



12th January 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	16398.57	+0.32%	-7.99%
S&P 500	1923.67	+0.09%	-6.57%
Nasdaq	4637.99	-0.12%	-2.07%
Nikkei	17697.96	0.00	+1.42%
Stoxx 600	340.235	-0.33%	-0.67%
CAC 40	4312.74	-0.49%	+0.94%
Oil /Gold			
Crude WTI	31.15	-5.86%	-42.12%
Gold (once)	1101.28	-0.17%	-7.17%
Currencies/Rates			
EUR/USD	1.0854	-0.47%	-10.30%
EUR/CHF	1.0872	+0.17%	-9.58%
German 10 years	0.542	+6.06%	+0.26%
French 10 years	0.917	+3.31%	+9.38%
Euribor	-	+-%	+-%

Economic releases :

Date	
12th-Jan	GB - BRC Sales Lfl Dec (+0.5% exp. y/y) GB - Industrial Production Nov. (-0.8% y/y) GB - BoE's M. Carney speaks in Paris US - NIESR GDP estimates Dec. US - JOLTS job opening Nov. US -IBD/TIPP Economic optimism Jan

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



CASINO GUICHARD

BUY, Fair Value EUR54 vs. EUR69 (+33%)

Trading statement Q4 2015: more patience needed

If we are really convinced by what has been done in France in terms of price repositioning (and ultimately the FCF guidance), one needs to wait for the consensus figures to have bottomed before the stock is able to regain momentum. This is not the case and hence, one has to be patient.

DIALOG SEMICONDUCTOR

NEUTRAL, Fair Value EUR34 vs. EUR37 (+26%)

Apple engine stalls. We see no catalyst until the end of H1-16.

Following yesterday preliminary announcement of FY15 revenue of USD1,335m and FY16 preliminary guidance of an expected single-digit growth in revenue terms, we update our model with lower shipment estimates, sales and margin for the coming years. Overall, we apply a downward revision on adjusted EPS of -7% on average over the next three years. Our FV is down to EUR34 from EUR37. We maintain our Neutral recommendation since we see no catalyst until the end of H1-16 so far.

EDF

NEUTRAL, Fair Value EUR18 (+44%)

Higher cost at Cigeo? Not really news

The French agency in charge of radioactive waste management, Andra, provided yesterday the French state with a costing report regarding the long-term management project of the radioactive waste produced by nuclear facilities in France (Cigéo). Cost estimates are clearly above nuclear operators' estimates, putting pressure again on EDF, CEA and Areva's balance sheets and on future cash outflows. Negative.

METRO AG

SELL, Fair Value EUR24 (-11%)

Trading statement (first take): halfway satisfactory result

Preliminary sales in Q1 2015/16, grew +0.1% in LFL terms. As a whole, the Christmas business seems to have been positive in Germany with a +2.1% LFL sales growth. On the other hand the picture is a mixed one at the international level (there are actually quite a few details provided) especially with Russia, which was penalised by strong comps. As a reminder, the calendar Q4 (Q1 for Metro) is key for Metro, because it represents the majority of its annual results. Given halfway satisfactory results, at this stage, we maintain our Sell rating.

SAP

NEUTRAL, Fair Value EUR75 (+6%)

Prelim. FY15 results at the high-end of company guidance, FY16 guidance almost in line

This morning SAP pre-announced FY15 results slightly above our forecasts and the consensus' average and at the high-end of company guidance - yet the non-IFRS operating margin, at 30.5%, is slightly below our 31% forecast (consensus: 30.9%). Q4 15 was helped by an intense licence sales activity (+11% at cc) thanks to a strong flow for renewals and S/4HANA. FY16 guidance is encouraging on Cloud & Software revenues, but our forecast and the consensus are slightly above the high-end of the non-IFRS op. margin guidance. We expect a slightly positive reaction in the near term.

In brief...

BIOMÉRIEUX, Filing of the FilmArray Torch

CAPGEMINI, Estimated EUR520m one-off non-cash income for 2015

KORIAN, New CFO named

SAINT GOBAIN, Steady sales growth for Sika in Q4 2015

DBV TECHNOLOGIES, DBV not lagging behind Aimmune Therapeutics

GALAPAGOS, Read-across from AZN/INCY co-dev. agreement and ABBV's ABT-494 phase III programme

SOPRA STERIA GROUP, CFO Laurent Lemaire resigns, FY15 guidance confirmed

Food retailing

Casino Guichard

Price EUR40.62

Trading statement Q4 2015: more patience needed

Fair Value EUR54 vs. EUR69 (+33%)

BUY

Bloomberg	CO FP
Reuters	CASP.PA
12-month High / Low (EUR)	87.3 / 40.1
Market Cap (EURm)	4,597
Ev (BG Estimates) (EURm)	15,052
Avg. 6m daily volume (000)	670.6
3y EPS CAGR	-11.9%

	1 M	3 M	6 M	31/12/14
Absolute perf.	-12.6%	-26.3%	-37.8%	-46.9%
Food Retailing	-5.5%	-9.0%	-5.9%	4.6%
DJ Stoxx 600	-6.7%	-5.6%	-8.5%	-0.3%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	48,492	45,943	44,879	47,304
% change		-5.3%	-2.3%	5.4%
EBITDA	3,191	2,481	2,521	2,727
EBIT	1,737	1,587	1,518	1,609
% change		-8.6%	-4.3%	6.0%
Net income	556.0	319.6	362.7	402.1
% change		-42.5%	13.5%	10.9%

	2014	2015e	2016e	2017e
Operating margin	4.6	3.3	3.4	3.4
Net margin	1.1	0.7	0.8	0.9
ROE	NM	NM	NM	NM
ROCE	7.1	4.7	4.6	4.8
Gearing	37.3	38.6	40.7	40.5

(EUR)	2014	2015e	2016e	2017e
EPS	4.43	2.30	2.68	3.03
% change	-	-48.2%	16.6%	13.0%
P/E	9.2x	17.7x	15.2x	13.4x
FCF yield (%)	15.1%	0.0%	3.1%	11.3%
Dividends (EUR)	3.12	3.12	3.12	3.12
Div yield (%)	7.7%	7.7%	7.7%	7.7%
EV/Sales	0.4x	0.3x	0.3x	0.3x
EV/EBITDA	5.4x	6.1x	5.9x	5.6x
EV/EBIT	10.0x	9.5x	9.8x	9.5x

If we are really convinced by what has been done in France in terms of price repositioning (and ultimately the FCF guidance), one needs to wait for the consensus figures to have bottomed before the stock is able to regain momentum. This is not the case and hence, one has to be patient.

What happened over the last few weeks

Casino's share price was strongly punished over the the last month following a report by Muddy Waters that stated Casino is worth only EUR7 per share. Numbers can be made to say anything... We finally noticed that 3/4 of the report raised issues that have been discussed over and over again (including the geographical averaging of debt and cash flow, the sustainability of the dividend that Casino pays to its shareholders, Rallye, property development revenues etc...). But in the end, one has to retain that this report is probably a reflection of the latent exasperation of the financial community (notably regarding the debt and the complexity of Casino). Casino has to break this vicious circle.

Management got the grip on the leverage issue

There is notably an emergency to deleverage the group, an issue that is obviously addressed through a forecasted EUR2bn (minimum) deleveraging programme, the outcome of which will be decisive for Casino's share price. Following the announcement of this programme, we commented (link to the comment) that one of the options selected (i.e. outright disposal of Vietnam) was rather radical and, hence, that investors could end up wondering if the degradation of the situation in Brazil would not be such that the group would have to deal with an emergency by making a big concession (i.e. the disposal of Vietnam). Such an interpretation, good or bad, would be a drag to the momentum building.

