source: Intesa Sanpaolo Research estimates; 1) Includes Other Concessions; 2) VINCI Immobilier 3) EV/EBIT; *Pension Fund&Corporate tax surcharge

Valuation and Key Risks

Valuation basis

We value Vinci through a Sum of the Parts. We value French motorways concession with a DCF (WACC:7%), airports key concessions ANA, Gatwick and Kansai through DCF model with a WACC of 6%, 7% and 6.5%, respectively. OMA is valued at market value, Edinburgh and Northwest Parkway at Transaction value while Other Airports and Highways and Other concessions at market multiples (EV/EBITDA of 10x and 6x). On contracting, we value the Energy business at 12x EV/EBIT and the Construction at 6x EV/EBIT. In addition, we value Cobra IS renewables pipeline of 12GW by 2030 returning a NPV of EUR 11Bn (WACC: 7.8%). Finally, we value the 8% stake on ADP at market value. We also deducted approx. EUR 600M for the cash-out related to the surcharge on corporate tax rate in France

Key Risks

Company specific risks:

- Short residual motorways concession life;
- Capital misallocation, notably on M&A
- Lower than expected growth on Energy business
- Worsening profitability on Construction business

Sector generic risks:

- Motorways and air traffic slowdown due to macros headwinds
- Risk of adverse regulatory changes (Concession & Contracting)
- Political and Geopolitical Risks

Company Snapshot

Company Description

VINCI is a world leader in concessions, energy, and construction, active in more than 100 countries. VINCI designs, finances, builds, and manages, within the framework of public-private partnerships, transport infrastructure and public equipment which contribute to the development of mobility and territories. It operates in the motorway, airport, bridge and tunnel, rail, and stadium sectors. VINCI Energies' business and geographical footprint: Cobra IS has acknowledged expertise in delivering large energy EPC (engineering, procurement, and construction) projects and strong local positions in the Iberian Peninsula and Latin America. VINCI was founded in 1899 by two engineers from Polytechnique, an elite French engineering school, Alexandre Glavaux and Louis Loucheur, who founded Société Générale d'Entreprises (SGE), which became VINCI in 2000 following its merger with the GTM group. Roughly 45% of its revenue comes from France. (source Bloomberg)

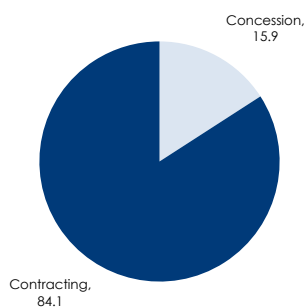
Key data

Mkt price (€)	97.26	Free float (%)	82.4
No. of shares	589.0	Major shr	Black Ocean Group Plan
52Wk range (€)	120.1/97.3	(%)	9.9
Reuters	SGEF.PA	Bloomberg	DG FP
Performance (%)	Absolute		Rel. NA
-1M	-5.8	-1M	NA
-3M	-10.2	-3M	NA
-12M	-14.2	-12M	NA

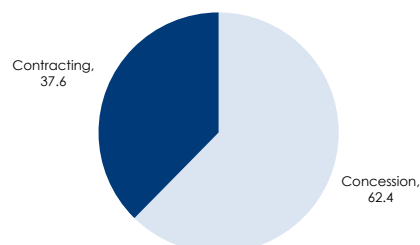
Estimates vs. consensus

EUR Bn (Y/E Dec)	2023A	2024E	2024C	2025E	2025C	2026E	2026C
Sales	68.84	71.43	71.18	73.95	74.07	76.19	76.21
EBITDA	11.97	12.55	12.50	13.40	13.31	14.00	13.80
EBIT	8.18	8.60	8.78	9.20	9.32	9.66	9.72
Pre-tax income	7.02	7.43	7.32	8.14	7.96	8.90	8.50
Net income	4.70	4.44	4.68	5.12	5.14	5.83	5.55
Adj. EPS (€)	8.11	7.67	7.91	8.70	8.90	9.89	9.67

Sales breakdown by business (%)



Ebitda breakdown by business (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 02/12/2024)

