Please find our Research on Bloomberg BRYG <GO>)

14th January 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	16151.41	-2.21%	-9.38%
S&P 500	1890.28	-2.50%	-8.19%
Nasdaq	4526.06	-3.41%	-4.43%
Nikkei	17240.95	-2.68%	+1.52%
Stoxx 600	344.63	+0.41%	+0.61%
CAC 40	4391.94	+0.30%	+2.79%
Oil /Gold			
Crude WTI	30.48	-0.39%	-43.37%
Gold (once)	1090.18	+0.10%	-8.10%
Currencies/Rates			
EUR/USD	1.08495	+0.22%	-10.34%
EUR/CHF	1.0951	+0.80%	-8.92%
German 10 years	0.508	-4.19%	-6.17%
French 10 years	0.893	-3.72%	+6.59%

Economic releases :

Date	
14th-Jan	DE - GDP (+1.7% exp. y/y) GB - BOE rate decision (0.5% exp.) US - Fed's release speaks to Eco. Club of Memphis US - Import Price Index Dec. (-8.4% exp.) US - Initial Jobless Claims (275k exp.) US - Continuing claims

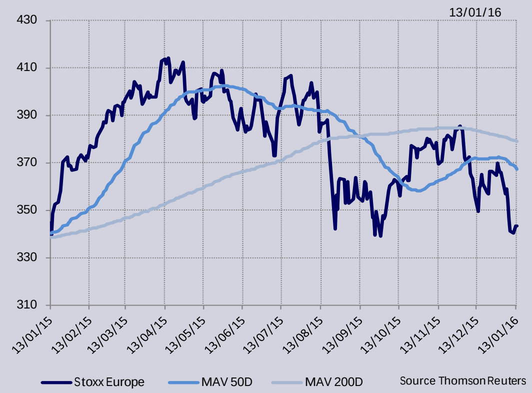
Upcoming BG events :

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	
13th-Jan	A spicer dish (Nestlé, coverage initiation)
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	Food retailing Anorexic growth… the bigger the better!

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



AEGON — BUY, Fair Value EUR6.4 vs. EUR6.2 (+18%)

Redemption

Aegon yesterday highlighted the 3 key pillars of its 2016-2018 strategy: solvency (Solvency II ratio in the 140-170% range), profitability (ROE up to 10% by 2018) and shareholder return (EUR2.1bn to be returned by 2018 through dividend and share buybacks). Yesterday's share price reaction (+10%) was justified, as the plan addresses the right topics and is pretty convincing. Yet we continue to believe that, at this point, Aegon still deserves some discount to peers (but maybe not 30%) as the fundamentals are not as strong as those of AXA or Allianz and it has to rebuild a track record. Remember higher US rates and a strong USD are also positive for the equity story.

CASINO GUICHARD — BUY, Fair Value EUR54 (+35%)

Q4 (first take): H2 15 EBITDA should be significantly higher than in H2 14 thanks to the retail activities

Let's try a moment to forget Muddy Waters (which, again, has demonstrated a crual sense of timing…) to focus on today's figures. GPA and Cnova had already released their trading statements and hence today's focus is mostly on France (which remains reassuring). At this early stage, in the light of today's publication, we remain reasonably optimistic when it comes to the key guidance which is for a 2016 FCF after financial expenses and dividends of "above EUR200m" in France. Management stipulates that "the Group has a good visibility for profitability in France.

DIALOG SEMICONDUCTOR — NEUTRAL, Fair Value EUR38 vs. EUR34 (+44%)

To remain capped until the core business regains its historical sales growth momentum

Yesterday, Atmel announced that the Board had reviewed the Microchip offer and deemed it superior to the one from Dialog. As a result, with the Atmel acquisition very likely to fail, we must now revert to Dialog's core business. Over the few last months, however, this core business has been hit by weaknesses in the Apple value chain, maintaining pressure on the management to accelerate the diversification strategy. This leads to a tricky situation where the stock retains a high risk profile and weak momentum until Apple returns to shipment growth. In our view, it explains the limited positive reaction of the stock yesterday after the Atmel announcement. Our FV is up to EUR38 but, given the particularly unsupportive momentum, we maintain our Neutral recommendation.