But consensus figures have not bottomed yet

And therein lies the rub, at this stage. Indeed, ahead of the FY results we have no choice but to adjust again our 2015 underlying operating income estimates from EUR1,778m to EUR1,513m, precisely on account of: 1/ a further deterioration in the forex environment and 2/ a difficult end to the year at both Cnova and Via Varejo in Brazil. In the end, we have cut again our 2015/17 EPS estimates by 17% on average. If we are really convinced by what has been done in France (in 2016, Casino expects a FCF after financial expenses and dividends above EUR200m in France), one needs to wait for the consensus figures to have bottomed, which is not the case, before the stock is able to regain momentum.

Q4 2015 trading statement (January 14th) should be reassuring for France but not for Brazil

Even if Q4 2015 was penalised by: 1/ the events in Paris and 2/ weather that was unfavourable to clothing notably, Q4 15 (January 14th) should be rather reassuring as to Casino's commercial recovery and FCF prospects in France. On the contrary, the picture will be gloomy at the international level, especially in Brazil where the end of the year seems to have been particularly difficult at both Via Varejo (-20% LFL) and Cnova (-6% LFL), given a difficult economic backdrop and company-specific issues. LatAm Retail as a whole (+1.5% LFL) should be supported by a resilient Cash & Carry business. Asia sales growth should remain in line with Q3 (-5.5% LFL), with significant price investments.

LFL excl. fuel and calendar	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15 e
Géant	-0,1%	1,1%	-3,9%	-2,3%	-1,5%	1,0%	3,5%	2,5% e
Casino	-2,5%	-2,1%	-4,6%	-2,9%	-1,4%	-2,3%	0,7%	0,0% e
FP/LP	-4,4%	-4,3%	-8,7%	-5,9%	-5,6%	-3,5%	1,7%	0,0% e
Monoprix	-0,8%	-1,2%	-2,7%	-1,4%	0,3%	0,5%	2,2%	0,5% e

Sources: Company, Bryan Garnier's estimates

Rightly or wrongly, the SOTP remains a drag

As a reminder, the consensus traditionally lays the emphasis on the SOTP which corresponds to the theoretical value of a company's assets in the event of a disposal. Calculating this intrinsic value on the basis of the market value of listed stakes is a mutilated stance. It is tantamount to believing that an investor aiming to get his hands on GPA or the bricks & mortar business of Via Varejo (i.e. excl. the 22% stake owned by the banner in Cnova) would offer and obtain a multiple of ~0.25x sales for the first and a negative ratio for the second... In the end, it seems difficult to build a valuation solely according to this methodology. Our own Fair Value is the average between this SOTP (EUR 41) and a DCF (EUR 68). Following our latest adjustments, it thus works out at EUR54 vs EUR69.



Bryan Garnier's estimates	Q1	Q2	H1	Q3	Q4 e	H2 e	2015 e
FRANCE RETAIL sales	4 425	4 710	9 135	4 812	4 877	9 689	18 824
(1) LFL excl. fuel and calendar	-1.6%	0.1%	-0.8%	2.5%	1.0%	1.7%	0.5%
(2) Expansion	0.3%	0.3%	0.3%	0.1%	0.0%	0.0%	0.1%
(3) Calendar	-0.1%	-0.1%	-0.1%	0.0%	-0.1%	0.0%	-0.1%
(4) Fuel	-1.1%	-0.8%	-1.0%	-1.2%	-0.8%	-1.0%	-1.0%
(5) Acquisitions	0.5%	0.3%	0.4%	0.3%	0.0%	0.2%	0.3%
(1)+(2)+(3)+(4)+(5) = Total	-2.1%	-0.3%	-1.2%	1.7%	0.1%	0.9%	-0.1%
Underlying EBIT			-53			412	359
As a % of sales			-0.6%			4.3%	1.9%
bps var.			-236 bp			185 bp	-19 bp
LATAM RETAIL sales	3 870	3 933	7 803	3 206	3 651	6 857	14 660
(1) LFL excl. fuel and calendar	2.6%	2.4%	2.5%	2.4%	1.5%	1.9%	2.2%
(2) Expansion	3.5%	3.7%	3.6%	2.8%	3.5%	3.2%	3.4%
(3) Calendar	2.7%	-2.2%	0.2%	0.9%	-0.1%	0.4%	0.3%
(4) Fuel	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(5) Acquisitions	0.9%	8.0%	4.6%	6.1%	3.0%	4.4%	4.5%
(6) Forex	0.5%	-8.2%	-4.0%	-27.3%	-23.8%	-25.4%	-15.3%
(1)+(2)+(3)+(4)+(5)+(6) = Total	10.2%	3.7%	6.8%	-15.1%	-15.9%	-15.5%	-4.9%
Underlying EBIT			299			413	712
As a % of sales			3,8%			6,0%	4,9%
bps var.			-85 bp			-80 bp	-95 bp
LATAM ELECTRONICS sales	1 666	1 258	2 924	978	1 184	2 162	5 086
(1) LFL excl. fuel and calendar	-2.7%	-23.6%	-13.5%	-24.7%	-20.0%	-22.2%	-18.0%
(2) Expansion	1.4%	1.8%	1.6%	1.9%	0.0%	0.9%	1.2%
(3) Calendar	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(4) Fuel	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(5) Acquisitions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(6) Forex	0.5%	-8.2%	-4.0%	-21.5%	-21.2%	-21.3%	-13.0%
(1)+(2)+(3)+(4)+(5)+(6) = Total	-0.8%	-30.0%	-15.9%	-44.3%	-41.2%	-42.6%	-29.8%
Underlying EBIT			191			68	259
As a % of sales			6.5%			3.1%	5.1%
bps var.			-141 bp			-750 bp	-426 bp
ASIA sales	1 043	1 032	2 075	914	979	1 893	3 968
(1) LFL excl. fuel and calendar	0.3%	-2.9%	-1.3%	-4.7%	-5.5%	-5.1%	-3.3%
(2) Expansion	3.4%	1.3%	2.3%	1.8%	2.5%	2.2%	2.2%
(3) Calendar	-0.3%	0.7%	0.2%	-0.1%	0.0%	0.0%	0.1%
(4) Fuel	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(5) Acquisitions	0.5%	-0.1%	0.2%	-0.2%	0.0%	-0.1%	0.0%
(6) Forex	21.5%	21.0%	21.2%	8.7%	5.5%	7.0%	13.9%
(1)+(2)+(3)+(4)+(5)+(6) = Total	25.4%	20.0%	22.7%	5.5%	2.5%	3.9%	12.9%
Underlying EBIT			138			154	292
As a % of sales			6.7%			8.1%	7.4%
bps var.			33 bp			0 bp	10 bp
E-COMMERCE sales	906	824	1 730	775	900	1 675	3 405
(1) LFL excl. fuel and calendar	17.0%	15.7%	16.4%	7.7%	-6.0%	-0.1%	7.2%
(2) Expansion	0.3%	0.0%	0.2%	0.0%	0.0%	0.0%	0.1%
(3) Calendar	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(4) Fuel	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(5) Acquisitions	0.2%	0.0%	0.1%	0.1%	0.0%	0.1%	0.1%
(6) Forex	0.3%	-6.7%	-3.2%	-15.5%	-12.0%	-13.5%	-9.0%
(1)+(2)+(3)+(4)+(5)+(6) = Total	17.7%	9.0%	13.4%	-7.9%	-18.0%	-13.5%	-1.7%
Underlying EBIT			-55			-53	-108
As a % of sales			-3.2%			-3.2%	-3.2%
bps var.			-261 bp			-400	-339 bp

[Click here to download](#)



Analyst :
Antoine Parison
33(0) 1 70 36 57 03
aparison@bryangarnier.com

Sector Team :
Nikolaas Faes
Loic Morvan
Cédric Rossi
Virginie Roumagnon

TMT

Dialog Semiconductor

Price EUR26.92

Apple engine stalls. We see no catalyst until the end of H1-16.

