



11th January 2016

## BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
<b>Indices</b>			
Dow Jones	16346.45	-1.02%	-8.28%
S&P 500	1922.03	-1.08%	-6.65%
Nasdaq	4643.63	-0.98%	-1.95%
Nikkei	17697.96	-0.39%	+1.42%
Stoxx 600	341.35	-1.49%	-0.35%
CAC 40	4333.76	-1.59%	+1.43%
<b>Oil /Gold</b>			
Crude WTI	33.09	-0.30%	-38.52%
Gold (once)	1103.18	-0.09%	-7.01%
<b>Currencies/Rates</b>			
EUR/USD	1.09055	+0.67%	-9.88%
EUR/CHF	1.08535	-0.13%	-9.73%
German 10 years	0.511	-6.19%	-5.47%
French 10 years	0.887	-5.09%	+5.87%
Euribor	-0.143	+0.70%	-283.33%

### Economic releases :

Date	
11th-Jan	EUZ - Sentix Investor Confidence. Jan. (11.4 exp.) US LaborMarket

### Upcoming BG events :

Date	
14th-Jan	LDR HOLDING (BG Paris with CEO)
15th-Jan	INGENICO (BG Luxembourg with IR)
2nd-Mar	ALBIOMA (BG Paris Lunch CEO)
10th-Mar/ 11th-Mar	BG TMT Conference
23rd-Mar	EIFFAGE (BG Luxembourg with IR)
28th-Apr	ORPEA (BG Luxembourg with IR)

### Recent reports :

Date	
14th-Dec	ATOS Synergies before organic growth
7th-Dec	ARM HOLDING - Cash me if you can
3rd-Dec	Luxury Goods, Buying opportunities despite volatile environment!
30th-Nov	Environmental Services It is time to take a rest on Veolia!
25th-Nov	Actelion (BUY-Top Picks ,FV CHF159 vs. CHF156), Combining and diversifyin
25th-Nov	Food retailing Anorexic growth... the bigger the better!

List of our Reco & Fair Value : Please click here to download



### CARLSBERG

**SELL vs. NEUTRAL, Fair Value DKK485 vs. DKK519 (-18%)**

*Things are going to get worse before they get better. Downgrade to sell.*

We are downgrading the stock to Sell from Neutral and set a new fair price of DKK485 which is 18% below the current share price. We are doing this after reviewing the company's outlook and management's statements on profitability which are well below where the market forecasts are. We are lowering our 2015 and 2016 operating profit forecasts by 12% and 8% and lower our fair value of the company by 7% to DKK485 from DKK519. And our operating profit forecasts for 2015 and 2016 are 6% and 11% respectively below consensus.

### INNATE PHARMA

**BUY, Fair Value EUR19 (+48%)**

*Out-licensing deal with Sanofi and in-licensing with OREGA Biotech*

Innate Pharma announced two pieces of news linked to its business development: 1/ an out-licensing deal with Sanofi covering a new programme of NK bispecific antibodies. Under the terms of the licence agreement, Sanofi will be responsible for the development, manufacturing and commercialisation of products resulting from the research collaboration. Innate Pharma will be eligible for up to EUR400m in R&D and commercial milestone payments as well as royalties on net sales; and 2/ an in-licensing deal with OREGA Biotech allowing it to get its hands on an anti-CD39. This is a really interesting target in our eyes which will permit it to enlarge its scope to antibodies modulating an immunosuppressive tumour microenvironment (and this a very hot very field at the moment). BUY reiterated with a FV of EUR19.

### In brief...

**ACTELION, Small update on macitentan's developments beyond PH**

**DIALOG SEMICONDUCTOR, Dialog expects a single-digit revenue growth for FY16 due to sluggish smartphone market**

**QIAGEN, Preliminary FY2015 short of ests. 2016 outlook excludes operating leverage**



Food & Beverages

**Carlsberg**

Price DKK588.00

Things are going to get worse before they get better. Downgrade to sell.