VINCI – Key Data

Rating BUY	Target price (€/sh) Ord 135.0		Mkt price (€/sh) Ord 97.26		Sector Construction	
Values per share (EUR)	2021A	2022A	2023A	2024E	2025E	2026E
No. ordinary shares (M)	589.0	589.0	589.0	589.0	589.0	589.0
Total no. of shares (M)	589.0	589.0	589.0	589.0	589.0	589.0
Market cap (EUR M)	52,744.5	54,201.2	62,591.1	57,290.9	57,290.9	57,290.9
Adj. EPS	4.44	7.22	8.11	7.67	8.70	9.89
BVPS	42.1	49.9	54.4	57.8	62.3	67.4
Dividend ord	2.90	4.00	4.50	4.38	5.05	5.74
Dividend SAV Nc	-2.00	-1.00	NA	1.00	2.00	3.00
Income statement (EUR M)	2021A	2022A	2023A	2024E	2025E	2026E
Revenues	49,396.4	61,674.5	68,839.0	71,433.6	73,950.2	76,194.1
EBITDA	7,883.7	10,215.0	11,965.0	12,554.6	13,404.6	14,004.4
EBIT	4,463.5	6,481.4	8,175.0	8,597.5	9,196.0	9,663.7
Pre-tax income	3,819.5	6,154.1	7,019.0	7,433.8	8,142.8	8,900.2
Net income	2,596.5	4,259.3	4,702.0	4,442.8	5,123.8	5,826.7
Adj. net income	2,615.5	4,253.7	4,778.7	4,515.8	5,123.8	5,826.7
Cash flow (EUR M)	2021A	2022A	2023A	2024E	2025E	2026E
Net income before minorities	2,194.5	4,416.7	5,102.0	4,999.1	5,644.9	6,393.5
Depreciation and provisions	3,161.2	3,390.8	3,608.0	3,768.3	4,010.9	4,166.7
Others/Uses of funds	3,230.0	-4,708.6	1,024.0	0	0	0
Change in working capital	-173.0	6,835.0	1,525.0	1,350.0	800.0	0
Operating cash flow	8,412.7	9,933.9	11,264.6	10,111.4	10,455.8	10,560.2
Capital expenditure	-1,892.4	-2,438.3	-3,140.0	-3,339.6	-3,660.1	-3,690.4
Financial investments	-7,036.8	-6,352.5	-5,871.1	-7,020.9	0	0
Acquisitions and disposals	0	0	0	0	0	0
Free cash flow	-516.5	1,143.1	5,163.6	-560.9	6,795.7	6,869.8
Dividends	-1,557.5	-1,892.0	-1,481.0	-2,536.2	-2,602.4	-2,987.4
Equity changes & Non-op items	1,109.8	2,113.7	1,008.8	-398.1	-398.1	-398.1
Net change in cash	-964.2	1,364.8	2,699.3	-3,495.2	3,795.3	3,484.3
Balance sheet (EUR M)	2021A	2022A	2023A	2024E	2025E	2026E
Net capital employed	45,180.0	48,450.8	48,922.0	53,884.3	52,733.5	52,257.2
of which associates	950.0	1,014.0	1,267.0	8,287.9	8,287.9	8,287.9
Net debt/-cash	20,408.7	16,144.0	16,350.0	19,846.2	16,050.9	12,566.6
Minorities	1,889.4	3,412.2	3,928.0	4,416.7	4,937.8	5,504.6
Net equity	22,881.4	25,939.6	28,113.0	29,621.4	31,744.8	34,186.0
Minorities value	0	539.6	7,539.6	7,539.6	8,040.4	8,744.6
Enterprise value	76,226.3	79,900.7	85,213.7	76,388.7	73,094.2	70,314.2
Stock market ratios (x)	2021A	2022A	2023A	2024E	2025E	2026E
Adj. P/E	20.2	2.7	13.1	12.7	11.2	9.8
P/CFPS	6.3	5.5	5.6	5.7	5.5	5.4
P/BVPS	7.7	1.8	2.0	1.7	1.6	1.4
Payout (%)	65	55	55	57	58	58
Dividend yield (% ord)	3.2	4.3	4.2	4.5	5.2	5.9
FCF yield (%)	-1.0	2.1	8.2	-1.0	11.9	12.0
EV/sales	1.5	1.3	1.2	1.1	0.99	0.92
EV/EBITDA	7.7	7.8	7.1	6.1	5.5	5.0
EV/EBIT	17.1	12.3	10.4	8.9	7.9	7.3
EV/CE	1.7	1.6	1.8	1.4	1.4	1.3
D/EBITDA	2.6	1.9	1.4	1.6	1.2	0.90
D/EBIT	4.6	2.9	2.0	2.3	1.7	1.3
Profitability & financial ratios (%)	2021A	2022A	2023A	2024E	2025E	2026E
EBITDA margin	16.0	16.6	17.4	17.6	18.1	18.4
EBIT margin	9.0	10.5	11.9	12.0	12.4	12.7
Tax rate	NM	NM	NM	NM	NM	NM
Net income margin	5.3	6.9	6.8	6.2	6.9	7.6
ROCE	9.9	13.4	16.9	16.0	17.4	18.5
ROE	11.9	17.4	17.4	15.4	16.7	17.7
Interest cover	-7.2	-19.3	-7.8	-8.1	-8.7	-12.7
Debt/equity ratio	82.4	64.8	51.0	58.3	43.8	31.7
Growth (%)	2021A	2022A	2023A	2024E	2025E	2026E
Sales		24.9	11.6	3.8	3.5	3.0
EBITDA		29.6	17.1	4.9	6.8	4.5
EBIT		45.2	26.1	5.2	7.0	5.1
Pre-tax income		61.1	14.1	5.9	9.5	9.3
Net income		64.0	10.4	-5.5	15.3	13.7
Adj. net income		62.6	12.3	-5.5	13.5	13.7