Fair Value EUR34 vs. EUR37 (+26%)

NEUTRAL

Bloomberg	DLG GR
Reuters	DLGS.DE
12-month High / Low (EUR)	53.3 / 26.6
Market Cap (EUR)	2,096
Ev (BG Estimates) (EUR)	1,638
Avg. 6m daily volume (000)	18.20
3y EPS CAGR	18.4%

Following yesterday preliminary announcement of FY15 revenue of USD1,335m and FY16 preliminary guidance of an expected single-digit growth in revenue terms, we update our model with lower shipment estimates, sales and margin for the coming years. Overall, we apply a downward revision on adjusted EPS of -7% on average over the next three years. Our FV is down to EUR34 from EUR37. We maintain our Neutral recommendation since we see no catalyst until the end of H1-16 so far.

ANALYSIS

- **The Apple value chain is struggling to maintain growth.** In a brief press release published yesterday (see our yesterday's *Morning Mail*), the group announced Q4-15 preliminary revenue of USD397m in line with the company's guidance of USD390-400m updated in December 2015 (cut by 11%). As a result, FY15 sales are up 17% to USD1,355m. Finally, the main point of yesterday's publication was the FY16 revenue growth guidance expected to be in the single-digit range due to weak momentum on the smartphone market anticipated in H1-16.
- **We adjust downward our Apple shipments estimates, again!** During December 2015, we lowered our iPhone shipment estimates for Q4-15e and FY16e to 73m (from 75m) and 227m (from 237m) respectively. However, the recent and particularly poor newsflow from diverse Apple suppliers, including Qorvo and Cirrus Logic's profit warnings, leads us to apply a new adjustment in Apple shipments for the coming years. Indeed, like Dialog Semiconductor, Qorvo published on 6 January 2016 a revenue guidance update with sales cut by 14% vs. the previous guidance (at mid-pt, USD620m vs. USD720-730m). The company attributed the revenue decline to weaker than forecast demand in the Mobile Products segment which we believe is linked to softer demand for the iPhone 6S. On January 7, Cirrus Logic also announced preliminary Q3 revenue at USD347m vs. consensus expectations at USD386m (i.e. -10% vs. cons.), blaming weaker than anticipated demand for certain portable audio products. The US group also added that the weakness had escalated over the last few weeks of December. It looks like we have been too kind in the previous shipment adjustments we made in December, which leads us to apply a new cut in our estimates. We now expect FY16e iPhone shipments to be close to 210m, i.e. down c. 20m units compared to FY15e shipments (-9% yoy), of which 48m to be shipped during the first calendar quarter to be compared to 61m iPhones shipped in Q1-15. We continue to foresee a recovery starting in September 2016 thanks to the iPhone 7 while iPhone 6S sales should provide an easier comparable basis than iPhone 6 sales.
- **A 7% cut on average on EPS for the next three years.** Despite the flexibility provided by the fabless model, we anticipate that lower volumes will have an impact on margins. As a result, we lower our FY16 estimates to USD1,468m vs. USD1,574m previously (see change in shipment estimates above), and we apply a 21.7% current operating margin (vs. 23.1% previously). FY17 estimates are also lowered and our sales estimates are down to USD1,693m (vs. USD1,797m previously) and the current operating margin is down to 22.6% (vs. 23.2% previously). As a result, changes in our model lead to a 6.8% cut in adj. EPS on average for the next three years (USD2.74/2.99/3.77 for FY15e/FY16e/FY17e respectively vs. USD2.73/3.41/4.11).

VALUATION

- **While our updated FV of EUR34 points to a 26% upside, we believe that the stock is capped until the end of the iPhone 6 cycle and the Atmel deal.** As a result, there is no hurry in investing in Dialog, we keep our Neutral recommendation waiting for a better momentum that is expected by the end of H1-16.
- Dialog's shares are trading at a 2016e P/E ratio of 9.0x and a 2016e EV/EBIT ratio of 4.5x.

NEXT CATALYSTS

- FY15 results to be published during the week commencing 7 March 2016.

[Click here to download](#)

	1 M	3 M	6 M	31/12/14
Absolute perf.	-20.0%	-29.4%	-43.5%	-8.2%
Semiconductors	-14.0%	-5.4%	-13.5%	-18.4%
DJ Stoxx 600	-6.7%	-5.6%	-8.5%	-0.3%

YEnd Dec. (USDm)	2014	2015e	2016e	2017e
Sales	1,156	1,355	1,468	1,693
% change		17.2%	8.4%	15.3%
EBITDA	286	359	387	455
EBIT	230.3	301.9	319.1	383.0
% change		31.1%	5.7%	20.0%
Net income	172.2	213.7	233.6	294.5
% change		24.1%	9.3%	26.1%

	2014	2015e	2016e	2017e
Operating margin	19.9	22.3	21.7	22.6
Net margin	14.9	15.8	15.9	17.4
ROE	22.1	18.2	16.9	18.0
ROCE	36.8	41.7	45.5	55.0
Gearing	-18.3	-46.9	-55.6	-62.3

(USD)	2014	2015e	2016e	2017e
EPS	2.27	2.74	2.99	3.77
% change	-	20.5%	9.3%	26.1%
P/E	11.9x	9.8x	9.0x	7.1x
FCF yield (%)	11.0%	8.1%	9.3%	11.4%
Dividends (USD)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	1.7x	1.2x	1.0x	0.7x
EV/EBITDA	6.9x	4.6x	3.7x	2.6x
EV/EBIT	8.6x	5.4x	4.5x	3.1x



Analyst :
 Dorian Terral
 33(0) 1.56.68.75.92
 dterral@bryangarnier.com

Sector Team :
 Richard-Maxime Beaudoux
 Thomas Coudry
 Gregory Ramirez

Utilities

EDF

Price EUR12.51

Higher cost at Cigeo? Not really news

Fair Value EUR18 (+44%)

NEUTRAL

Bloomberg	EDF FP
Reuters	EDF.PA
12-month High / Low (EUR)	23.8 / 12.4
Market Cap (EURm)	24,011
Ev (BG Estimates) (EURm)	86,705
Avg. 6m daily volume (000)	2 285
3y EPS CAGR	-14.8%

The French agency in charge of radioactive waste management, Andra, provided yesterday the French state with a costing report regarding the long-term management project of the radioactive waste produced by nuclear facilities in France (*Cigéo*). Cost estimates are clearly above nuclear operators' estimates, putting pressure again on EDF, CEA and Areva's balance sheets and on future cash outflows. Negative.

ANALYSIS

What is in the news today? Cost estimates of the French Cigéo project remain at the centre of a debate between both nuclear operators which will finance this long-term management radioactive waste project (*EDF, CEA & Areva with EDF financing 80%*) and the French agency in charge of radioactive waste management, **Andra**. Indeed; yesterday, after market, **Andra** provided the French state with a costing report regarding the project, contradicting the cost estimates made by nuclear operators. Andra's latest cost simulation on the Cigéo project is closer to **EUR30bn** while the operators' cost simulation is closer to **EUR20bn**.

A word on the Cigéo project: The Cigéo project is designed to ensure long-term management of the radioactive waste produced by nuclear facilities in France, in accordance with the Environmental Code. This waste is now packaged and stored by nuclear operators that produced them in specific and secure facilities, under their responsibility. Andra has conducted research on storage in deep geological formations for over 20 years including at the underground laboratory Meuse / Haute-Marne. The project is now coming to the end of the phase of preliminary design. Studies of the detailed design will be conducted in 2016-2017 to develop the creation authorisation application. **Subject to authorisation, the construction of the storage facility could start in 2020.** The financing of this project is supported in full by nuclear operators (*EDF, CEA and Areva*), with the French Court of Auditors estimating that the cost of storage is in the order of **1% to 2%** of the total cost of electricity generation throughout the operating life of a reactor. Back in 2015, the project was estimated between **EUR15bn and EUR36bn with the operators working on a benchmark cost assumption closer to EUR17bn.**

Negative for EDF & Areva, but not really news: This report is clearly negative for all nuclear operators, and most specifically for EDF and Areva (*quoted companies with minority shareholders*), but this risk of project cost revaluation is not new and was already highlighted in our initiation of coverage report on EDF back in February 2015. While the provisions of the group on the Cigéo project are based on a total project cost closer to **EUR20bn** than to **EUR30bn (EUR17-20bn)**, in our model we already integrated the negative impact on provisions from a rise in project costs closer to the higher range of the cost estimates, implying our EUR18 FV already integrates such an impact. Higher cost estimates than the current Andra report will however have a further negative impact on our FV.

