

Europe Satellite*

Recommended since 23.11.2020

02.08.2022



Country FR	Market capitalization (bn) EUR 6.9	Perf. since reco. (%)
Sector Travel & Leisure	Free float 78.8%	Accor SA -12.8
Factset AC-FR	Closing price EUR 25.64	Sector -7.6
ISIN FR0000120404	ESG Risk score* 18.3 Low risk	

Profile

Accor is the leading hotel group in Europe and the 6th largest worldwide. Its brand portfolio covers every segment of hospitality, such as luxury (with Raffles, Fairmont and Sofitel), premium (with MGallery, Pullman and Swissôtel), midscale (with Novotel, Mercure and Adagio) and economy (with Ibis, hotel F1...). The company operates in 100 countries and manages a portfolio of 750,000 hotel rooms. Accor has opted for an asset-light model, selling its owned and leased hotels to focus on hotel management. It is diversifying into new hotel services: luxury residences (Onefinestay), shared offices (Wojo, Mamaworks), concierge services (John Paul), catering (Potel & Chabot). Accor is more balanced geographically even though 50% of EBIT comes from Europe.

Strengths/opportunities

- A leader in Europe; anchored in Asia. A 1 to 5 star hotel brand portfolio.
- A pipeline of hotel rooms growing by 5% per year.
- A strong balance sheet after selling 70% of AccorInvest.
- Online accommodation offers opportunities growth.

Weaknesses/threats

- Less exposed to USA except in premium segments.
- Overexposed to the French market (1/4 of EBIT).
- Competition from Airbnb.
- Industry sensitive to macro, safety and health events.

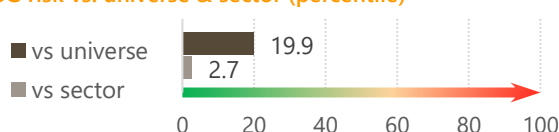
Investment case

- Leader in hotels in Europe and solidly anchored in Asia, Accor has suffered from Covid, its RevPARs have declined (-62%) in 2020 and its strong sensitivity to their evolution (-1% -> EBITDA -18mio€) has played out: EBITDA -391mio€ vs 780mio€ in 2019 Accor reduced its cash consumption to €61m/month and kept its debt stable at €1.35bn (€1bn Orbis disposal). With €4 billion of cash available at the end of 2020, Accor had 5 years of visibility. Its transformation into an asset-light player has made it more agile. Geographically diversified, it was able to limit the impact in certain regions and increase its room inventory thanks to the industry's richest brand portfolio and digital development.
- The 2021 results were encouraging (revenue / EBITDA / cash burn). While the group's RevPARs were still 45% lower than the pre-Covid period, they grew by +40% and EBITDA showed less sensitivity to their evolution (+/-16m€ for +/-1% RevPARs). The average monthly cash burn of €20m has exceeded the target (€35m/month), it is true that the incremental impact of the Reset savings plan was €110m in 2021 after +€20m in 2020.
- H1 2022 confirms the clear upturn in activity in all regions and the renewed momentum of tourism and leisure. These underlying trends and a favorable short-term outlook (buoyant summer/promising fall for trade shows) make management confident for the coming quarters. Accor is targeting EBITDA > €550 million for 2022 (vs. consensus of €527 million). Despite the uncertainties (economic, pandemic, geopolitical), we see a return to normalization in the hotel business and Accor's sensitivity to RevPARs works both ways with leverage linked to its exposure (travel recovery / business Europe) and to the cost reduction accentuated by the savings plan... a real catch-up potential!

Valuation

Accor's valuation compares favourably with that of its European and US peers, even on the basis of estimates for 2022 that are much lower than those for 2019.

ESG risk vs. universe & sector (percentile)*



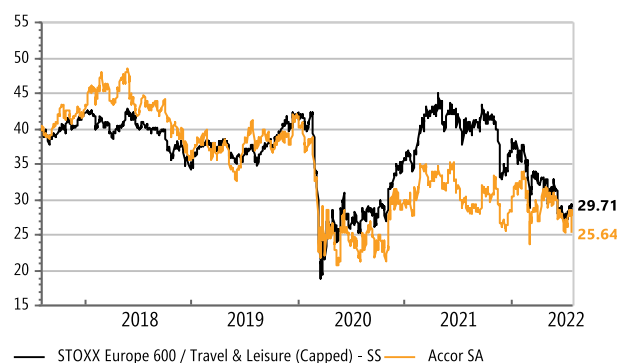
EUR	12/2021	2022e	2023e
Sales revenue (mio)	2'204	3'442	3'828
Sales growth	36.0%	56.2%	11.2%
EBIT adjusted (mio)	-227	315	522
% of sales	-10.3%	9.1%	13.6%
Net income (mio)	-27	117	290
Net income growth	n.a	-534.0%	147.4%
FCF/Sales	n.a	6.8%	8.2%
Net debt/Ebitda	n.a	3.6x	2.0x
Dividend yield	0.0%	1.4%	2.6%
PE	n.a	n.a	23.0x
P/BV	n.a	1.6x	1.6x

Factset estimates

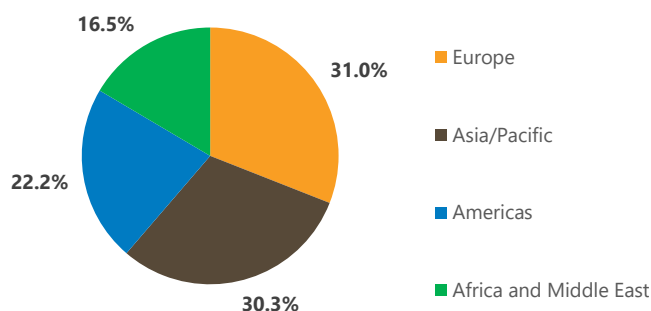
ESG - risks and key points

- Accor has a low level of ESG risk, and the programmes put in place are satisfactory.
- Its ESG risks arise from its exposure to client assessments and its environmental and social footprint.
- Offering a high-quality accommodation requires a skilled workforce / operating hotels require energy management systems (costs & emission).

5-year performance vs sector



Sales breakdown - 12/2021



*: see overleaf

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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