METRO AG — SELL, Fair Value EUR24 (-13%)

Estimates adjustment: we remain somewhat timorous

There is no denying that Metro is seeing pretty decent momentum compared with its situation of a few years ago. Nevertheless, we are not fully reassured as to its commercial potential (on account of the deceleration in Russia notably) and sometimes have the feeling that the group is more revered for its tax-engineering than for its underlying operating performances. Question marks remain regarding notably Russia (structure of the market and consumption environment) and e-commerce which, at this stage, prevent us from having a more positive stance on the stock. We maintain our sell rating and our Fair Value of EUR24.

RICHEMONT — BUY, Fair Value CHF90 (+37%)

4% organic sales decline in Q3, slowdown vs H1 as expected

Richemont this morning reported Q3 sales at EUR2.93bn (+3%), implying a 4% organic sales decline (-4.5% expected by BG) after +3% in H1 and -6% in October. Europe sales are down 3% during the quarter versus +24% in H1 while the situation is Asia-Pacific is less dramatic (-9%) than in the H1 (-17%). We maintain our Buy recommendation with an unchanged CHF90 FV.

TESCO — NEUTRAL, Fair Value 166p (+7%)

Q3 trading statement (first take): encouraging signs, but we remain timorous

At this stage, today's statement does not allow us to amend our conviction according to which other catalysts can only be considered once the Tesco has restored strong LFL rates in the UK. Hence, at this stage, we maintain our Neutral rating.

In brief…

BEIERSDORF, *FY sales grew by 3% organically, in line with market expectations*

SAINT GOBAIN, *Positive read across from SIG Plc's Q4 performance in France*

Insurance

Aegon

Price EUR5.43

Redemption

Fair Value EUR6.4 vs. EUR6.2 (+18%) **BUY**

Bloomberg	AGN NA
Reuters	AEGN.AS
12-month High / Low (EUR)	7.7 / 4.8
Market Cap (EUR)	11,658
Emb. Value (BG Est.) (EUR)	18,936
Avg. 6m daily volume ('000)	9,069
3y EPS CAGR	5.8%

	1 M	3 M	6 M	31/12/14
Absolute perf.	5.4%	-0.1%	-21.3%	-13.2%
Insurance	-3.3%	2.3%	-6.5%	7.5%
DJ Stoxx 600	-3.1%	-3.9%	-13.1%	0.6%

(€m)	2014	2015e	2016e	2017e
Total gross prem.	20,370	21,119	21,821	22,554
% change		*3.7%*	*3.3%*	*3.4%*
Insurance op. profit	1,865	1,964	2,060	2,156
Total operating profit	1,865	1,964	2,060	2,156
Underlying PTP	1,460	646.3	2,210	2,305
% change		*-55.7%*	*NM*	*4.3%*
Net attributable profit	*1,416*	*1,473*	*1,545*	*1,617*
% Change		*4.0%*	*4.9%*	*4.6%*

(€m)	2014	2015e	2016e	2017e
Shareholders' equity	24,293	23,435	23,603	24,718
Technical reserves :				
-Life net (excl. UL)	127,286	133,650	140,333	147,349
-UL contracts	194,099	203,804	213,994	224,694
-P&C net	7,443	7,815	8,206	8,616
NAV net of intangibles	21,043	20,022	20,019	20,955
Embedded value	18,936	19,958	21,030	22,154

(€)	2014	2015e	2016e	2017e
EPS (€)	0.67	0.70	0.75	0.80
% change	-	*4.2%*	*6.7%*	*6.5%*
P/E	8.1x	7.8x	7.3x	6.8x
P/NAV (%)	0.5x	0.5x	0.5x	0.5x
ROE	5.4	2.1	7.3	7.5
Dividends	0.23	0.25	0.28	0.31
Div yield (%)	4.2%	4.6%	5.1%	5.7%

Aegon yesterday highlighted the 3 key pillars of its 2016-2018 strategy: solvency (Solvency II ratio in the 140-170% range), profitability (ROE up to 10% by 2018) and shareholder return (EUR2.1bn to be returned by 2018 through dividend and share buybacks). Yesterday's share price reaction (+10%) was justified, as the plan addresses the right topics and is pretty convincing. Yet we continue to believe that, at this point, Aegon still deserves some discount to peers (but maybe not 30%) as the fundamentals are not as strong as those of AXA or Allianz and it has to rebuild a track record. Remember higher US rates and a strong USD are also positive for the equity story.