VALUATION

- At the current share price EDF is trading at 5.6x its 2016e EBITDA and offers a 10% yield.
- Neutral, FV @ EUR18/share

NEXT CATALYSTS

- February 16th 2016: EDF - 2015 earnings

[Click here to download](#)

	1 M	3 M	6 M	31/12/14
Absolute perf.	-4.5%	-25.8%	-37.2%	-45.2%
Utilities	-1.4%	-3.1%	-8.2%	-7.1%
DJ Stoxx 600	-4.4%	-6.2%	-12.5%	-0.7%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	72,874	75,765	76,950	78,169
% change		4.0%	1.6%	1.6%
EBITDA	17,279	17,343	16,356	16,498
EBIT	7,984	8,689	7,709	7,289
% change		8.8%	-11.3%	-5.5%
Net income	4,464	3,417	2,826	2,764
% change		-23.5%	-17.3%	-2.2%

	2014	2015e	2016e	2017e
Operating margin	11.0	11.5	10.0	9.3
Net margin	6.1	4.5	3.7	3.5
ROE	11.0	8.3	6.8	6.6
ROCE	3.4	3.7	3.2	2.9
Gearing	139.8	147.2	157.9	166.4

(EUR)	2014	2015e	2016e	2017e
EPS	2.40	1.84	1.52	1.49
% change	-	-23.5%	-17.3%	-2.2%
P/E	5.2x	6.8x	8.2x	8.4x
FCF yield (%)	NM	NM	NM	NM
Dividends (EUR)	1.25	1.25	1.25	0.99
Div yield (%)	10.0%	10.0%	10.0%	7.9%
EV/Sales	1.1x	1.1x	1.2x	1.2x
EV/EBITDA	4.7x	5.0x	5.6x	5.8x
EV/EBIT	10.1x	10.0x	11.9x	13.1x



Analyst :
 Xavier Caroen
 33(0) 1.56.68.75.18
xcaroen@bryangarnier.com

Food retailing

Metro AG

Price EUR26.85

Trading statement (first take): halfway satisfactory result

Fair Value EUR24 (-11%)

SELL

Preliminary sales in Q1 2015/16, grew +0.1% in LFL terms. As a whole, the Christmas business seems to have been positive in Germany with a +2.1% LFL sales growth. On the other hand the picture is a mixed one at the international level (there are actually quite a few details provided) especially with Russia, which was penalised by strong comps. As a reminder, the calendar Q4 (Q1 for Metro) is key for Metro, because it represents the majority of its annual results. Given halfway satisfactory results, at this stage, we maintain our Sell rating.

1/ Metro C&C / +0.2% LFL (vs +1.2% in Q4 15 and +1.1% in 2015) / -2.4% reported on account of a negative perimeter effect of around 2%: The C&C business posted its tenth successive quarter of positive LFL development. Sales in the main countries such as Spain, Italy, Czech Republic and Romania seem to have developed positively (no more detail). In Russia, sales declined based on a high benchmark from the LY that benefited from a pull forward effect at the peak of the rouble crisis.

2/ Media-Saturn / +0.4% LFL (vs +2.9% in Q4 15 and +3.2% in 2015) / +0.2% reported on account of a 0.9% negative forex effect: this marks the sixth consecutive quarter of rising LFL sales. Revenue seem to have developed very positively in Germany, quite well in western Europe, but declined quite strongly in Russia against the backdrop of strong comps.

3/ Real / 1.6% LFL decline (vs -1.6% in Q4 15 and -0.7% in 2015) / -3.8% reported on account of store closures: sales development remained relatively stable within an environment that is penalised by a strong competition and price deflation in the food business, while sales in the non-food sector declined.

Other details: **1/** Metro completed the sales of its C&C business in Vietnam at the end of December 2015. There will be an EBIT effect of more than EUR400m which will be included in the Q1 2015/16 accounts. **2/** Despite a difficult environment, management expects development and retains its original forecast (as a reminder: Metro foresees another slight LFL sales growth in 2015/16 vs 1.5% in 2014/15 and expects EBIT before special items to rise slightly above the EUR1,511m achieved in financial year 2014/15, including income from real estate sales).

Our investment case

So far, in view of the EBIT margin at around 10% (!), and despite the depreciation in the rouble, Russia accounts for ~25/30% of EBIT whereas its share of sales only stands at less than 10%. In a restricted consumer spending environment, and with the market stigmatising and harshly punishing margin rate policies, a margin rate at this level leaves us somewhat perplexed. Hence, uncertainty weighing on Russia wipes out somewhat the value characteristics. Moreover, we are drawn by the situation of Media Saturn outside Russia (~34% of group sales) given that it is in the front row concerning the ramp-up of e-commerce. At this stage, we maintain our Sell rating and our Fair Value of EUR24.

VALUATION

- 2016 P/E of 13.6x vs 16x for the panel (15x excluding Tesco)

[Click here to download](#)

Bloomberg	MEO GY
Reuters	MEOG.DE
12-month High / Low (EUR)	34.6 / 23.4
Market Cap (EURm)	8,701
Ev (BG Estimates) (EURm)	12,222
Avg. 6m daily volume (000)	972.0
3y EPS CAGR	4.5%

	1 M	3 M	6 M	31/12/14
Absolute perf.	-5.9%	0.1%	-2.4%	6.1%
Food Retailing	-5.5%	-9.0%	-5.9%	4.6%
DJ Stoxx 600	-6.7%	-5.6%	-8.5%	-0.3%

YEnd Sept. (EURm)	09/14	09/15e	09/16e	09/17e
Sales	63,035	59,087	60,077	61,440
% change		-6.3%	1.7%	2.3%
EBITDA	2,838	2,409	2,493	2,551
EBIT	1,273	1,370	1,532	1,568
% change		7.6%	11.8%	2.3%
Net income	585.8	578.6	646.7	668.0
% change		-1.2%	11.8%	3.3%

	09/14	09/15e	09/16e	09/17e
Operating margin	2.7	2.5	2.6	2.6
Net margin	0.9	1.0	1.1	1.1
ROE	NM	NM	NM	NM
ROCE	9.4	9.4	9.4	9.1
Gearing	93.3	51.3	48.7	47.4

(EUR)	09/14	09/15e	09/16e	09/17e
EPS	1.79	1.77	1.98	2.04
% change	-	-1.2%	11.8%	3.3%
P/E	15.0x	15.2x	13.6x	13.1x
FCF yield (%)	NM	NM	NM	NM
Dividends (EUR)	0.90	0.90	0.98	1.02
Div yield (%)	3.4%	3.4%	3.7%	3.8%
EV/Sales	0.2x	0.2x	0.2x	0.2x
EV/EBITDA	4.9x	5.1x	5.0x	4.9x
EV/EBIT	11.0x	8.9x	8.1x	8.0x



Analyst :
 Antoine Parison
 33(0) 1 70 36 57 03
 aparison@bryangarnier.com

Sector Team :
 Nikolaas Faes
 Loïc Morvan
 Cédric Rossi
 Virginie Roumagne

TMT

SAP

Price EUR71.05

Prelim. FY15 results at the high-end of company guidance, FY16 guidance almost in line

Fair Value EUR75 (+6%)

NEUTRAL

Bloomberg	SAP GR
Reuters	SAPG.DE
12-month High / Low (EUR)	74.9 / 54.5
Market Cap (EURm)	87,285
Ev (BG Estimates) (EURm)	91,957
Avg. 6m daily volume (000)	3 043
3y EPS CAGR	8.9%

This morning SAP pre-announced FY15 results slightly above our forecasts and the consensus' average and at the high-end of company guidance - yet the non-IFRS operating margin, at 30.5%, is slightly below our 31% forecast (consensus: 30.9%). Q4 15 was helped by an intense licence sales activity (+11% at cc) thanks to a strong flow for renewals and S/4HANA. FY16 guidance is encouraging on Cloud & Software revenues, but our forecast and the consensus are slightly above the high-end of the non-IFRS op. margin guidance. We expect a slightly positive reaction in the near term.