Fair Value DKK485 vs. DKK519 (-18%)

SELL vs. NEUTRAL

We are downgrading the stock to Sell from Neutral and set a new fair price of DKK485 which is 18% below the current share price. We are doing this after reviewing the company's outlook and management's statements on profitability which are well below where the market forecasts are. We are lowering our 2015 and 2016 operating profit forecasts by 12% and 8% and lower our fair value of the company by 7% to DKK485 from DKK519. And our operating profit forecasts for 2015 and 2016 are 6% and 11% respectively below consensus.

Bloomberg	CARLB DC
Reuters	CARCb.CO
12-month High / Low (DKK)	648.5 / 473.1
Market Cap (DKK)	90,597
Ev (BG Estimates) (DKK)	149,726
Avg. 6m daily volume (000)	367.3
3y EPS CAGR	-8.3%

	1 M	3 M	6 M	31/12/14
Absolute perf.	1.4%	11.4%	0.3%	22.8%
Food & Bev.	-6.3%	1.2%	1.6%	11.0%
DJ Stoxx 600	-6.7%	-5.6%	-8.5%	-0.3%

YEnd Dec. (DKKm)	2014	2015e	2016e	2017e
Sales	64,506	64,988	64,355	65,698
% change		0.7%	-1.0%	2.1%
EBITDA	12,561	11,532	11,279	12,145
EBIT	8,458	7,159	6,941	7,843
% change		-15.4%	-3.1%	13.0%
Net income	5,496	3,779	3,564	4,239
% change		-31.2%	-5.7%	18.9%

	2014	2015e	2016e	2017e
Operating margin	13.1	11.0	10.8	11.9
Net margin	8.5	5.8	5.5	6.5
ROE	10.5	6.9	6.3	7.1
ROCE	5.3	4.7	4.6	5.2
Gearing	74.3	65.0	56.8	47.5

(DKK)	2014	2015e	2016e	2017e
EPS	35.92	24.70	23.29	27.70
% change		-31.2%	-5.7%	18.9%
P/E	16.4x	23.8x	25.2x	21.2x
FCF yield (%)	1.7%	4.9%	4.8%	5.8%
Dividends (DKK)	6.48	6.80	7.14	7.50
Div yield (%)	1.1%	1.2%	1.2%	1.3%
EV/Sales	2.4x	2.3x	2.3x	2.2x
EV/EBITDA	12.1x	13.0x	13.0x	11.8x
EV/EBIT	18.0x	20.9x	21.2x	18.3x

