JCDecaux

THE WORLD'S LARGEST OUT-OF-HOME (OOH) ADVERTISING COMPANY

JCDecaux (JCDX.PA, Market Cap €5.23bln) is the world's foremost out-of-home (OOH) advertising company, and the only pureplay OOH advertising company of global scale. The Company maintains c. 1.1mln advertising panels in more than 75 countries worldwide reaching over 400mln people every day. In 2015, the Company generated total adjusted revenues of €3.2bln.

UNDISPUTED MARKET LEADER

JCDecaux holds market leading positions in almost all major geographic regions of the world across key market segments. North America is the notable exception where the Company is the fourth largest OOH provider.

- #1 OOH advertiser Worldwide.
- #1 OOH advertiser in Europe, Asia Pacific, Latin America, Africa the Middle East.
- #1 OOH advertiser within Street Furniture, Transport Advertising, Airport Advertising and Self Service Bicycles categories.
- #1 billboard advertiser in Europe.

DIVERSE PORTFOLIO POSITION FOR GROWTH

Between 2004 and 2015, JCDecaux grew total revenues derived from faster-growth markets from 8% to 37% - this strategic decision has established a well-diversified geographic exposure; protecting future earnings potential and mitigating single country risk. Furthermore, the Company maintains a broad client base with only eight advertisers representing more than 1% of the Group's consolidated revenue, and none more than 2%.

TOP 10 GROUP ADVERTISERS

1. LVMH
2. HSBC
3. MCDONALD'S
4. L'OREAL
5. RENAULT NISSAN
6. 21st CENTURY FOX
7. ESTEE LAUDER
8. COCA-COLA
9. SAMSUNG
10. APPLE

TOP 10 GROUP ADVERTISERS CATEGORIES

1. RETAIL
2. ENTERTAINMENT & LEISURE
3. PERSONAL CARE & LUXURY GOODS
4. FINANCE
5. FOOD & BEVERAGE
6. AUTOMOBILE
7. SERVICES
8. FASHION
9. TELECOMS AND TECHNOLOGY
10. TRAVEL

GLOBAL OOH MARKET

The global OOH market is estimated to be worth c. US$35bln, and is forecast to grow at a +4.3% CAGR to reach c. US$43bln by 2020[1]. In a media landscape undergoing significant change, OOH continues to represent an attractive value proposition to advertisers. Digitisation is providing new platforms by which advertisers can reach consumers - while most traditional media outlets are experiencing declines in audience and increased market fragmentation, OOH has found itself positioned as one of the last true mass broadcast channels for advertisers.

Key growth drivers within the OOH market include:

- Increased investment in infrastructure creating improved OOH advertising spaces.
- Growing trends toward urbanisation and high density cities – the World Bank estimates that by 2050, urban populations are expected to reach 87% in North America, Latin America (86%), Europe (82%), Asia (65%) and Africa (62%). In addition, 91% of global consumption growth is expected to be generated by people living in cities from 2015 to 2030 where JCDecaux has a presence in 15 of the top 20 cities measured by consumption growth.

1 *PwC Global entertainment and media outlook 2016-2020.*

- Population growth and the rise in travel across all modes, e.g. cars, public transport and airplanes. Air traffic is expected double in the next 15 years. JCDecaux has a 25% share of the world airport advertising market with more than 230 concessions in international airports, including Charles-de-Gaulle and Orly in Paris, Heathrow in London, JFK and La Guardia in New York, Frankfurt and Shanghai.
- Asset improvement such as investment in digital panels (both through static conversions and greenfield development).
- Product diversification and the introduction of new products which drive increased interactivity with consumers.

THE DIGITAL REVOLUTION

One of the most significant opportunities within the OOH market lies within asset improvement and digitisation of panels. Converting static panels to digital OOH providers can vastly increase revenues, enhance yield, provide more flexible placement opportunities and improved audience measurement capabilities for the advertiser/s. It is estimated that digital panels can generate as much as 3.5x to 4.5x more revenue to static panels.