	1 M	3 M	6 M	31/12/14
Absolute perf.	-1.9%	19.5%	13.9%	22.0%
Softw. & Comp.	-4.3%	10.4%	9.1%	21.7%
DJ Stoxx 600	-6.7%	-5.6%	-8.5%	-0.3%

ANALYSIS

- FY15 results slightly above expectations, at the high-end of company guidance.** For FY15, on a non-IFRS basis, SAP pre-announced sales up 10% at cc to EUR20.81bn (BG est.: EUR20.55bn; consensus: EUR20.53bn), Cloud & Software revenues up 12% at cc to EUR17.23bn (BG est.: EUR17n; consensus: EUR16.98bn or +10.5% at cc; company guidance: +8%/+10% at cc), cloud subscriptions revenues up 82% at cc to EUR2.3bn (BG est.: EUR2.31bn or +86% at cc; consensus: EUR2.31bn or +85.3% at cc; company guidance: +77%/+86% at cc), licence sales up 4% at cc to EUR4.84bn (BG est.: EUR4.62bn; consensus: EUR4.59bn), and an op. profit of EUR6.35bn (30.5% of sales vs. 32.1% in FY14) vs. BG est. of EUR6.37bn (31% of sales) and consensus EUR6.34bn (30.9%). At cc, non-IFRS op. profit was EUR5.902bn, or at the high-end of company guidance (EUR5.6-5.9bn). IFRS op. profit was down 2% to EUR4.25bn, while we expected EUR4.47bn (consensus: EUR4.46bn).

YEnd Dec. (€m)	2014	2015e	2016e	2017e
Sales	17,560	20,543	21,574	22,903
% change		17.0%	5.0%	6.2%
EBITDA	6,061	6,914	7,348	7,892
EBIT	4,330	4,474	5,679	6,228
% change		3.3%	26.9%	9.7%
Net income	4,304	4,582	5,203	5,553
% change		6.5%	13.5%	6.7%

- Strong licence renewal activity in Q4 15.** SAP benefited from a strong licence sales activity in Q4 15, up 11% at cc, thanks to an intense level of renewals. Customer adoption of SAP S/4HANA accelerated sharply in the quarter, with more than 2,700 customers at the end of 2015 (vs. only 1,300 at the end of Q3). This also coincides with the end of the promotion period for the S/4HANA foundation, which allows customers to transition to S/4HANA. On cloud subscriptions, revenues stay at a strong level of growth, but we estimate they were "only" at +28% lfl (i.e. excl. Concur) in Q4 15 - vs. est. +35% in Q3, +34% in Q2 and +29% in Q1. That said, new cloud bookings were up 103% for FY15 (to EUR890m) and up 75% for Q4 15 (to EUR350m).

	2014	2015e	2016e	2017e
Operating margin	32.0	31.0	31.4	31.8
Net margin	18.6	15.1	19.5	20.0
ROE	16.7	14.5	17.4	16.9
ROCE	16.7	20.2	21.2	23.1
Gearing	38.5	21.8	4.8	-9.6

- FY16 guidance: in line on revenues, slightly below expectations for the margin.** For 2016, SAP anticipates, on a non-IFRS basis, Cloud & Software revenues up 6-8% at cc, Cloud subscriptions up 28-33% at cc to EUR2.95-3.05bn, and a non-IFRS op. profit of EUR6.4-6.7bn at cc (est. 29.5-31% of sales). On revenues, company guidance is in line with with consensus, which was heading for Cloud & Software sales up 6.6% at cc (BG est.: +7.1%), Cloud subscriptions up 30.9% at cc to EUR2.98bn (BG est.: +30.9% at cc to EUR2.99bn). On the non-IFRS op. margin, it is slightly below consensus (EUR6.72bn or 31.2% of sales), and our ests. (EUR6.78.bn or 31.4% of sales).

(€)	2014	2015e	2016e	2017e
EPS	3.41	3.63	4.12	4.40
% change	-	6.5%	13.5%	6.7%
P/E	20.8x	19.6x	17.2x	16.1x
FCF yield (%)	3.2%	5.2%	5.7%	6.2%
Dividends (€)	1.10	1.20	1.30	1.40
Div yield (%)	1.5%	1.7%	1.8%	2.0%
EV/Sales	5.4x	4.5x	4.1x	3.7x
EV/EBITDA	15.6x	13.3x	12.0x	10.7x
EV/EBIT	16.9x	14.4x	13.0x	11.6x

VALUATION

- SAP's shares are trading at est. 13.0x 2016 and 11.6x 2017 EV/EBIT multiples.
- Net debt on 30th September 2015 was EUR6,094m (net gearing: 28%).

NEXT CATALYSTS

Final FY15 results on 22nd January before markets open.

[Click here to download](#)



Analyst :
 Gregory Ramirez
 33(0) 1 56 68 75 91
 gramirez@bryangarnier.com

Sector Team :
 Richard-Maxime Beaudoux
 Thomas Coudry
 Dorian Terral

Healthcare

bioMérieux

Price EUR103.80

Filing of the FilmArray Torch

Fair Value EUR121 (+17%)

BUY

Bloomberg	BIM.FP
Reuters	BIOX.PA
12-month High / Low (EUR)	110.3 / 85.2
Market Cap (EURm)	4,095
Avg. 6m daily volume (000)	32.30

	1 M	3 M	6 M	31/12/14
Absolute perf.	-1.9%	10.7%	5.8%	21.1%
Healthcare	-3.2%	-1.6%	-10.6%	6.7%
DJ Stoxx 600	-4.4%	-6.2%	-12.5%	-0.7%

	2014	2015e	2016e	2017e
P/E	30.4x	27.2x	24.1x	21.2x
Div yield (%)	1.0%	0.9%	1.0%	1.2%

ANALYSIS

- BioMérieux announced the filing of a Special 510(k) for FilmArray Torch. This new instrument on which should run the respiratory panel as a first time has an increased capacity of up to 262 samples per day and offers continuous loading. Throughput has also been increased compared to FilmArray 2.0. More importantly, we would highlight that the lab's footprint has been significantly reduced which bodes well with physicians' demand for smaller instruments.
- We would expect clearance from the FDA for the instrument no later than mid-2016. Indeed, the review time by the regulator should be shortened as FilmArray is already approved and this only constitutes a label modification. The respiratory panel should be the first to be made available for FilmArray Torch for the next flu season in the best case. The company mentioned that the Sepsis, Gastro-intestinal and Meningitis-Encephalitis panel should also be filed for use with the instrument in the next few weeks. We welcome bioMérieux's announcement which we believe should be able to offer an interesting alternative to competitors' multiplexing solutions. As a reminder, GenMark's platform should be made available in H1 2016 (if no delay).