ANALYSIS

- The recent management changes and clean up at Carlsberg has created, falsely in our view, the impression that after the current difficult 2015, things can only get better. Indeed, consensus operating profit forecast for 2016 is 6% higher than in 2015 and, for 2017, the market expects another 10% growth. We prefer to differ and believe that management is likely to give a wake-up call at the results announcement on 10 February. Not only is our 2015 operating profit forecast of DKK7,817m (including affiliates) 15% down on 2014 and 6% below consensus but, furthermore, for 2016 our estimates call for an operating profit of DKK7,629m (again down) which is in sharp contrast to consensus estimates of a 10% growth to DKK8,822 (we are 11% lower than consensus).
- For Western Europe, the company has been warning of an additional DKK300m UK restructuring charge and a reclassification of the Staropramen termination compensation. But also for 2016, we are expecting another DKK300m operating charge from the UK business. This comes on top of the problems in executing the business standardisation programmes, which have not and are not yet delivering the anticipated cost savings, and the declining volumes. As a result we have lowered our 2015 Western Europe operating profit forecasts by 9% and slashed 12% from our forecasts for 2016. After that we only see a gradual recovery and, by 2018, the company could realise an operating margin of 14.4% which is still below the 14.5% realised in 2014.
- Eastern Europe has been the big disappointment over the past years and things are likely to get worse. For 2015, we are expecting an organic decline in operating profit of 19% which is unchanged to our previous estimates and is driven by the lower volumes, higher COGS and sales and marketing investments. Furthermore a negative currency impact of an estimated 23% drives operating profit down by 43% for 2015. And 2016 is not going to be any better! Another drop in volumes and a further weakening of the rouble is expected to sink Eastern European profit by an additional 38%. As a result, the operating profit margins in Eastern Europe are likely to end up at 14.9% in 2016 which ends an area of superior profitability (even back in 2009 the operating margin was still 28.5%). Our Eastern European earnings outlook is in sharp contrast with the consensus forecast which calls for a flattish operating profit in Eastern Europe.
- In Asia, we expect the strong performance from the first 9 months (organic revenue growth of 6% and organic operating profit growth of 16%) to moderate only fractionally. But as some of the performance in 2015 was held back by bad weather (China, Vietnam) and start-ups (Myanmar) and the increased competition in Eastern China (the plan is to close/scale down the 'Eastern China assets'), 2016 should continue to see a strong performance.
- We are also drawing attention to the fact that the company expects its new overall profit improvement programme to deliver annual benefits by 2018 of DKK 1.5-2.0bn of which about half will be re-invested in the business and half should increase the company's profitability. The reference year is 2015. For us this means that the company is looking for a max DKK1bn of operating profit improvement by DKK2018. In our estimates we are looking for an improvement of DKK750m by 2017. The consensus, from a higher 2015 base is looking for an improvement of DKK1.4bn. It might be that management is being too conservative (and yes our 2018 figures show a further DKK750m improvement), but 6 months into the job (not even after 18 months in the job), the new CEO is going to change his view and message. So the only thing that he can do is bring down market expectations.
- The new CEO is also conducting a strategic review, labelled SAIL2022 (immediately already hinting at the time it will take to execute that strategic review). The outcome will be communicated at the end Q1 2016 (so that is end March and not as some are hoping at the results announcement on 10 February). Indeed, you would not want to mix a positive message with bad results and outlook.



VALUATION

- We calculate a DCF based fair price of DKK485 per share based on a medium term growth rate of 3.5% and a Cost of Equity of 8.4% (2.0% risk free and 6.4% risk premium).
- The stock is trading at 25.2x 2016 estimates (our down beat estimates!) and 21.2x 2017 estimates (the highest in our beverages universe).

**NEXT CATALYSTS**

- Results announcement on 10 February and SAIL2022 strategic review presentation at the end of March.

*[Click here to download](#)*



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Healthcare

**Innate Pharma**

Price EUR12.80

**Out-licensing deal with Sanofi and in-licensing with OREGA Biotech**

Fair Value EUR19 (+48%)

**BUY**

Bloomberg	IPH FP
Reuters	IPH.PA
12-month High / Low (EUR)	16.4 / 8.0
Market Cap (EURm)	689
Ev (BG Estimates) (EURm)	429
Avg. 6m daily volume (000)	419.2
3y EPS CAGR	

	1 M	3 M	6 M	31/12/14
Absolute perf.	-9.8%	-3.3%	-5.7%	62.0%
Healthcare	-3.1%	2.2%	-3.5%	10.6%
DJ Stoxx 600	-7.0%	-4.0%	-7.0%	1.2%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	7.6	40.0	124.5	176.4
% change		NM	NM	41.7%
EBITDA	-17.7	9.3	86.7	132
EBIT	-20.0	7.3	85.0	130.4
% change		NS	NM	53.5%
Net income	-19.7	9.0	87.5	133.4
% change		NS	NM	52.5%

	2014	2015e	2016e	2017e
Operating margin	-262.8	18.4	68.3	74.0
Net margin	-258.6	22.6	70.3	75.7
ROE	-26.4	10.8	51.1	43.8
ROCE	-184.4	-5.2	-79.1	-301.6
Gearing	-87.1	-310.4	-165.3	-114.9

