

Initiation of coverage

Buy (maintained)

29 September 2016 – 5:30PM

MARKET PRICE: **EUR1.14** TARGET PRICE: **EUR1.44** (from **EUR1.30**)

## Airport services

### Data

Shares Outstanding (m):	13.2
Market Cap. (EURm):	15.1
Enterprise Value (EURm):	16.8
Free Float (%):	11.2%
Av. Daily Trad. Vol. (m):	0.001
Main Shareholder:	Rg Holding 71.3%
Reuters/Bloomberg:	SB.MI SB IM
52-Week Range (EUR)	0.6 1.2

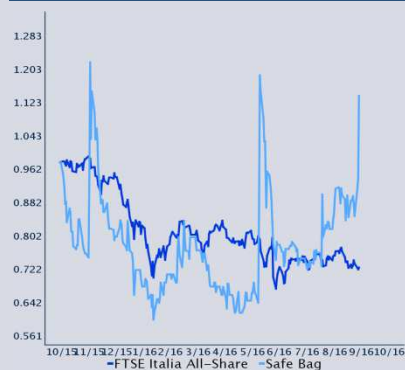
Source: Factset, UbiBanca estimates

### Performance

	1m	3m	12m
Absolute	39.2%	44.7%	15.1%
Rel. to FTSE IT	44.0%	39.0%	44.0%

Source: Factset

### Graph area Absolute/Relative 12 M



Source: Factset

**Marco Cristofori**  
Senior Analyst

[marco.cristofori@ubibanca.it](mailto:marco.cristofori@ubibanca.it)

Tel. +39 0277814393

Website: [www.ubibanca.com/equity-research](http://www.ubibanca.com/equity-research)

## Well on track

Safe Bag reported positive results in 1H16, in line with our estimates, returning to a healthy EBITDA margin (12.3% vs. a loss in 1H15) and to a positive bottom line (EUR0.82 million vs. a loss of EUR0.78 million in 1H15). Moreover, net debt declined to EUR1.3 million compared with EUR2.8 million at Dec-15. We believe that these results confirm that the turnaround plan undertaken last year (fixed costs reduced by EUR1 million, closure of five loss-making airports in Italy with EUR0.35 million of savings, successful renegotiation with the airport of Miami with royalties down to 35% from 52% and minimum guarantee from USD9.5 million to USD3.5 million and the deployment of ancillary services throughout its entire airport network) is starting to bear fruit. Therefore, we confirm our forecasts for an EBITDA margin exceeding 11% in 2016 despite a slowdown in revenues. Further improvements are expected in 2017-18 as the full benefit of the restructuring measures kicks in, while operations at Charles De Gaulle (Paris airport) should benefit from improved concession terms. We consequently reiterate our Buy rating. Our target price increases to EUR1.44 per share (higher relative valuation and lower liquidity discount). The main risks to the company remain a decrease in airport retail services, linked to a possible passenger slowdown and the write-down of existing goodwill (EUR12.5 million, which is >80% of the current market capitalization).

- > Sales fell 10.2% to EUR12 million in 1H16, due to the closure of five concessions in Italy (-31%), lower revenues in the US (-17%) and weaker results in Portugal (-8%), but EBITDA reached EUR1.47 million compared with a loss of EUR0.47 million in 1H15, due to the radical initiatives to cut costs, the improved performance of Miami airport (new contract from Jan-16) and a positive performance in France (up 10%). Net debt declined further to EUR1.3 million, driven by stronger operating cash flow and lower capex. The average duration of Safe Bag's concessions is now 4.6 years.
- > We confirm our forecast for a 6.5% slowdown in the top line in 2016 and an EBITDA approaching EUR3 million, which could lead to a bottom line of around EUR1 million. Some recovery in sales is expected in 2017-18 which should lift the EBITDA margin >12%.
- > We increase our target price to EUR1.44 per share (from EUR1.30), based on the average of a DCF analysis and a relative valuation, having applied a 25% liquidity discount. The share is currently trading at >40% discount to our peer sample.