VALUATION

- This does not change our estimates, we reiterate our BUY rating

NEXT CATALYSTS

- Jan. 21st: FY2015 sales

[Click here to download](#)

Hugo Solvet, hsolvet@bryangarnier.com

TMT

Capgemini

Price EUR80.68

Estimated EUR520m one-off non-cash income for 2015

Fair Value EUR96 (+19%)

BUY

Bloomberg	CAP.FP
Reuters	CAPP.PA
12-month High / Low (EUR)	90.2 / 58.7
Market Cap (EURm)	13,891
Avg. 6m daily volume (000)	657.1

	1 M	3 M	6 M	31/12/14
Absolute perf.	-4.1%	5.8%	-4.8%	35.6%
Softw.& Comp.				
SVS	-1.9%	10.8%	5.0%	22.2%
DJ Stoxx 600	-4.4%	-6.2%	-12.5%	-0.7%
	2014	2015e	2016e	2017e
P/E	19.4x	17.6x	14.6x	13.3x
Div yield (%)	1.5%	1.7%	1.9%	2.0%

ANALYSIS

- **This morning Capgemini announced it expects to record for 2015 a one-off non-cash income estimated at EUR520m.** As reported by the company, the organic improvement of the company combined with the acquisition of Igate lifts the prospects of taxable profits in the US. In accordance with non-IFRS rules, Capgemini expects to reassess the carrying amount of the deferred tax asset on US tax loss carry-forwards, which leads to record a net non-cash income estimated at EUR520m.
- **Positive for Capgemini, yet this will generate no impact on cash for FY15.** The company will report FY15 results on 18th February, and we do not expect a significant impact from the floods in the Chennai region in India in December 2015. We reiterate our forecasts, i.e. sales up 1.2% lfl to EUR11,966m with a non-IFRS operating margin of 10.3%. For 2016, we expect revenues up 3.6% lfl to EUR13,056m and a non-IFRS operating margin of 11.3%.

VALUATION

- Capgemini's shares are trading at est. 10.1x 2016 and 8.6x 2017 EV/EBIT multiples.
- Net cash position on 30th June 2015 was EUR1,464m (net gearing: -24%).

NEXT CATALYSTS

FY15 results on 18th February before markets open.
[Click here to download](#)

Gregory Ramirez, gramirez@bryangarnier.com

Healthcare

Korian

Price EUR32.60

New CFO named**Fair Value EUR38 (+17%)****SELL**

Bloomberg	KORI.FP
Reuters	KORI.PA
12-month High / Low (EUR)	36.3 / 28.9
Market Cap (EURm)	2,591
Avg. 6m daily volume (000)	111.7

	1 M	3 M	6 M	31/12/14
Absolute perf.	1.4%	-3.4%	11.9%	7.9%
Healthcare	-3.5%	0.2%	-5.3%	8.8%
DJ Stoxx 600	-6.7%	-5.6%	-8.5%	-0.3%

	2014	2015e	2016e	2017e
P/E	23.0x	22.3x	19.6x	17.5x
Div yield (%)	1.8%	1.8%	1.8%	1.8%

ANALYSIS

- As announced and after Jean-Bieuc Le Tinier's decision to leave Korian by 31st December, 2015, **Laurent Lemaire** has been appointed CFO of Korian and moreover he joins the Group Executive Committee.
- With Sophie Boissard, the new CEO who will take up her position on 26th January, Laurent Lemaire will manage the finance, legal and tax, purchases and IT departments. He will take up his position at the latest on 1st of March as scheduled.
- Laurent Lemaire was previously CFO of **Sopra Steria**, remembering that he joined Steria in 2007 as CFO.

VALUATION

- At the current share price, the stock is trading 11.9x EV/EBITDA 2015e and 10.3x 2016e which compares with an historical median of 9.3x and an EBITDA CAGR 2014-2017 of 7.4%.

NEXT CATALYSTS

- Sophie Boissard, new CEO arrival on 26th January
- FY 2015 revenue on 10th February
- FY 2015 result on 26th March

[Click here to download](#)Bruno de La Rochebrochard, bdelarochebrochard@bryangarnier.com

Construction & Building Materials

Saint Gobain

Price EUR36.15

Steady sales growth for Sika in Q4 2015

Fair Value EUR42 (+16%)

NEUTRAL

Bloomberg	SGO FP
Reuters	SGOB.PA
12-month High / Low (EUR)	44.5 / 33.4
Market Cap (EURm)	20,275
Avg. 6m daily volume (000)	2,106

	1 M	3 M	6 M	31/12/14
Absolute perf.	-6.2%	-8.8%	-12.3%	2.6%
Cons & Mat	-4.1%	-2.9%	-6.9%	8.9%
DJ Stoxx 600	-4.4%	-6.2%	-12.5%	-0.7%

	2014	2015e	2016e	2017e
P/E	18.3x	16.6x	13.4x	10.8x
Div yield (%)	3.4%	3.4%	3.6%	3.9%

ANALYSIS

- Mortar specialist Sika has published this morning steady top-line growth. In local currencies, Q4 sales increased by 8.3% and FY15 revenues increased by 6.2% at CHF5.5bn. By region, EMEA (half of sales) revenues were pretty resilient at +5.6%; LatAm impressive at +9.5% despite the macro; growth unsurprisingly good in North America (+8.4%) and Asia /Pacific more subdued of course at 2.1%, with Chinese sales declining. Sika's 2018 guidance has been raised, in particular an EBIT margin of 12-14% vs >10% previously. The 2015 EBIT margin is expected to stand close to 11.5-12.0%.
- We expect SGO 2015 consolidated sales to increase by 0.6% I-F-I and to generate a 6.5% EBIT margin. For the mortar business only, we expect a ~10% margin (our estimate as it is not reported) combined with flat sales growth. This good publication of Sika confirms the Swiss group is more dynamic and more profitable than Saint-Gobain. Hence the rationale of the deal for SGO.
- The SGO/Sika deal is still pending. As a reminder, the French group has offered EUR2.3bn to the Burkard family for the SWH holding which controls 16% of the equity and 52% of the voting rights of Sika - but the family has been prevented to fully use its voting rights so far. We expect a decision on this matter (i.e. the voting rights) from the Zug Court in the course of H1 2016. Appeals are possible and could extend legal process by up to two years. The current deal between SGO and the Burkard family is valid until June 2016 but can be extended once by the French group.

VALUATION

- EUR42 FV, derived from the application of historical EBIT multiples to FY17 est., discounted back.

NEXT CATALYSTS

- Saint-Gobain to publish FY results on 27 February 2016.

Eric Lemarié, elemarie@bryangarnier.com

Healthcare

DBV Technologies

Price EUR56.03

DBV not lagging behind Aimmune Therapeutics

Fair Value EUR92 (+64%)

BUY

Bloomberg	DBV FP
Reuters	DBV.PA
12-month High / Low (EUR)	81.0 / 37.8
Market Cap (EURm)	1,351
Avg. 6m daily volume (000)	55.50

	1 M	3 M	6 M	31/12/14
Absolute perf.	-5.2%	-9.1%	-9.0%	27.4%
Healthcare	-3.2%	-1.6%	-10.6%	6.7%
DJ Stoxx 600	-4.4%	-6.2%	-12.5%	-0.7%

	2014	2015e	2016e	2017e
P/E	NS	NS	NS	NS
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- Aimmune Therapeutics announced the enrolment of the first patients in phase III, PALISADE, trial for its Oral Immuno-Therapy product candidate indicated in peanut allergy patients. The results are expected in H2 2017, i.e. within the same timeframe as DBV's PEPITE phase III trial. While some might have doubts that DBV would potentially launch its product months behind Aimmune Therapeutics, we can now confirm with a certain level of confidence that the two products should reach the market at the same time upon development success.
- Although primary endpoints of both trials are at 52 weeks, we would highlight that Aimmune Therapeutics' trial carries more risks in our view. Indeed, while the cumulative reacting dose in the phase IIb trial was 443mg of peanut protein, it has been reached at 1043mg for the phase III. Moreover, we would highlight AIMT has only proven sustainability of the response through 22 weeks so far and that the number of adverse events has been higher than in DBV's phase IIb trial.
- Within the food allergy area, we would favour DBV. Remember that applications out of the allergy field (vaccine, CD..) could offer free upside should the trial be initiated.

VALUATION

- We reiterate our BUY rating and EUR93 fair value.