(EUR)	2014	2015e	2016e	2017e
EPS	-0.37	0.17	1.65	2.52
% change	-	NS	NM	52.5%
P/E	NS	74.9x	7.7x	5.1x
FCF yield (%)	NM	28.7%	3.4%	9.9%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	81.8x	10.7x	3.3x	1.9x
EV/EBITDA	NS	45.9x	4.7x	2.6x
EV/EBIT	NS	58.4x	4.8x	2.6x

Innate Pharma announced two pieces of news linked to its business development: 1/ an out-licensing deal with Sanofi covering a new programme of NK bispecific antibodies. Under the terms of the licence agreement, Sanofi will be responsible for the development, manufacturing and commercialisation of products resulting from the research collaboration. Innate Pharma will be eligible for up to EUR400m in R&D and commercial milestone payments as well as royalties on net sales; and 2/ an in-licensing deal with OREGA Biotech allowing it to get its hands on an anti-CD39. This is a really interesting target in our eyes which will permit it to enlarge its scope to antibodies modulating an immunosuppressive tumour microenvironment (and this a very hot very field at the moment). BUY reiterated with a FV of EUR19.

**ANALYSIS**

Innate Pharma announced an out-licensing deal with Sanofi covering a new proprietary programme of NK bispecific antibodies. More precisely, the two companies will collaborate to build up to two compounds targeting the NKp46 activating receptor expressed at the surface of NK cells (which by the way is said: 1/ to be the most specific marker of human NK cells, and 2/ to play a major role in tumour recognition). Under the terms of the licence agreement, Sanofi will be responsible for the development, manufacturing and commercialisation of products resulting from the research collaboration. Innate Pharma will be eligible for up to EUR400m in development and commercial milestone payments as well as royalties on net sales.

- Bispecific antibodies have become a very hot field following the clinical results and approval of Amgen's Blincyto (blinatumomab), and little biotechs along with big pharmas are developing quite a lot of bispecific antibodies (see Genmab, Morphosys, Ablynx, etc.). That said, Innate's positioning is quite original/differentiated as most competitors are focused on bispecific engaging T cells. And so far, we have identified very few companies developing NK bispecifics (Affimed Therapeutics being one of them).
- We received another piece of news from the business development front as Innate Pharma also announced an in-licensing deal with OREGA Biotech allowing it to get its hands on an anti-CD39 checkpoint blocker. Under the terms of the agreement, OREGA will receive an undisclosed upfront payment, R&D milestone payments as well as royalties on net sales.
- While this is a very early-stage asset (preclinical), we think this is very positive as: 1/ the acquisition of this first-in-class compound is another step towards the construction of a diversified immuno-oncology portfolio; 2/ such a mechanism leads to a downregulation of immune-suppressive elements within the tumour microenvironment (adenosine in this case, which is an important mediator of Tregs functions). There are strong synergies between these approaches and immune checkpoint inhibitors targeting the PD-1/PD-L1 axis... And this is why there is an increasing interest towards such compounds (see the recent deals involving IDO inhibitors, anti-CSF1R for example). Once more clinical data will be available, we think the interest from big pharmas will pick up...

**VALUATION**

- BUY reiterated with a FV of EUR19, knowing that our valuation does not take into account these new developments.

**NEXT CATALYSTS**

- H1 16: Announcement of a first study involving monalizumab in combination with AZN's durvalumab (an anti-PD-L1) in several solid tumours.
- Q2 16: Phase IIb results of lirilumab (anti-KIR) as a monotherapy in acute myeloid leukaemia.

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## Healthcare

**Actelion**

Price CHF134.50

**Small update on macitentan's developments beyond PH**

Fair Value CHF166 (+23%)

BUY-Top Picks

Bloomberg	ATLN.VX
Reuters	ATLN.VX
12-month High / Low (CHF)	146.2 / 93.5
Market Cap (CHFm)	15,350
Avg. 6m daily volume (000)	376.3

	1 M	3 M	6 M	31/12/14
Absolute perf.	-2.7%	13.9%	0.4%	16.7%
Healthcare	-3.1%	2.2%	-3.5%	10.6%
DJ Stoxx 600	-7.0%	-4.0%	-7.0%	1.2%