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Appendix – VINCI Concessions

VINCI – Airports Concession details

Country	Name	Description	M pax 19	M pax 23	End of concession	Vinci share	Traffic risk	Consolidation
Airports								
UK	London Gatwick	Freehold	46.6	40.9	-	50%	Yes	Full consolidation
	Belfast International	Freehold	6.3	6	2993	100%	Yes	Full consolidation
Portugal	ANA (10 airports in Lisbon, Porto, Faro, Madeira, Azores islands)	Concession	59.1	66.3	2063	100%	Yes	Full consolidation
	Of which Lisbon airport		31.2	33.6				
Japan	Kansai airports (Kansai International, Osaka Itami, Kobe)	Concession	51.8	41.5	2060	40%	Yes	Equity method
	Of which Kansai International		31.9	23.3				
Chile	Santiago	Concession	24.6	23.3	2035	40%	Yes	Equity method
Mexico	OMA (Monterrey international, Culiacan, Ciudad Juarez, Chihuahua, Mazatlan)	Concession	23.2	26.8	2048	99.99%	Yes	Full consolidation
	Of which Monterrey international		11.2	13.3				
France	Lyon airports (Lyon-Bron, Lyon Saint-Exupéry)	Concession	11.8	10	2047	90.60%	Yes	Full consolidation
	Chambéry, Clermont-Ferrand, Grenoble, Pays d'Ancenis	DSP*	0.9	0.6	2025 to 2029	100%	Yes	Full consolidation
	Bretagne Rennes & Dinard	DSP*	0.9	0.6	2024	49%	Yes	Equity method
	Aéroports du Grand Ouest (Nantes Atlantique, Saint-Nazaire)	Concession	7.2	6.5	2037**	85%	Yes	Full consolidation
	Toulon-Hyères	Concession	0.9	0.3	2040	100%	Yes	Full consolidation
	Annecy Mont-Blanc	Concession	n.a.	n.a.	2036	100%	Yes	Full consolidation
Cambodia	Phnom Penh, Sihanoukville	Concession	n.a.	4	2040	70%	Yes	Full consolidation
United States	Orlando-Sanford	Concession	3.3	2.9	2024	100%	Yes	Full consolidation
	4 airports: Hollywood Burbank Airport in California, Atlantic City in New Jersey, Macon Downtown Airport and Middle Georgia Airport in Georgia	Management Contracts	7.1	7	n.a.	100%	No	Full consolidation
Brazil	Salvador	Concession	7.3	7.3	2047	100%	Yes	Full consolidation
	7 airports in the North Region: Manaus, Porto Velho, Rio Branco, Brasília, Cruzzeiro do Sul, Tabatinga and Tefé	Concession	4.6	4.2	2051	100%	Yes	Full consolidation
Serbia	Belgrade	Concession	6.2	7.9	2045	100%	Yes	Full consolidation
Dominican Rep.	Aerodom (Santo Domingo, Puerto Plata, Samana, La Isabela, Barahona, El Estero)	Concession	5.6	6.6	2060	100%	Yes	Full consolidation
Costa Rica	Guanacaste	Concession	1.2	1.7	2030	45%	Yes	Equity method
Cape Verde	The 7 airports of the Cape Verde archipelago	Concession	2.8	2.6	2063	100%	Yes	Full consolidation
Hungary	Budapest	Concession	16.2	14.7	2080	20%	Yes	Equity method

*Outsourced public service; ** Termination of concession decreed on 24/10/19 but yet to take effect; Source: Company data

