

## Europe Satellite\*

Recommended since 21.03.2019

02.08.2022



**Country** FR  
**Sector** Travel & Leisure  
**Facetset** EDEN-FR  
**ISIN** FR0010908533

**Market capitalization (bn)** EUR 12.6  
**Free float** 99.5%  
**Closing price** EUR 50.42  
**ESG Risk score\*** 15.5 Low risk

**Perf. since reco. (%)**  
Edenred SA 21.3  
Sector -20.6



### Profile

Edenred is the global leader in payment solutions for the working world, with a mission to make life easier for employees (47m users), help businesses make efficiency gains (830,000 customers) and help merchants grow their business (1.7m customers) through: (1) Employee Benefits (food, meals, well-being, culture, etc.); (2) Fleet and Mobility Solutions (fuel, tolls, maintenance, etc.); and (3) Complementary Solutions (cards, transfers, supplier payments and incentives). Its platform handles over 3bn transactions equating to a business volume of over €30bn via mobile apps, online business and card payments. The group is targeting 85% paperless transactions in 2020.

### Strengths/opportunities

- Global leader in payment services.
- A global digital platform.
- Paperless services/increased digitalisation of payment services.
- Currently underpenetrated high-potential markets.

### Weaknesses/threats

- Economic slowdown in Europe/instability in Brazil.
- Low interest rates.
- Currencies (weak Brazilian real).

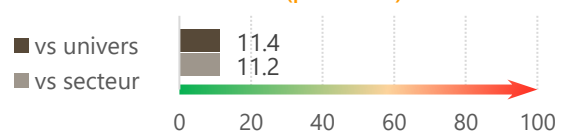
### Investment case

- Edenred has posted excellent results in recent years, buoyed by sustained momentum in acquisitions/new contracts, with their ramp-up enabling it to maintain strong growth in all its businesses. 2020 was a parenthesis in the life of the group, its results confirming the resilience, financial health and quality of its strategy. After suffering from the lock-up, the group returned to positive organic growth in H2 and its savings plan initiated at the beginning of the year has benefited operations.
- The 2021 results confirmed this: organic sales up 13.9% thanks to all regions (Europe +12% / Latin America +18% / Rest of the World +17%) and all business lines (Employee Benefits +12% / Fleet & Mobility +20% / Complementary Solutions +11%). EBITDA increased by +18% to € 670 million and the margin (+160bp to 41%) returned to its pre-Covid level. We would like to highlight the good generation of Free cash flow (€518 million) and a cash position of > €1.5 billion.
- For 2022, Edenred has reinstated the objectives of the Next Frontier plan: organic sales growth > +8% and EBITDA > +10%. Management likes to set the bar low enough at the beginning of the year to deliver better while being confident about the future thanks to the successful transition to digital solutions, the offer of new solutions and its increased penetration among SMEs. H1 2022 confirms that Edenred is ahead of schedule. It is true that conditions are favorable (inflation, interest rates, currencies, fuel) and €1.5 billion of cash that can help for possible acquisitions. The stock offers visibility on a profitable and sustainable growth profile at decent valuation levels and should be considered a safe haven in the current global geopolitical/economic turmoil.

### Valuation

Less demanding on P/E, the valuation is modest based on EV/EBITDA and only partly reflects future earnings growth (reasonable PEG). Edenred is seen more as a digital payments tech stock.

### ESG risk vs. universe & sector (percentile)\*



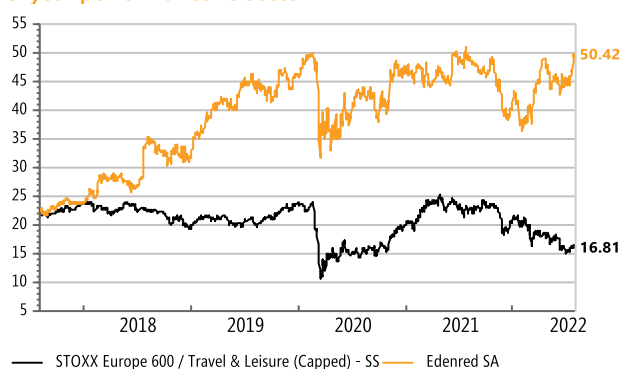
EUR	12/2021	2022e	2023e
Sales revenue (mio)	1'583	1'922	2'122
Sales growth	14.9%	21.4%	10.4%
EBIT adjusted (mio)	455	659	742
% of sales	28.7%	34.3%	34.9%
Net income (mio)	313	405	466
Net income growth	31.5%	29.5%	14.8%
FCF/Sales	17.0%	35.3%	31.9%
Net debt/Ebitda	-2.6x	0.6x	0.1x
Dividend yield	1.8%	1.9%	2.1%
PE	32.1x	30.2x	26.6x
EV/EBITDA	14.5x	16.2x	14.2x

Factset estimates

### ESG - risks and key points

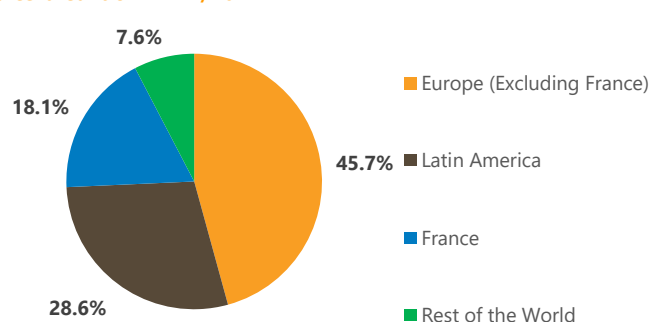
- Edenred's ESG risk is low.
- The group is highly exposed to data confidentiality and safety issues and, like the rest of the industry, has put plans in place accordingly.
- Management of human capital (training, recruitment, information) is considered better than average.
- The company has taken steps to address issues related to business ethics and has been involved in a few controversies.

### 5-year performance vs sector



Source: FactSet

### Sales breakdown - 12/2021



# Glossary

## Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

## ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

## b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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