	2014	2015e	2016e	2017e
P/E	24.1x	22.4x	24.5x	19.9x
Div yield (%)	1.0%	1.0%	1.0%	1.0%

**ANALYSIS**

- As Actelion will be presenting at three consecutive broker conferences over the next few days, starting this week with the JP Morgan Healthcare Conference in the US, the company is delivering a press release today in which it is obviously confirming its core EPS growth guidance for 2015, i.e. an increase over 20%, which is well flagged by the market and should not be of a major surprise except that the magnitude of the 20% beat is unknown. We are expecting a circa 21% growth, therefore translating into a reported 17% performance once negative currency impacts are factored in. There is room for a slight beat to these numbers in our view, although Actelion has no reason to make 2015 too high for the performance in 2016 and beyond.
- That said, what is really new in today's press release is the small update made with macitentan's clinical development programme beyond PAH. Two clinical studies were expected to report in late 2015 and Actelion is sharing the headlines with the financial community this morning. On one hand, the initial results from the phase II MELODY are reporting good tolerability in patients with CpcPH (left heart disease). The company is also mentioning "encouraging haemodynamic effects". However it is also suggesting that it may want to wait for the other new ERA that started phase II in 2015 in "speciality cv disorders" to pick up the best to move in phase III. This may delay slightly the development of an ERA in CpcPH. The other study was in glioblastoma and macitentan did not deliver good enough efficacy data to support further development; and as a consequence it is dropped.

**VALUATION**

- In terms of valuation, today's news has little impact on our FV as final 2015 numbers could offset minor negative adjustments to macitentan's PoS-adjusted new indications. PoS was 20% for both glioblastoma and CpcPH and represented CHF0.8 and CHF2.4 in the SoTP calculation. The first is removed but the second is left unchanged until further investigation about the optimal compound to move ahead in phase III with.
- So in the end, considering the limited impact on our FV, we make no change and will wait for the final FY 2015 results and 2016 guidance to make adjustments.

**NEXT CATALYSTS**

- 9 February 2016: FY 2015 results

[Click here to download](#)Eric Le Berrigaud, [eleberrigaud@bryangarnier.com](mailto:eleberrigaud@bryangarnier.com)

TMT

**Dialog Semiconductor**

Price EUR26.55

**Dialog expects a single-digit revenue growth for FY16 due to sluggish smartphone market****Fair Value EUR37 (+39%)****NEUTRAL**

Bloomberg	DLG GR
Reuters	DLGS.DE
12-month High / Low (EUR)	53.3 / 26.6
Market Cap (EURm)	2,068
Avg. 6m daily volume (000)	18.20

	1 M	3 M	6 M	31/12/14
Absolute perf.	-23.4%	-29.1%	-45.8%	-9.4%
Semiconductors	-12.5%	-0.7%	-11.5%	-15.3%
DJ Stoxx 600	-7.0%	-4.0%	-7.0%	1.2%

	2014	2015e	2016e	2017e
P/E	11.7x	9.7x	7.8x	6.5x
Div yield (%)	NM	NM	NM	NM

**ANALYSIS**

- **Dialog reported preliminary Q4-15 sales of USD397m and FY15 sales of USD1,355m, in line with the company's guidance of USD390m-USD400m updated in December.** As a result, sales are up 20.1% sequentially in Q4-15 and 17.2% in FY15. This is slightly above our estimates of USD394.4m (+19.4% seq.) for Q4-15 and USD1,752.4m (+17.0% yoy). The group adds that the gross cash position should be close to USD567m. We recall that the group updated its FY15 guidance on 15 December due to lower volume at the company's first customer, namely Apple. Dialog's new guidance was USD390m-USD400m, down 11% vs the previous guidance of USD430m-USD460m, but the group maintained its gross margin guidance of c. 46%-46.5%.
- **Dialog expects a single-digit yoy revenue growth for FY16.** The group also anticipates a new year of strong momentum in revenue terms for connectivity and power conversion products but expects the current softening of the smartphone market to continue during the first half of 2016. As a result, the group anticipates a single-digit revenue growth for FY16, i.e. sales lower than USD1,488m (representing a 10% growth yoy) vs. consensus expectations at USD1,570m (BG. ests 1,573m).