NEXT CATALYSTS

- Q1 2016: CoFAR6 study results (mechanistic, biomarkers). NIH-sponsored trial
- March 4th-7th: American Academy of Allergy, Asthma and Immunology (AAAAI)

[Click here to download](#)Hugo Solvet, hsolvet@bryangarnier.com

Healthcare

Galapagos

Price EUR53.00

Read-across from AZN/INCY co-dev. agreement and ABBV's ABT-494 phase III programme

Fair Value EUR64 (+21%)

BUY

Bloomberg	GLPG.BB
Reuters	GLPG.BR
12-month High / Low (EUR)	58.5 / 15.9
Market Cap (EURm)	2,071
Avg. 6m daily volume (000)	287.1

ANALYSIS

- ABBV unveiled its large phase III programme, ROBUST, for ABT-494, the latter aims at recruiting over 4,000 patients in five different studies out of which two have already opened recruitment in the US. ABBV interestingly communicated that the ROBUST programme should include a phase III trial in MTX-naïve patients as well as a head-to-head study vs. Humira. Recall that LLY's baricitinib phase III programme also included both designs. We would wait for Gilead and Galapagos to announce the design of the phase III programme for filgotinib, expected in the upcoming weeks, but now strongly believe that it will include a MTX-naïve population to benefit from a label at least the same as LLY's and ABBV's potential ones. The willingness to put JAK inhibitors prior to MTX in the treatment paradigm highlights physicians' interest in the class as well as the benefit of it over both MTX and anti-TNF α . Upon **(i)** launch of a phase III programme in this setting and **(ii)** approval with such a label for filgotinib, this might lead us to revise upward our peak sales (currently at EUR1.5bn in RA). The main reason for this is that, although we do not believe that JAK-inhibitors would effectively be used before MTX in the treatment paradigm considering its cheap price, this might accelerate ramp-up and overall recognition of the class.
- AstraZeneca (BUY – GBp5,550) and Incyte announced the expansion of their collaboration agreement with the launch of a dose-ranging phase I/IIa trial which should assess the safety and efficacy profile of INCB39110 in combination with Tagrisso (osimertinib) as a 2L treatment in EGFR mutation positive NSCLC patients. Incyte INCY should be responsible for conducting the trial. As a reminder, INCB39110 is a selective JAK1 inhibitor currently studied in Pre-clinical PoC in pancreatic cancer and other advanced malignancies while Tagrisso is an anti-EGFR indicated for EGFR mutation-positive patients harbouring the T790M resistance mutation. The latter drug has been approved by the FDA in late 2015 and recommended for approval in Europe by the CHMP. Combinations in immune-oncology have been an area of increasing interest and we would recall that GLPG, aside from having partnered filgotinib to Gilead, has regained the rights on a JAK inhibitor portfolio from GSK in 2014. Hence, we do not rule that the launch of such a combination might trigger interest from other pharma companies or speed-up the launch of other similar trials and believe that GLPG could be a potential partner in this buoyant field.

VALUATION

- These two read-acrosses do not trigger any change in our estimates, however, they reinforce our positive stance on the company.
- We reiterate our BUY rating and EUR64 fair value

NEXT CATALYSTS

- Q1 2016: GLPG1205 phase IIa readout in Ulcerative Colitis
- H1 2016: filgotinib 20w data in Crohn's Disease
- H2 2016: GLPG1837 (potentiator) and GLPG2222 (corrector)

[Click here to download](#)[Hugo Solvet, hsolvvet@bryangarnier.com](mailto:Hugo.Solvvet@bryangarnier.com)

TMT

Sopra Steria Group

Price EUR102.65

CFO Laurent Lemaire resigns, FY15 guidance confirmed

Fair Value EUR115 (+12%)

BUY

Bloomberg	SOP FP
Reuters	SOPR.PA
12-month High / Low (EUR)	112.0 / 64.8
Market Cap (EURm)	2,095
Avg. 6m daily volume (000)	27.50

	1 M	3 M	6 M	31/12/14
Absolute perf.	-7.4%	2.7%	28.5%	61.7%
Softw.& Comp.				
SVS	-4.3%	10.4%	9.1%	21.7%
DJ Stoxx 600	-6.7%	-5.6%	-8.5%	-0.3%

	2014	2015e	2016e	2017e
P/E	15.5x	14.7x	12.0x	10.3x
Div yield (%)	1.9%	1.9%	2.2%	2.7%

ANALYSIS

- **Yesterday evening Sopra Steria announced its CFO Laurent Lemaire has resigned.** Laurent Lemaire, who joined Steria in 2007 as CFO, then occupied the same position at Sopra Steria, has been appointed CFO of the nursing home specialist Korian, starting from 1st March. Sopra Steria indicated the group's CFO position (finance, facilities, procurement, internal IT, M&A...) would be opened to external candidates in H1 16. The deputy CFO, François Lefebvre, who served as Sopra's CFO over 2008-2014, will take over the finance function as from the end of January 2016.
- **FY15 guidance confirmed.** The company confirms FY15 targets, i.e. lfl revenue growth of c. 2% and an operating margin of c. 6.5% - we expect lfl revenue growth of 2.4% and an operating margin of 6.8% -, while free cash flow was planned to be close to zero. We understand that operations in Chennai (India), where Sopra Steria has slightly less than 2,000 staff, have been disturbed in December 2015 due to floods in the region (yet no disruption happened on critical tasks), but the negative impact (delays) is unlikely to be significant at the group level in Q4 15.

VALUATION

- Sopra Steria's shares are trading at est. 8.5x 2016 and 7.0x 2017 EV/EBIT multiples.
- Net debt on 30th June 2015 was EUR618.1m (net gearing: 55%).

NEXT CATALYSTS

FY15 results on 29th February before markets open.[Click here to download](#)

Gregory Ramirez, gramirez@bryangarnier.com

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 32.3%

SELL ratings 9.2%

Bryan Garnier Research Team

Healthcare Team	Pharmaceuticals	Eric Le Berrigaud <i>(Head of Equities)</i>	33 (0) 1 56 68 75 33	eleberrigaud@bryangarnier.com
	Biotech/Medtech	Mickael Chane-Du	33 (0) 1 70 36 57 45	mchanedu@bryangarnier.com
	Medtech/Biotech	Hugo Solvet	33 (0) 1 56 68 75 57	hsolvet@bryangarnier.com
Consumer Team	Luxury/Consumer Goods	Loïc Morvan	33 (0) 1 70 36 57 24	lmorvan@bryangarnier.com
	Beverages	Nikolaas Faes	33 (0) 1 56 68 75 72	nfaes@bryangarnier.com
	Retailing	Antoine Parison	33 (0) 1 70 36 57 03	aparison@bryangarnier.com
	Luxury /Consumer Goods	Cedric Rossi	33 (0) 1 70 36 57 25	crossi@bryangarnier.com
TMT	Food & Beverages	Virginie Roumage	33 (0) 1 56 68 75 22	vroumage@bryangarnier.com
	Video Games / Payments	Richard-Maxime Beaudoux	33 (0) 1 56 68 75 61	rmbeaudoux@bryangarnier.com
	Telecom	Thomas Coudry	33(0) 1 70 36 57 04	tcoudry@bryangarnier.com
	Software & IT Services	Gregory Ramirez	33 (0) 1 56 68 75 91	gramirez@bryangarnier.com
Utilities	Semiconductor	Dorian Terral	33 (0) 1 56 68 75 92	dterral@bryangarnier.com
Insurance		Xavier Caroen	33 (0) 1 56 68 75 18	xcaroen@bryangarnier.com
		Olivier Pauchaut <i>(Head of Research)</i>	33 (0) 1 56 68 75 49	opauchaut@bryangarnier.com
Hotels/Business Services		Bruno de La Rochebrochard	33 (0) 1 56 68 75 88	bdelarochebrochard@bryangarnier.com
Construction/ Infrastructures Building Materials		Eric Lemarié	33 (0) 1 70 36 57 17	elemarie@bryangarnier.com
Marketing		Sophie Braincourt	33(0) 1 56 68 75 36	sbraincourt@bryangarnier.com
Market Data & Information Systems Manager		Eric Monnier	33(0) 1 56 68 75 63	emonnier@bryangarnier.com