VINCI – Highway Concession details

Country	Type	Name	Description	End of concession	Vinci share	Traffic risk	Consolidation
Road Infrastructure							
Germany	Motorway	A7 Bockenem-Göttingen	60 km	2047	50%	no	Equity method
	Motorway	A4 Harselberg	45 km	2037	50%	yes	Equity method
	Motorway	A9 Thuringia/Bavarian border	47 km	2031	50%	no	Equity method
	Motorway	A5 Malsch-Offenburg	60 km	2039	54%	yes	Equity method
	Motorway	B247 Mülhausen-Bad Langensalza	28 km	2051	50%	no	Equity method
UK	Public highway network	Hounslow PFI	432 km roads; 762 km sidewalks	2037	50%	no	Equity method
	Public highway network	Isle of Wight PFI	821 km roads; 767 km sidewalks	2038	50%	no	Equity method
	Bypass	Newport Southern crossing	9 km	2042	50%	yes	Equity method
Slovakia	Motorway	Expressway R1	52 km	2041	50%	no	Equity method
Czech Republic	Motorway	D4 Via Sails	47 km	2049	50%	no	Equity method
Greece	Motorway	Athens-Corinth-Patras-Pyrgos	201 km + 75 km under construction	2038 / 2044	29.90%	yes	Equity method
	Motorway	Maliakos-Kleidi	230 km	2038	15.30%	yes	Equity method
Canada	Motorway	Regina bypass	61 km (2x2 lanes)	2049	37.50%	no	Equity method
Russia	Motorway	Moscow-St Petersburg (Sections 1&2)	43 km	2040	50%	yes	Equity method
	Motorway	Moscow-St Petersburg (Sections 7&8)	138 km	2041	40%	no	Equity method
Peru	Ringroad	Lima Expressa *	25 km	2047	100%	yes	Full consolidation
Brazil	Motorway	Entrevias	570 km	2047	55%	yes	Equity method
Colombia	Motorway	Bogotá-Girardoz	141km, 65km under construction	2046	75%	yes	Full consolidation**
Bridges and Tunnels							
France	Tunnel	Prado Carénage	2.5 km road tunnel, Marseille	2033	34.20%	yes	Equity method
	Tunnel	Prado Sud	1.5 km road tunnel, Marseille	2055	58.50%	yes	Equity method
Canada	Bridge	Confederation bridge	Prince Edward Island - mainland	2032	85%	yes	Full consolidation
Greece	Bridge	Rion-Antirion	2.9 km mainland-Isthmos peninsula	2039	72.30%	yes	Full consolidation
Portugal	Bridge	Lusoponte	Vila Real - Gama - Lusoponte	2030	49.50%	yes	Equity method
USA	Bridge & Tunnel	Ohio River Bridge	Bridge (760m) and tunnel (512 mtrs), Louisville, KY	2051	33.30%	no	Equity method
Electronic Toll Collection							
USA	ETC Contract	ViaPlus USA	ETC services in the USA	2023 to 2028	100%	n.a.	Full consolidation
India	ETC contract	ViaPlus India	ETC services in India	2024 to 2028	100%	n.a.	Full consolidation
Ireland	ETC contract	Turas	ETC services for Dublin ring- road (M50)	2031	60%	n.a.	Full consolidation

*International arbitration ongoing following a termination request by the grantor **25% stake acquired in 2023, now fully consolidated; Source: Company data

VINCI – Railways and Other Concessions details

Country	Type	Name	Description	End of concession	Vinci share	Traffic risk	Consolidation
Railways and other concessions							
France	Rail	GSM-Rail	Ground-train communication system on 16,000 km of track	2025	70%	no	Equity method
	Rail	SEA - High-Speed-Rail	302 km of high-speed rail line between Tours and Bordeaux	2061	33%	yes	Equity method
	Building	Park Azur	Car rental centre, Nice Airport	2040	100%	no	Full consolidation
France	Energy	Lucitea	Public lighting, Rouen	2027	100%	no	Full consolidation
	Bus	TCSP Martinique	Operation and maintenance of bus route and vehicles	2035	100%	no	Full consolidation
	Hydraulic	Bameo	Operation & maintenance of 31 dams on the Aisne & Meuse rivers	2043	50%	no	Equity method

Source: Company data

VINCI – Stadium Concession details

Country	Type	Name	Description	End of concession	Vinci share	Traffic risk	Consolidation
Stadiums							
France	Stadium	Stade de France	80,000 seats, Saint-Denis	2025	67%	yes	Full consolidation
	Stadium	Marie-Marvingt	25,000 seats, Le Mans	2044	100%	yes	Full consolidation
	Stadium	Allianz Riviera	36,000 seats, Nice	2041	50%	yes	Equity method
	Stadium	Matmut Atlantique	42,000 seats, Bordeaux	2045	50%	yes	Equity method

Source: Company data

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Eiffage:	
Target price and market price trend (-1Y)	Historical recommendations and target price trend (-1Y)
Initiation of coverage	Initiation of coverage

VINCI:

Target price and market price trend (-1Y)

Historical recommendations and target price trend (-1Y)

Initiation of coverage

Initiation of coverage

Equity rating allocations (long-term horizon: 12M)

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