Financials	priced on 28 September 2016			
	2015	2016E	2017E	2018E
Revenues (EURm)	28.1	26.3	27.7	29.2
EBITDA (EURm)	-0.8	2.9	3.4	3.8
EBITDA margin (%)	-2.9%	11.1%	12.3%	12.8%
EBIT (EURm)	-1.6	1.3	2.5	2.8
EPS (EUR)	-0.11	0.07	0.14	0.17
CFPS (EUR)	0.04	0.08	0.21	0.23
DPS (EUR)	0.0	0.0	0.0	0.0

Source: Company Data, UBI Banca Estimates

Ratios	priced on 28 September 2016			
	2015	2016E	2017E	2018E
P/E(x)	nm	15.2	7.9	6.8
P/CF(x)	-11.3	12.3	6.1	5.3
P/BV(x)	1.5	1.4	1.2	1.0
Dividend Yield	0.0%	0.0%	0.0%	0.0%
EV/EBITDA(x)	nm	5.7	4.3	3.2
Debt/Equity (x)	0.3	0.1	-0.1	-0.2
Debt/EBITDA (x)	-3.4	0.5	-0.3	-1.0

Source: Company Data, UBI Banca Estimates

Figure 1 – 1H16 results

(EURm)	1H15A *	1H16A	% Chg.
Sales Italy	1.74	1.20	-31.0%
Sales France	3.28	3.60	10.7%
Sales USA	6.42	5.40	-16.8%
Sales Other	1.92	1.80	-4.7%
<b>Sales total</b>	<b>13.36</b>	<b>12.00</b>	<b>-10.2%</b>
<b>EBITDA</b>	<b>-0.47</b>	<b>1.47</b>	<b>nm</b>
<b>% margin</b>	<b>-3.5%</b>	<b>12.3%</b>	
D&A	-0.23	-0.37	
EBIT	-0.70	1.10	nm
% margin	-5.2%	9.2%	
Pre tax profit	-0.72	0.89	nm
<b>Net profit</b>	<b>-0.78</b>	<b>0.82</b>	<b>nm</b>
Net debt (cash)	3.00	1.26	-58.1%

Source: Company data

\* Reclassified under IFRS

Figure 2 – Valuation summary

**Our target price increases to EUR1.44 per share due to a higher relative valuation (DCF valuation unchanged). We have reduced to 25% (from 30%) the discount to our fair value as the liquidity has grown strongly in the last few months**

(EUR)	Current valuation	07/07/2016	Delta
DCF Valuation (50% weight)	1.90	1.90	0.0%
Relative Valuation (50% weight)	1.96	1.81	8.0%
<b>Fair value</b>	<b>1.93</b>	<b>1.85</b>	<b>4.1%</b>
Liquidity discount 25%	(0.48)	(0.55)	4.1%
<b>Target price</b>	<b>1.44</b>	<b>1.30</b>	<b>3.7%</b>
Current price	1.14	0.73	56.2%
Potential upside	26.7%	77.4%	

Source: UBI Banca estimates

Income Statement

(EURm)	2015	2016E	2017E	2018E
Net Revenues	28.1	26.3	27.7	29.2
EBITDA	-0.8	2.9	3.4	3.8
EBITDA margin	-2.9%	11.1%	12.3%	12.8%
EBIT	-1.6	1.3	2.5	2.8
EBIT margin	-5.8%	4.8%	9.1%	9.7%
Net financial income /expense	-0.2	-0.2	-0.2	-0.1
Associates & Others	0.0	0.0	0.0	0.0
Profit before taxes	-1.9	1.1	2.4	2.7
Taxes	0.1	-0.3	-0.4	-0.4
Minorities & discontinuing ops	0.2	0.3	-0.1	-0.1
Net Income	-1.5	1.0	1.9	2.2