Digital displays broaden the scope of creative solutions advertisers can pursue. Panels now support adaptive and interactive capabilities such as real time updates, touch screens, gesture control, voice recognition technology, web-cams, audio, Wi-Fi, networking, QR codes, near-field communication, and even point of sale capabilities. Such technologies allow advertisers to increasingly provide campaigns complimentary to those within online and mobile channels, further driving growth within the OOH category. Thus, digital OOH revenue growth is expected to greatly outpace traditional static formats with an impressive CAGR of +12% reaching a market size of US$18bln by 2020.

As at Q3-2016, digital revenue represented 12.0% of JCDecaux's total revenues (up from 4.5% in 2011) as the Company continues to execute digitisation across their prime street furniture portfolio rolling-out across London, New York City, Berlin, Stockholm and others. JCDecaux's SmartCONTENT is one such example of how the Company is capitalising on the digitisation trend delivering a dynamic, context-based brand messaging system to digital OOH panels based on weather, time and location in addition to providing custom data feeds and social media moderation tools.

STRONG BALANCE SHEET SUPPORTS GROWTH

JCDecaux maintains one the strongest balance sheets in the industry - as at 1H-2016, JCDecaux had a gross debt position of US$768mln and a Net Debt/EBITDA ratio of 0.7x. By comparison, leading competitors in Clear Channel Outdoor/iHeart Media, OUTFRONT Media and Lamar held respective Net Debt/EBITDA ratios of 7.1x/11.5x, 4.9x and 3.2x. The strength of JCDecaux's balance sheet is a key competitive advantage that will allow the Company to aggressively pursue external growth opportunities within key markets and expand market share.

North America represents an extremely attractive opportunity for JCDecaux. The region is the largest OOH market yet is an area JCDecaux remains significantly underpenetrated accounting for only c. 7% of adjusted revenues in 2015. JCDecaux is a natural buyer of several competitors in the US market where an acquisition in this market would greatly improve JCDecaux's already dominant position globally and enhance the Company's long-term value.

RECENT STOCK PRICE WEAKNESS PRESENTS LONG-TERM OPPORTUNITY

JCDecaux's share price has declined from a peak of €39.40 in May 2016 to the current price (30 November 2016) of €24.60 (-37.56%). This recent decline is due to the first quarter results of 2016/2017 being lower than forecast by analysts, coupled with delays in the instalment of electronic advertising panels in London's bus shelters. In comparison, Clear Channel Outdoor (CCO.US) and OUTFRONT Media (OUT.US) have seen their share prices decline by -6.51% and -1.06% respectively over the same period.

INVESTMENT THESIS - SUMMARY

JCDecaux's strategic position in the market is unrivalled and the Company is growing both organically and through targeted M&A – we expect this strategy to only improve JCDecaux's dominance in the industry over the long-term. Moreover, we remain positive toward the long-term outlook for the OOH industry, which is supported by solid structural growth drivers. We currently value JCDecaux under three scenarios' – Conservative*, Neutral** and Optimistic*** with respective 2018 intrinsic valuation estimates of €34.82 (+43%), €38.07 (+56%) and €41.88 (+72%) – based on our cost basis in the Elevation Capital Value fund of €24.35.

ELEVATION CAPITAL

It is worth highlighting that two of our intrinsic value estimates are below €40 per share – the per share price paid by JCDecaux in 2015, when the Company repurchased 12.5million shares in a pro rata buyback totalling €500mln and representing 5.57% of total share capital at the time. A price of €40 per share would represent +64.3% upside from our current cost basis.

**Valuation based on FY18 total revenues of 3.59bln, EBITDA margin of 18.5%, EBITDA of €691mln and JC Decaux's 10-year mean EBITDA multiple of 10.71x.*
*** Valuation based on FY18 total revenues of 3.59bln, EBITDA margin of 18.5%, EBITDA of €691mln and the peer group median multiple of 11.52x.*
**** Valuation based on FY18 total revenues of 3.59bln, EBITDA margin of 18.5%, EBITDA of €691mln and a +10% premium peer group median multiple of 12.88x.8*

This summary report was written in December, 2016.