ANALYSIS

- The Solvency II margin at end-2015 (based on an approved partial internal model) is c. 160%, which is OK considering the guidance the company provided last summer (140-170%). The company has stated that this 140-170% range corresponds to its optimal one given the low market sensitivity of the ratio. As such, the bad news is that this range is below current industry standards (170-220%) and this may sound aggressive for the current early hours of Solvency II. But the good news is that Aegon's strategy will not be constrained by the need to build up the capital position.
- The company plans to drive ROE up to 10% by 2018 (vs. 8.5% adjusted in 2015e), mainly via cost savings (annual operating expenses cut of EUR0.2bn by 2018, mainly in the Americas and in Europe) and organic growth (fee business in the Americas, business development in CEE, Asia and Asset Management). We see i/ the restructuring of the US operations into a functionally-organised business, and ii/ the "exploration of options" for some non-core businesses (e.g. UK annuity book, NL commercial non-life, as positive.
- Operational free cash flows for the 2016-2018 period are expected to reach EUR4.2bn, which should translate into EUR3.3bn cumulative group free cash flows (after remittance to the holding company and holding company expenses). As a consequence, the company plans to return EUR2.1bn to shareholders over the period, in the form of dividends (EUR1.7bn) and share buybacks (EUR0.4bn in 2016, of which EUR0.2bn before the end of March 2016). The proposed dividend for H2 2015 is EUR0.13, i.e. EUR0.25 for FY 2015 (up 9%), equivalent to a 4.6% yield.

VALUATION

- No change to our numbers, as they already integrate some of today's announcements. At this stage we do not deem it reasonable to give the company the full credit.
- We slightly raise our dividend expectations (+1c for 2016 and +2c for 2017).
- We take into consideration the 2016 share buyback program.
- Our new fair value is EUR6.4 vs. EUR6.2.

NEXT CATALYSTS

- FY 2015 numbers on 19th February.

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Food retailing

Casino Guichard

Price EUR40.08

Q4 (first take): H2 15 EBITDA should be significantly higher than in H2 14 thanks to the retail activities

Fair Value EUR54 (+35%) **BUY**

Bloomberg	CO FP
Reuters	CASP.PA
12-month High / Low (EUR)	87.3 / 39.8
Market Cap (EURm)	4,536
Ev (BG Estimates) (EURm)	14,992
Avg. 6m daily volume (000)	675.5
3y EPS CAGR	-11.9%

	1 M	3 M	6 M	31/12/14
Absolute perf.	-12.1%	-27.9%	-40.4%	-47.6%
Food Retailing	0.1%	-7.0%	-8.1%	6.1%
DJ Stoxx 600	-3.5%	-5.1%	-11.7%	0.2%

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	9.0x	17.5x	15.0x	13.2x
FCF yield (%)	15.3%	0.0%	3.1%	11.4%
Dividends (EUR)	3.12	3.12	3.12	3.12
Div yield (%)	7.8%	7.8%	7.8%	7.8%
EV/Sales	0.4x	0.3x	0.3x	0.3x
EV/EBITDA	5.4x	6.0x	5.9x	5.6x
EV/EBIT	10.0x	9.4x	9.8x	9.5x

Let's try a moment to forget Muddy Waters (which, again, has demonstrated a crual sense of timing...) to focus on today's figures. GPA and Cnova had already released their trading statements and hence today's focus is mostly on France (which remains reassuring). At this early stage, in the light of today's publication, we remain reasonably optimistic when it comes to the key guidance which is for a 2016 FCF after financial expenses and dividends of "above EUR200m" in France. Management stipulates that "the Group has a good visibility for profitability in France. H2 2015 EBITDA should be significantly higher than H2 2014 EBITDA thanks to retail activities (ed: and not thanks to massive property development revenues?), with a clear trend of margin improvement starting from 2016"

As far as the domestic market is concerned (+1.4% LFL excl. fuel and calendar effects vs+1.0%e and +2.4% in Q3), this statement is solid. Although Q4 2015 was penalised by **1/** the events in Paris and **2/** unfavourable weather conditions for clothing items notably, the figures remain, at this stage, fairly reassuring as to Casino's commercial recovery and FCF prospects in France. Both Hypermarkets (+2.8% vs +2.5e and +3.5% in Q3) and FP/LP (+1.9% vs +0.0%e and +1.7% in Q3) show rather flattering figures, while Monoprix (+0.1% vs +0.5%e and +2.2% in Q3) and Supermarché Casino (+0.0% vs +0.0%e and +0.7% in Q3) proved relatively resilient. To be honest, we expected no less from Casino, following its price repositioning campaign however, the work that has been accomplished in that context cannot be ignored. Regarding the rapid refocusing on France (A few comments following our RS with CEO (JC Naouri) and CFO (A Giscard d'Estaing) in Paris), Casino delivered in Q4.