Source: Company data. UBI Banca estimates

Balance Sheet

(EURm)	2015	2016E	2017E	2018E
Net working capital	-6.0	-5.9	-6.1	-6.3
Net Fixed assets	19.3	18.7	18.5	18.4
M/L term funds	-0.7	-0.7	-0.7	-0.8
Capital employed	12.5	12.2	11.7	11.3
Shareholders' equity	9.5	10.8	12.7	14.8
Minorities	0.2	-0.0	0.0	0.1
Shareholders' funds	9.7	10.8	12.7	15.0
Net financial debt/(cash)	2.8	1.4	-1.0	-3.7

Source: Company data. UBI Banca estimates

Cash Flow Statement

(EURm)	2015	2016E	2017E	2018E
NFP Beginning of Period	1.5	2.8	1.4	-1.0
Group Net Profit	-1.5	1.0	1.9	2.2
Minorities	-0.2	-0.3	0.1	0.1
D&A	0.5	0.5	0.5	0.5
Change in Funds & TFR	0.0	0.0	0.0	0.0
Gross Cash Flow	-1.3	1.2	2.5	2.8
Change In Working Capital	1.8	-0.2	0.2	0.2
Other	0.0	0.0	0.0	0.0
Operating Cash Flow	0.5	1.0	2.7	3.0
Net Capex	-0.6	-0.3	-0.3	-0.3
Other Investments	-0.8	0.0	0.0	0.0
Free Cash Flow	-0.9	0.7	2.4	2.7
Dividends Paid	0.0	0.0	0.0	0.0
Other & Chg in Consolid. Area	0.3	0.6	0.0	0.0
Chg in Net Worth & Capital Incr.	0.0	0.0	0.0	0.0
Change in NFP	-0.6	1.3	2.4	2.7
NFP End of Period	2.1	1.5	-1.0	-3.7

Source: Company data. UBI Banca estimates

**Financial Ratios**

(%)	2015	2016E	2017E	2018E
ROE	-15.9%	9.1%	15.0%	15.0%
ROI	-12.1%	9.7%	19.9%	23.1%
Net Fin. Debt/Equity (x)	0.3	0.1	-0.1	-0.2
Net Fin. Debt/EBITDA (x)	-3.4	0.5	-0.3	-1.0
Interest Coverage	-6.9	6.0	14.8	20.8
NWC/Sales	-21.5%	-22.3%	-21.9%	-21.5%
Capex/Sales	2.2%	1.2%	1.2%	1.2%
Pay Out Ratio	0.0%	0.0%	0.0%	0.0%

Source: Company data. UBI Banca estimates

**Per Share Data**

(EUR)	2015	2016E	2017E	2018E
EPS	-0.11	0.07	0.14	0.17
DPS	0.0	0.0	0.0	0.0
Op. CFPS	0.04	0.08	0.21	0.23
Free CFPS	-0.07	0.05	0.18	0.20
BVPS	0.72	0.82	0.96	1.12

Source: Company data. UBI Banca estimates

**Stock Market Ratios**

(x)	2015	2016E	2017E	2018E
P/E	nm	15.2	7.9	6.8
P/OpCFPS	30.4	14.5	5.5	5.0
P/BV	1.5	1.4	1.2	1.0
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
Free Cash Flow Yield (%)	-6.3%	4.8%	15.8%	17.8%
EV (EURm)	18.1	16.8	14.5	12.0
EV/Sales	0.6	0.6	0.5	0.4
EV/EBITDA	nm	5.7	4.3	3.2
EV/EBIT	nm	13.2	5.8	4.2
EV/Capital Employed	1.4	1.4	1.2	1.1

Source: Company data. UBI Banca estimates

**Growth Rates**

(%)	2015	2016E	2017E	2018E
Growth Group Net Sales	5.3%	-6.5%	5.7%	5.4%
Growth EBITDA	nm	nm	16.3%	10.4%
Growth EBIT	nm	nm	98.7%	12.7%
Growth Net Profit	nm	nm	92.3%	16.9%

