



## ► Updates

11.2% at Ausol, reflecting a 38.8% increase in tariffs, partly offset by FX headwinds (11.4% devaluation of the Argentine peso). Lfl EBITDA growth reached 28.9%.

### Impact

All in all, the results are broadly in line with our expectations. Therefore we do not expect to make any major updates to our model and do not anticipate any change in the recommendation. Lastly, we don't expect a market reaction given the current M&A context.

## 19/10/2017 **Atlantia, Hochtief: Price war ahead?**

M&A /Corp. Action

### Fact

Hochtief has launched a €18.76 cash or share offer on Abertis, raising speculation around a potential price war between Atlantia and Hochtief.

### Analysis

While Atlantia's €16.5 price was a no-brainer in terms of value accretion, a price of €19+ makes the rationale behind the deal less obvious, given the relatively low synergies to be extracted from the merger. Nonetheless, Abertis has been a long-term target of Atlantia and still offers some good arguments for Atlantia to meditate on, even at €19+, the most obvious ones being Abertis' far superior FCF yields and the combined entity's better-balanced geographical mix.

From a financial standpoint, Atlantia could decide to include Abertis' divestments in its bid's terms (Hispasat, Cellnex...) although this would damage the friendliness of the deal, deemed key by many of Atlantia's bid supporters. On the other hand, it could decide to decrease further its stake in ASPI, its Italian toll road business, from the current 88% to something closer to 51% in order to keep control of its historical asset. Such a sale would generate c.€5.6bn, to which could then be added some smaller-scale divestments in Latin America. Once combined, these divestments would allow the new entity to keep its current investment grade while avoiding any significant capital increase to finance the deal.

Note that, if Atlantia decided to raise its offer, it would still face the Spanish government, reportedly skittish about seeing Abertis change flag. The government is still claiming it has to give its clearing for the deal to go through, while Atlantia seems to be ignoring this as it has not even tried to get in touch with it, according to market rumours.

All in all, we see a 75% chance that Atlantia raises its offer to match Hochtief's price and note that, at the same price, Atlantia's bid should be favoured by Abertis' shareholders given its bid's friendliness and Hochtief's financially-stretched offer.

Now that the acceptance period has been frozen by the CNMV, Atlantia will have time to prepare for a new offer. However, we believe the Italian group had time to prepare its counterattack given that the market was well aware of ACS's upcoming bid, therefore we would expect to hear from it relatively soon.

### Impact

In the end, we see a small upside potential on Abertis as we deem an improved offer by Atlantia likely. Consequently, we have increased our target price from €18.2 to €19.31, translating a 75% chance of seeing Atlantia raise its offer to €19.5. This represents a 3% upside on today's price. We note that the market is – oddly enough – currently pricing a 0% chance of seeing Atlantia raise its offer (ABE is at €18.74 at the time of writing).