Unsurpisingly, the picture is not as rosy when it comes to the international BU. Latam Retail turned out to be fairly resilient (+1.3% vs +1.5%e and +2.4% in Q3) while Latam electronics remains a nightmare (-15.2%e vs -20%e and -24.7% in Q3). So far, no great shakes. Asia, is where it gets tricky. Given price investment, the LFL came in at –5.3% (vs -5.5%e), a sequential deterioration over a disappointing Q3 (-4.7%). This performance is unlikely to reassure scalded investors even if volumes are positive. Note that, in our SOTP, Asia now represents ~40%e of Casino's EV (as a result of the "dwarfed" Latam region). Of course Thaïland is not Brazil and we have good reasons to believe that Big C's cash margin potential is fairly resilient (with real estate notably). However, it is very important that potential worries about Asian growth are not overweighted due to this rebalancing. Lastly, Cnova is not encouraging with -8.1% LFL (vs -6%e and +7.7% in Q3).

How to approach this new publication?

Casino was strongly impacted by Muddy Waters' two reports. Numbers can be made to say anything... We finally noticed that the majority of their content raised known issues that have been discussed over and over again (including the geographical averaging of debt and cash flows, the sustainability of the dividend, property development revenues etc...). But in the end, once again, one has to remember that these reports only reflect investors' latent exasperation (indebtness and complexity of the group). To break this vicious circle and win back the favors of the market, we believe that there are milestones to achieve:

1/ Management must reassure that it is truly willing to pursue a clear strategy of deleveraging (a minimum of EUR2bn has been announced from asset disposals) through outright disposals (and not financial engineering) on good multiples (we await the exit terms from Vietnam);

2/ The market is no longer deluding itself about Brazil and the stock barely reacted following the latest broker EPS adjustments linked to Brazil (indeed, such adjustments are already reflected in the share price via the SOTP). Hence, as a result, domestic FCF has become the main KPI;

3/ Although the market has not reacted to the latest adjustments, we do not see the stock recovering before all the earning revisions are behind us. The current underlying BBG EBIT consensus is for EUR1,727m (vs EUR1,513m for us) and seems inadequate considering the latest publications from GPA and Cnova.

While the first two points are, at this stage, rather well engaged (**1/** forecast given about asset disposals and **2/** momentum building in France) this is not the case for the third as we expect further EBIT/EPS downgrades. Therefore, more patience is needed for the momentum to reverse. *Click here to download*

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Return to front page

TMT

Dialog Semiconductor

Price EUR26.41

To remain capped until the core business regains its historical sales growth momentum

Fair Value EUR38 vs. EUR34 (+44%) **NEUTRAL**

Bloomberg	DLG GR
Reuters	DLGS.DE
12-month High / Low (EUR)	53.3 / 26.4
Market Cap (EURm)	2,057
Ev (BG Estimates) (EURm)	1,598
Avg. 6m daily volume (000)	18.20
3y EPS CAGR	18.4%

	1 M	3 M	6 M	31/12/14
Absolute perf.	-18.7%	-32.0%	-47.3%	-9.9%
Semiconductors	-8.6%	-2.6%	-13.9%	-16.2%
DJ Stoxx 600	-3.5%	-5.1%	-11.7%	0.2%

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	11.6x	9.7x	8.8x	7.0x
FCF yield (%)	11.2%	8.2%	9.4%	11.6%
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	6.8x	4.5x	3.6x	2.6x
EV/EBIT	8.4x	5.3x	4.4x	3.0x

Yesterday, Atmel announced that the Board had reviewed the Microchip offer and deemed it superior to the one from Dialog. As a result, with the Atmel acquisition very likely to fail, we must now revert to Dialog's core business. Over the few last months, however, this core business has been hit by weaknesses in the Apple value chain, maintaining pressure on the management to accelerate the diversification strategy. This leads to a tricky situation where the stock retains a high risk profile and weak momentum until Apple returns to shipment growth. In our view, it explains the limited positive reaction of the stock yesterday after the Atmel announcement. Our FV is up to EUR38 but, given the particularly unsupportive momentum, we maintain our Neutral recommendation.