Source: Company data. UBI Banca estimates

## **Disclaimer**

### **Analyst Declaration**

*This research report (the "Report") has been prepared by Marco Cristofori on behalf of UBI Banca S.p.A. ("UBI Banca"). UBI Banca is an Italian bank supervised by the European Central Bank and is duly authorised to provide investment services pursuant to Article 1. Paragraph 5. letter a). b). c). c-bis). e) and f) of the Legislative Decree 24 February 1998. n° 58 under the supervision of Consob. UBI Banca has its head office at Piazza Vittorio Veneto 8. 24122 Bergamo.*

*The analyst who prepared the Report. and whose name and role appear on the front page. certifies that:*

- a. the views expressed on the company mentioned herein (the "Company") accurately reflects his personal views. It does not represent the views or opinions of UBI Banca. its management or any other company which is part of or affiliated to the UBI Banca group (the "UBI Banca Group"). It may possible that some UBI Banca Group's employees may disagree with the views expressed in this Report;*
- b. he has not received and will not receive any direct or indirect compensation in exchange for any views expressed in this Report;*
- c. the analyst does not own any securities and/or any other financial instrument issued by the Company or any financial instrument whose price depends on or is linked to any securities and/or any financial instrument issued by the Company;*
- d. neither the analyst nor any member of the analyst's household serves as an officer. director or advisory board member of the Company;*
- e. the remuneration of the analyst is not directly tied to transactions in services of investment firms or other type of transactions it or any legal person part of the same group performs. or to trading fees it or any legal person that is part of the same group receives;*
- f. the analyst named in the document is member of AIAF.*

### **General disclosure**

*This Report is for information purposes only. This Report (i) is not. nor may it be construed. to constitute. an offer for sale or subscription of or a solicitation of any offer to buy or subscribe for any securities issued or to be issued by the Company. (ii) should not be regarded as a substitute for the exercise of the recipient's own judgement. In addition. the information included in this Report may not be suitable for all recipients. Therefore the recipient should conduct his own investigations and analysis of the Company and securities referred to in this document and make his own investment decisions without undue reliance on its contents. Neither UBI Banca. nor any other company of the UBI Banca Group. nor any of its directors. managers. officers or employees. accepts any direct or indirect liability whatsoever (in negligence or otherwise). and accordingly no direct or indirect liability whatsoever shall be assumed by. or shall be placed on. UBI Banca. or any other company of the UBI Banca Group. or any of its directors. managers. officers or employees. for any loss. damage. cost. expense. lower earnings howsoever arising from any use of this Report or its contents or otherwise arising in connection with this Report.*

*The information provided and the opinions expressed in this Report are based upon information and data provided to the public by the Company or news otherwise public and refers to the date of publication of the Report. The sources (press publications. financial statements. current and periodic releases. as well as meetings and telephone*

conversations with the Company's representatives) are believed to be reliable and in good faith, but no representation or warranty, express or implied, is made by UBI Banca as to their accuracy, completeness or correctness. Past performance is not a guarantee of future results. Any opinions, forecasts or estimates contained herein constitute a judgement as at the date of this Report, and there can be no assurance that the future results of the Company and/or any future events involving directly or indirectly the Company will be consistent with any such opinions, forecasts or estimates. Any information herein is subject to change, update or amendment without notice by UBI Banca subsequent to the date of this Report, with no undertaking by UBI Banca to notify the recipient of this Report of such change, update or amendment.

#### **Organizational and administrative arrangements to prevent conflicts of interests**

UBI Banca maintains procedures and organizational mechanism (physical and non physical barriers designed to restrict the flow of information between the unit which performs investment research activity and other units of UBI Banca) to prevent and professionally manage conflicts of interest in relation to investment research.

For further information please see UBI Banca's website ([www.ubibanca.com/equity-research](http://www.ubibanca.com/equity-research)) "Informativa sintetica sull'attività di ricerca".

#### **Disclosure of potential conflicts of interest**

In relation to the Company the following potential conflict of interest have been found:

- > UBI Banca acts as Specialist for Safe Bag
- > UBI Banca may have long or short positions with the issuer

On the basis of the checks carried out no other conflict of interest arose.

