

# Edenred SA

Europe Satellite\*

Recommended since 21.03.2019

01.02.2023



<b>Country</b> FR	<b>Market capitalization (bn)</b> EUR 12.5
<b>Sector</b> Travel & Leisure	<b>Free float</b> 99.4%
<b>Factset</b> EDEN-FR	<b>Closing price</b> EUR 49.99
<b>ISIN</b> FR0010908533	<b>ESG Risk score*</b> 17.0 Low risk

<b>Perf. since reco. (%)</b>	
Edenred SA	20.3
Sector	-4.0



### Profile

Edenred is the global leader in payment solutions for the working world, with a mission to make life easier for employees, help businesses make efficiency gains and help merchants grow their business 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 4bn transactions equating to a business volume of over €40bn via mobile apps, online business and card payments. Paperless transactions are exceeding 90% today.

### 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).

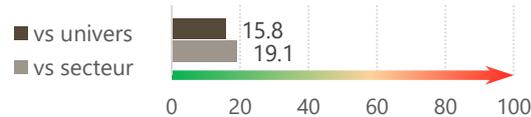
### Investment case

- ⊕ From 2015 to 2019, Edenred recorded excellent results driven by a sustained dynamic of acquisitions/new contracts, with their ramp-up stimulating strong growth in all its businesses. 2020 was a parenthesis in the life of the group, confirming nevertheless its resilience, its financial health and the quality of its strategy. After suffering containment, Edenred has returned to positive organic growth and its savings plan has benefited operations. The 2021 results confirmed this momentum with a rebound in business, EBITDA (margin at 41% back to pre-Covid level), good free cash flow generation and a cash position > €1.5 billion.
- ⊕ Early 2022, Edenred reestablished the objectives of its Next Frontier 2019-2022 plan: organic growth in revenue > +8%, and EBITDA > +10%. The group has always been confident in its ability to maintain sustained growth thanks to its successful and ongoing transition to digital payment solutions, the offering of new solutions (billing/management) and increased penetration of SMEs. In light of its performance to end September, favorable conditions (inflation, rising interest rates, currencies, fuel prices) and the profit growth drivers available to it, Edenred has raised its 2022 EBITDA target from €770/820 million to €810/840 million. In addition, its strong cash flow generation has enabled it to strengthen its balance sheet (net debt/EBITDA < 1x for 2022 vs. 1.9x in 2020), with the group having a €1.5-2bn investment capacity to seize external growth opportunities...an additional relay!
- ⊕ Edenred is a safe haven in the current geopolitical/economic/stock market turbulences.

### 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	1'986	2'223
Sales growth	14.9%	25.5%	11.9%
EBIT adjusted (mio)	455	681	783
% of sales	28.7%	34.3%	35.2%
Net income (mio)	313	415	489
Net income growth	31.5%	32.5%	17.9%
FCF/Sales	17.0%	29.5%	29.0%
Net debt/Ebitda	-2.6x	0.7x	0.3x
Dividend yield	1.8%	2.0%	2.3%
PE	32.1x	29.1x	25.1x
EV/EBITDA	14.5x	15.8x	13.6x

Factset estimates

### ESG - risks and key points

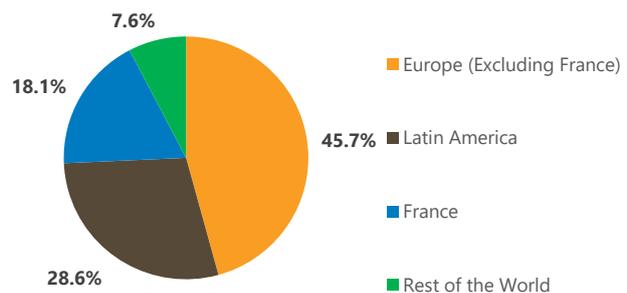
- ⊕ Edenred's ESG risk is low.
- ⊕ The group is highly exposed to data confidentiality and safety issues and, like the rest of the industry, has put plans in place accordingly.
- ⊕ Management of human capital (training, recruitment, information) is considered better than average.
- ⊕ The company has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

### 5-year performance vs sector



— STOXX Europe 600 / Travel & Leisure (Capped) - SS — Edenred SA  
Source: FactSet

### Sales breakdown - 12/2021



\*: see overleaf

Source: Factset, Sustainabilitycs

# 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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