ANALYSIS

- **Microchip offer on Atmel is seen as superior to the one from Dialog**. In a press release published yesterday, Atmel announced that the Board had reviewed the Microchip proposal and deemed it superior to the one from Dialog. As a result, Atmel intends to terminate the Dialog merger agreement and enter into a definitive merger agreement with Microchip. Microchip's bid is USD8.15/share including USD7/share in cash (DLG was USD7.85/share). If Atmel terminates the Dialog agreement, it will have to pay breakup fees of USD137m to Dialog. However, note that despite Atmel's Board preferring the Microchip proposal, Atmel has yet to confirm that they will terminate the Dialog merger agreement. This also explains the limited positive impact on yesterday's stock price, even if it looks difficult to go backward after such an announcement.

- **A higher bid is technically possible but very unlikely in our view**. We recall that the Atmel deal is a cash and equity deal. On the one hand, the group has a very limited possibilities regarding the cash part of the deal since it is mainly raising debt resulting in a pro forma Net debt to EBITDA ratio of about 3x. On the other hand, proposing more equity is likely to require a new vote by shareholders, which we believe would have little chance of passing at a new GM. Indeed, the original deal involved significant dilution for DLG shareholders with 49m shares planned to be issued. This was barely acceptable to shareholders with only 62% voting "for". As a result, in our view, there is a very limited chance of seeing a higher bid from Dialog.

- **In addition, Dialog's core business has proved more fragile than expected over the last few months, leading to a challenging situation.** This is due to both a degradation in the economic situation in Asia and high comps with the exceptional performance of the iPhone 6 one year ago. As a result, in addition to the controversial Atmel deal, Dialog has been impacted by a poor news flow over the last few months with: 1/disappointing Q4-15 guidance announced in October, 2/ an update with a cut in the guidance in December and 3/ disappointing FY16 guidance few days ago. With the recent weakness in the core business, we believe that Dialog has no choice but to find a way to accelerate its diversification.

- **Three scenarii but none of them is sexy while the core business remains under pressure**. In our view, there are 3 scenarii: **1/** the group chose to accelerate its diversification organically through higher investments in the connectivity business (9% of total group sales in Q3-15) and the power conversion division (6.5% of group sales in Q3-15) or through small acquisitions. This scenario would probably lead to some margin pressure (R&D+Sales and marketing or integration) and the dilution of the first client would come gradually, leading to a progressive increase on the stock price. **2/** Dialog continues to scan the market for a new target with a similar size to Atmel to reduce the Apple part of the business to below 50% with one deal. This second scenario would lead to a similar situation to the Atmel deal and, given the current net cash position, leads to potentially high dilution for current shareholders. **3/** the group fails to diversify. In our view, the first scenario remains the most attractive but we expect the stock momentum to remain poor until the core business regains its historical sales growth momentum.

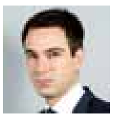
VALUATION

- Note that our previous FV included all the negative impact of Atmel (our estimates did not). Given the low chance of Dialog finally acquiring Atmel, we withdraw the negative impacts of the Atmel deal in the Dialog accounts (used to calculate our previous FV). However, with 1/ Apple shipments slowing (Apple represents about 80% of Dialog sales), 2/ a degradation in smartphone market conditions, and 3/ a new potentially dilutive deal motivated by a determination to dilute the main client as a proportion of total group sales, we consider fair it to maintain the beta at 1.6 in our DCF and the 15% discount vs. peers applied as of the Atmel acquisition announcement. Our new FV is EUR38 versus our FV of EUR57 prior to 1/ the announcement of the Atmel deal, 2/ the series of disappointments mainly driven by lower volumes and 3/ a weaker environment. **Given the particularly unsupportive momentum, we maintain our Neutral recommandation.**
- Less than 6 months ago, Dialog was one of our favorite stocks in the European semiconductor landscape. The group benefited from strong momentum, a business model offering limited volatility compared with peers (developing custom products creating strong partnership with clients vs. catalog products), and an increasing, although limited, diversification. In early 2016, the group's profile significantly changed due to both internal and external factors. Today, Dialog's share trades at a 12m fwd P/E of 9.6x versus 17.8x 6 months ago.