#### **Frequency of updates**

UBI Banca aims to provide continuous coverage of the companies in conjunction with the timing of periodical accounting reports and any exceptional event that occurs affecting the issuer's sphere of operations and in any case at least twice per year. The companies for which UBI Banca acts as Sponsor or Specialist are covered in compliance with regulations of the market authorities.

For further information please refer to [www.ubibanca.com/equity-research](http://www.ubibanca.com/equity-research)

#### **Valuation methodology**

UBI Banca's analysts value the Company subject to their recommendations using several methods among which the most prevalent are: the Discounted Cash Flow method (DCF), the Economic Value Added method (EVA), the Multiple comparison method, the SOP method and the NAV method.

The analysts use the above valuation methods alternatively and/or jointly at their discretion. The assigned target price may differ from the fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (i.e. holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodologies indicated above.

For further information please refer to [www.ubibanca.com/equity-research](http://www.ubibanca.com/equity-research).

### **Ranking system**

*UBI Banca's analysts use an "absolute" rating system, not related to market performance. The explanation of the rating system is listed below:*

*Buy: if the target price is 10% higher than the market price, over the next 12 months.*

*Hold: if the target price is 10% below or 10% above the market price, over the next 12 months.*

*Sell: if the target price is 10% lower than the market price, over the next 12 months.*

*No Rating: the investment rating and target price have been suspended as there is not sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect. Alternatively, No Rating is assigned in certain circumstances when UBI Banca is acting in any advisory capacity in a strategic transaction involving the Company.*

*Target price: the market price that the analyst believes that the share may reach within a one-year time horizon.*

*Market price: closing price on the day before the issue date of the report, appearing on the first page.*

### **Distribution**

*Italy: This document is intended for distribution in electronic form to "Professional Clients" and "Qualified Counterparties" as defined by Legislative Decree 24 February 1998, n. 58 and by Consob Regulation n. 16190 dated 29.10.2007, as further amended and supplemented.*

*This Report has been released within 30 minutes from the timing reported on the front page.*

*IN THE UNITED KINGDOM, THIS DOCUMENT IS BEING DISTRIBUTED ONLY TO, AND IS DIRECTED ONLY AT PERSONS WHO (A) ARE (I) PERSONS FALLING WITHIN ARTICLE 19 OR ARTICLE 49 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (AND ONLY WHERE THE CONDITIONS CONTAINED IN THOSE ARTICLES HAVE BEEN, OR WILL AT THE RELEVANT TIME BE, SATISFIED) OR (II) ANY OTHER PERSONS TO WHOM IT MAY BE LAWFULLY COMMUNICATED; AND (B) ARE QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC). (ALL SUCH PERSONS BEING REFERRED TO AS "RELEVANT PERSONS"). THIS DOCUMENT MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS.*

### **Copyright**

*This Report is being supplied solely for the recipient's information and may not be reproduced, redistributed or passed on, directly or indirectly to any other person or published, in whole or in part, for any purpose without prior written consent of UBI Banca.*

*The copyright and intellectual property rights on the data are owned by UBI Banca Group, unless otherwise indicated. The data, information, opinions and valuations contained in this Report may not be subject to further distribution or reproduction, in any form or via any means, even in part, unless expressly consented by UBI Banca.*

*By accepting this Report the recipient agrees to be bound by all of the forgoing provisions.*

**Distribution of ratings**

**Equity rating dispersion in the past 12 months**

<b>Buy</b>	<b>Hold</b>	<b>Sell</b>	<b>No Rating</b>
94.1%	5.9%	0.0%	0.0%

**Proportion on issuers to which UBI Banca has supplied investment banking services relating to the last 12 months**

<b>Buy</b>	<b>Hold</b>	<b>Sell</b>	<b>No Rating</b>
100%	100%	-	-

For further information regarding yearly and quarterly rating statistics and descriptions, please refer to [www.ubibanca.com/equity-research](http://www.ubibanca.com/equity-research).

**Historical ratings and target prices**

<b>Date</b>	<b>Rating</b>	<b>Target Price (EUR)</b>	<b>Market Price (EUR)</b>
7 July 2016	BUY	1.30	0.73