Abertis: 2015-17 Strategic Plan
(€ 17.00 YE15 Price Target and Neutral Recommendation maintained)

- **Abertis (ABE) 2015-17 Strategic plan was focused on the following items:**
  - **IPO of Telecom terrestrial tower unit:** During 2015 ABE plans to IPO in the Spanish stock market its Telecom terrestrial towers unit (ATT) that manages c.7700 towers in Spain and Italy - excluding the stake in satellite operator Hispasat. The structure of the IPO is not defined yet, namely the stake to be placed or the capital structure of ATT pre-IPO. ATT ended 2013 with zero ND and a € 300mn intercompany loan to ABE holding. During 2014 ATT made a € 800mn debt issue. This morning the press advanced that ABE could sell up to a 60% stake and valuing the unit at € 3bn. We are valuing ATT at € 3.97bn EV for YE15 implying a 19.4x EV/EBITDA14/17.8x EV/EBITDA15 (vs. 20/18 from US tower peers). ABE intention is to create an European neutral carrier in terrestrial tower business and is looking for several growth opportunities including towers up for sale in Portugal and Italy.
  - **Efficiency Program:** ABE targeted € 210mn annual savings (Opex and capex) by 2017 mainly from the French and Brazilian units, amassing € 450mn by that time, improving EBITDA margin by 3.4pp (to 68% vs BPI est of 69%) representing a € 1.4bn value accretion.
  - **Toll Roads:** ABE is actively looking for investment opportunities complying with its golden rule: IRR 250-450 bps over Ke (risk adjusted). The pipeline encompasses 6 different projects including the ITR in US, worth a potential EV of 4bn. Opportunities to extend the maturity of owned concessions are also core 10 potential extensions in Brazil under analysis, potential € 500mn investment in exchange for a 2-5 year extension in Chile, Plan de Relance in France was revised (€ 590mn capex/2.5 years extension vs. previous €700mn/3 years). In Spain, negotiations should take place post elections in 2016.
  - **Shareholder remuneration:** For 2015-17 ABE expects a DPS CAGR of 5% and will keep the 1:20 bonus issue, all together representing a 10% CAGR in dividends or € 2.2bn to be distributed in the period vs our € 2.3bn estimate. On top of that, ABE will implement a buy back program of up to 5%. The management new incentive plan will be aligned with key targets of the company (EBITDA and Capex) and a special management remuneration will be linked to shareholder's IRR (if above 10%).
  - **2017 financial targets:** € 4bn EBITDA by 2017 (BPI: € 3.9bn) with an EBITDA margin of 68% (BPI 69%); Discretionary CF before Expansion Capex, dividends and minorities of €5bn for the next 3 years (BPI: € 5.25bn)
  - **Our estimates seem consistent with the plan but IPO and buyback may spice up the stock:** 2017 targets are not materially different from our current estimates. Our YE15 € 17.00 PT provides an interesting upside considering the low risk level of the investment, management track record and growth avenues ahead, namely potential value monetization with the IPO, the impact of the 5% buy-back and delivery of the efficiency and investment plan coupled with continued economic recovery (Spain, France and Brazil).

### Market Performance (%)

<table>
<thead>
<tr>
<th></th>
<th>1m</th>
<th>3m</th>
<th>YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abertis</td>
<td>2</td>
<td>-4</td>
<td>4</td>
</tr>
<tr>
<td>IBEX</td>
<td>-4</td>
<td>-4</td>
<td>3</td>
</tr>
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</table>

*Source: Bloomberg.*

### Historical Recommendation

<table>
<thead>
<tr>
<th>Date</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>02-Feb-11</td>
<td>Accumulate</td>
</tr>
<tr>
<td>17-Jan-13</td>
<td>Neutral</td>
</tr>
</tbody>
</table>

*Source: BPI Equity Research.

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**Analysts**

Bruno Silva, CFA  
bruno.miguel.silva@bpi.pt  
Phone 351 22 607 4375

Filipe Leite  
filipe.martins.leite@bpi.pt  
Phone 351 22 607 3136

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[www.bpiequity.bpi.pt](http://www.bpiequity.bpi.pt), BPI Online, and Bloomberg at NH BPD
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### Investment Ratings and Risk Classification (Total return in 12-18 months):

<table>
<thead>
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<th>Risk Level</th>
<th>Low Risk</th>
<th>Medium Risk</th>
<th>High Risk</th>
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</thead>
<tbody>
<tr>
<td>Buy/CeRe Buy</td>
<td>&gt;15%</td>
<td>&gt;20%</td>
<td>&gt;30%</td>
</tr>
<tr>
<td>Neutral</td>
<td>&gt;5% and &lt; 15%</td>
<td>&gt;10% and &lt;20%</td>
<td>&gt;15% and &lt;30%</td>
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<tr>
<td>Reduce</td>
<td>&lt;10% and &lt;5%</td>
<td>&lt;10% and &lt;10%</td>
<td>&lt;10% and &lt;15%</td>
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<tr>
<td>Sell</td>
<td>&lt;10%</td>
<td>&lt;10%</td>
<td>&lt;10%</td>
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</tbody>
</table>

*These investment ratings are not strict and should be taken as a general rule.*

### Investment Ratings Statistics

As of 30th September BPI Equity Research's investment ratings were distributed as follows:

- CoRe Buy: 11%
- Buy: 27%
- Neutral: 38%
- Reduce: 15%
- Sell/Accept Bid: 4%
- Under Revision/Restricted: 3%
- Total: 100%

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**BANCO PORTUGUÊS DE INVESTIMENTO, S.A.**

**Oporto Office**
Rua Tenente Valadim, 284
4100-476 Porto
Phone: (351) 22 607 3100
Telefax: (351) 22 606 4183

**Madrid Office**
Pº de la Castellana, 40-bis-3º
28046 Madrid
Phone: (34) 91 328 9800
Telefax: (34) 91 328 9870

**Paris Office**
31, Avenue de L'Opéra
75001 Paris
Phone: (33) 1 4450 3325

**Cape Town Office**
20th Floor, Metropolitan Life Centre,
7 Walter Sisulu Avenue, Foreshore,
Cape Town, 8001 - South Africa
Phone: (27) 21 410 9000

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