**VALUATION**

- Dialog's shares trade at a 2016e P/E ratio of 7.8x and 2016e EV/EBIT ratio of 3.9x.

**NEXT CATALYSTS**

- During week commencing 7 March 2016, FY15 results.

[Click here to download](#)Dorian Terral, [dterral@bryangarnier.com](mailto:dterral@bryangarnier.com)



## Healthcare

**QIAGEN**

Price EUR23.95

**Preliminary FY2015 short of ests. 2016 outlook excludes operating leverage**

Fair Value Under Review

**UNDER REVIEW**

Bloomberg	QIA GR
Reuters	QGEN.DE
12-month High / Low (EUR)	26.0 / 19.4
Market Cap (EURm)	5,740
Avg. 6m daily volume (000)	348.9

	1 M	3 M	6 M	31/12/14
Absolute perf.	-2.9%	5.7%	6.5%	23.7%
Healthcare	-3.1%	2.2%	-3.5%	10.6%
DJ Stoxx 600	-7.0%	-4.0%	-7.0%	1.2%
	2014	2015e	2016e	2017e
P/E	26.0x	23.9x	22.0x	19.9x
Div yield (%)	NM	NM	NM	NM

**ANALYSIS**

- QIAGEN pre-announced FY2015 revenues with sales growing at 3% CER, -5% at actual rates affected by a negative 8pp FX impact. Net sales for FY2015 are USD1,280m. This comes short of both guidance and consensus which stood at 4% CER growth and USD1291m respectively. Looking into the fourth quarter performance, sales rose 3% CER while the company guided for 5% CER growth. This translates into a 3% decline at actual rates (6pp negative FX impact). While the performance of the Enzymatics NGS portfolio and BIOBASE (acquired in Dec. and April 2014 respectively) contributed to 2pp of CER growth, the rest of the business added only 1pp in Q4. We believe that alongside a weaker than expected contribution from companion diagnostics' sales, the APAC region remained weak (19% of sales). Although US-HPV created a 1pp headwind on the Q4 2015 results and 3pp for FY2015 we would expect 2015 to be the last year during which this division should handicap the group's performance with a contribution to the group's net sales to be below 4% in 2016 onwards.
- The company expects adj. diluted EPS to be in the USD1.05-1.06 range, slightly below consensus estimates which stood at USD1.07. For Q4, EPS is expected to come in at USD0.33-0.34 or 4% below Q4 guidance (USD0.35). QIAGEN did not provide any granularity between sales and EPS.
- 2016 guidance does not leave room for operating leverage with sales expected to rise 6% CER while consensus was more in the 6.5% region and EPS is expected to rise in line with sales. For FY2016, currencies are expected to affect QIAGEN's sales by 2pp. This should lead to a 6% cut in 2016 EPS by consensus. Investments in sales to support the GeneReader launch and back-end loaded effect from the internalisation of QUANTIFERON-latent TB test, which should be effective in 2017, are the main reasons in our view.

**VALUATION**

- We would expect the share price to be under pressure today following the disappointing FY2015 sales as well as conservatism on the FY2016 outlook which does not leave space for operating leverage.

**NEXT CATALYSTS**

- January 12<sup>th</sup>, 2016: conference call
- February 2<sup>nd</sup>, 2016 (at market close) : FY2015

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## BG's Wake Up Call

# Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

### Stock rating

BUY	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements including a SWOT analysis, positive momentum, technical aspects and the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
NEUTRAL	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
SELL	Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements including a SWOT analysis, positive momentum, technical aspects and the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

### Distribution of stock ratings

BUY ratings 58.5%

NEUTRAL ratings 33.1%

SELL ratings 8.5%

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