A copy of the Bryan Garnier & Co Limited conflicts policy in relation to the production of research is available at www.bryangarnier.com

London	Paris	New York	Geneva	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	rue de Grenus 7	The Imperial Hotel
15 St Botolph Street	75008 Paris	New York, NY 10022	CP 2113	Janpath
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Genève 1, CH 1211	New Delhi 110 001
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	Tel +4122 731 3263	Tel +91 11 4132 6062
Fax: +44 (0) 207 332 2559	Regulated by the Financial Conduct	FINRA and SIPC member	Fax+4122731 3243	+91 98 1111 5119
Authorised and regulated by	Authority (FCA) and l'Autorité de		Regulated by the	Fax +91 11 2621 9062
the Financial Conduct Authority	Contrôle prudentiel et de résolution		FINMA	
(FCA)	(ACPR)			



BRYAN, GARNIER & CO

Disclaimer:

Bryan Garnier & Co Limited, registered in England Number 03034095 with registered office : Beaufort House 15 St Botolph Street, London EC3A 7BB , United Kingdom and its MIFID branch registered in France Number 452 605 512 with registered office : 26, Avenue des Champs Elysées 75008 Paris , France. Bryan Garnier & Co Limited is authorised and regulated by the Financial Conduct Authority (Firm Reference Number 178733) and is a member of the London Stock Exchange.

This Report may not be reproduced, distributed or published by you for any purpose except with the Firms' prior written permission. The Firm reserves all rights in relation to this Report.

Past performance information contained in this Report is not an indication of future performance. The information in this report has not been audited or verified by an independent party and should not be seen as an indication of returns which might be received by investors. Similarly, where projections, forecasts, targeted or illustrative returns or related statements or expressions of opinion are given ("Forward Looking Information") they should not be regarded as a guarantee, prediction or definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. A number of factors, in addition to the risk factors stated in this Report, could cause actual results to differ materially from those in any Forward Looking Information.

Important information - This report may contain "Independent" and "Corporate/Non-independent" research reports.

Unless stated otherwise, documents in this report are classified under the FCA Handbook as being investment research (independent research). Bryan Garnier & Co Limited has in place the measures and arrangements required for investment research as set out in the FCA's Conduct of Business Sourcebook.

Independent investment research reports:

Independent investment research reports are prepared by Bryan Garnier & Co Limited and are distributed only to clients of Bryan Garnier & Co Limited (the "Firm"). Bryan Garnier & Co Limited is authorised and regulated by the Financial Conduct Authority ("FCA") and is a member of the London Stock Exchange.

These reports are provided for information purposes only and do not constitute an offer, or a solicitation of an offer, to buy or sell relevant securities, including securities mentioned in this Report and options, warrants or rights to or interests in any such securities. These reports are for general circulation to clients of the Firm and as such are not, and should not be construed as, investment advice or a personal recommendation. No account is taken of the investment objectives, financial situation or particular needs of any person. The information and opinions contained in these reports have been compiled from and are based upon generally available information which the Firm believes to be reliable but the accuracy of which cannot be guaranteed. All components and estimates given are statements of the Firm, or an associated company's, opinion only and no express representation or warranty is given or should be implied from such statements. All opinions expressed in these reports are subject to change without notice. To the fullest extent permitted by law neither the Firm nor any associated company accept any liability whatsoever for any direct or consequential loss arising from the use of these reports. Information may be available to the Firm and/or associated companies which is not reflected in these reports. The Firm or an associated company may have a consulting relationship with a company which is the subject of these reports.

Corporate or Non-Independent investment research reports:

Non-independent research reports are prepared by Bryan Garnier & Co Limited and are being distributed only to clients of Bryan Garnier & Co Limited (the "Firm"). Bryan Garnier & Co Limited is authorised and regulated by the Financial Conduct Authority ("FCA") and is a member of the London Stock Exchange.

These reports have been sent to you for marketing purposes only and are non-independent research within the meaning of the FCA rules. These reports are not being held out as an objective or independent explanation of the matters contained in them and should not be treated as such. These reports have not been prepared in accordance with the legal requirements designed to promote the independence of investment research. The Firm is not subject to any prohibition on dealing ahead of the dissemination of investment research.

These reports usually focus on emerging European growth companies. The contents of these reports as well as the other research documents on emerging growth stocks do not contain the Firm's usual stock ratings. The intrinsic value analysis is presented to provide a framework for stock valuation and discussion, and represents an estimated value on the date of publishing, which may be subject to change without notice.

The Firm's rationale for not having ratings on the stock includes the fact that such stock may have limited market capitalisation and liquidity and while the Firm may express an opinion on the near-term movement of the stock, what action investors should take depends on many factors, including liquidity/risk tolerance, holdings timeframe and investment philosophy. Emerging companies evolve rapidly with a continuous flow of information that can significantly impact the company and in the Firm's opinion this cannot be reflected by a periodic rating. Additionally, the Firm may have an advisory relationship with the company which is the subject of these reports, including for the production of sponsored research, and may expect to receive or intend to seek compensation for investment banking services from that company in the six months following the date of these reports.

To the fullest extent permitted by law, the Firm does not accept any liability whatsoever for any direct or consequential loss arising from any use of the information contained in these reports. Information may be available to the Firm which is not reflected in these reports. They are provided for information purposes only and do not constitute an offer or solicitation to buy or sell any of the securities discussed in them. These reports are for general circulation to clients of the Firm and as such are not, and should not be construed as, investment advice or a personal recommendation. No account is taken of the investment objectives, financial situation or particular needs of any person.

Disclosures specific to clients in the United Kingdom

This Report has not been approved by Bryan Garnier & Co Limited for the purposes of section 21 of the Financial Services and Markets Act 2000 because it is being distributed in the United Kingdom only to persons who have been classified by Bryan Garnier & Co Limited as professional clients or eligible counterparties. Any recipient who is not such a person should return the Report to Bryan Garnier & Co Limited immediately and should not rely on it for any purposes whatsoever.

Notice to US investors

This research report (the "Report") was prepared by Bryan Garnier & Co Limited for information purposes only. The Report is intended for distribution in the United States to "Major US Institutional Investors" as defined in SEC Rule 15a-6 and may not be furnished to any other person in the United States. Each Major US Institutional Investor which receives a copy of this Report by its acceptance hereof represents and agrees that it shall not distribute or provide this Report to any other person. Any US person that desires to effect transactions in any security discussed in this Report should call or write to our US affiliated broker, Bryan Garnier Securities, LLC, 750 Lexington Avenue, New York NY 10022. Telephone: 1-212-337-7000.

This Report is based on information obtained from sources that Bryan Garnier & Co. Ltd. believes to be reliable and, to the best of its knowledge, contains no misleading, untrue or false statements but which it has not independently verified. Neither Bryan Garnier & Co. Ltd. and/or Bryan Garnier Securities LLC make no guarantee, representation or warranty as to its accuracy or completeness. Expressions of opinion herein are subject to change without notice. This Report is not an offer to buy or sell any security.

Bryan Garnier Securities, LLC and/or its affiliate, Bryan Garnier & Co Limited may own more than 1% of the securities of the company(ies) which is (are) the subject matter of this Report, may act as a market maker in the securities of the company(ies) discussed herein, may manage or co-manage a public offering of securities for the subject company(ies), may sell such securities to or buy them from customers on a principal basis and may also perform or seek to perform investment banking services for the company(ies).

Bryan Garnier Securities, LLC and/or Bryan Garnier & Co Limited are unaware of any actual, material conflict of interest of the research analyst who prepared this Report and are also not aware that the research analyst knew or had reason to know of any actual, material conflict of interest at the time this Report is distributed or made available....