NEXT CATALYSTS

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

Click here to download



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Food retailing

Metro AG

Price EUR27.49

Estimates adjustment: we remain somewhat timorous

Fair Value EUR24 (-13%) **SELL**

Bloomberg	MEO GY
Reuters	MEOG.DE
12-month High / Low (EUR)	34.6 / 23.4
Market Cap (EURm)	8,910
Ev (BG Estimates) (EURm)	11,744
Avg. 6m daily volume (000)	993.3
3y EPS CAGR	16.0%

	1 M	3 M	6 M	31/12/14
Absolute perf.	2.9%	1.9%	-3.5%	8.6%
Food Retailing	0.1%	-7.0%	-8.1%	6.1%
DJ Stoxx 600	-3.5%	-5.1%	-11.7%	0.2%

YEnd Sept. (EURm)	09/15	09/16e	09/17e	09/18e
Sales	59,220	59,060	60,610	62,205
% change		*-0.3%*	*2.6%*	*2.6%*
EBITDA	2,457	2,494	2,625	2,762
EBIT	711.0	1,519	1,625	1,735
% change		*113.7%*	*7.0%*	*6.8%*
Net income	502.3	609.9	693.2	783.4
% change		*21.4%*	*13.7%*	*13.0%*

	09/15	09/16e	09/17e	09/18e
Operating margin	2.6	2.6	2.7	2.8
Net margin	0.8	1.0	1.1	1.3
ROE	NM	NM	NM	NM
ROCE	10.5	10.4	10.3	10.3
Gearing	48.9	43.4	44.2	43.2

(EUR)	09/15	09/16e	09/17e	09/18e
EPS	1.54	1.87	2.12	2.40
% change	-	*21.4%*	*13.7%*	*13.0%*
P/E	17.9x	14.7x	13.0x	11.5x
FCF yield (%)	NM	NM	NM	NM
Dividends (EUR)	1.00	0.98	1.02	1.05
Div yield (%)	3.6%	3.6%	3.7%	3.8%
EV/Sales	0.2x	0.2x	0.2x	0.2x
EV/EBITDA	4.8x	4.7x	4.6x	4.4x
EV/EBIT	16.7x	7.7x	7.4x	7.0x

There is no denying that Metro is seeing pretty decent momentum compared with its situation of a few years ago. Nevertheless, we are not fully reassured as to its commercial potential (on account of the deceleration in Russia notably) and sometimes have the feeling that the group is more revered for its tax-engineering than for its underlying operating performances. Question marks remain regarding notably Russia (structure of the market and consumption environment) and e-commerce which, at this stage, prevent us from having a more positive stance on the stock. We maintain our sell rating and our Fair Value of EUR24.

Reminder of the Q1 2016 LFL figures

With hindsight, the Q1 2016 trading statement was not that exciting:

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%;

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;

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.

We have cut our 2016/18 EPS by 2.5% on average

Following Q1 16, we have cut our 2016/18 EPS by 2.5% on average, on account of a soft environment in Russia notably. There is no denying that the momentum has been fairly good at Metro in recent quarters and that the group is in better shape today than it was in the past. Moreover, there is a lever on EPS which is linked to the shifting of costs out of Germany, in a bid to boost the domestic operating result at Metro C&C notably and thus activate the loss carry forward. Nevertheless, Metro has had a habit of disappointing in the past which, today, prevents us from taking its mid-term operating guidances and optimism systematically for granted.

Tax engineering vs commercial potential

The favorable tax lever should not eclipse commercial trends that are notably characterized by a deceleration in Russia (which was probably down mid-single digit LFL in Q1 2016). For the FY 2015, one has to bear in mind that Metro beat the consensus (EUR1,511m vs EUR1,470m e) thanks to property development revenues (~EUR150m) that are incorporated in the EBITDA (something for which Casino is routinely heavily criticized). In the end, it is not so much Metro's operating potential which seems to be acclaimed by the consensus (49% of Buy ratings, 37% Hold and 14% Sell), but rather the tax engineering potential. Yet, in a fixed cost industry, the commercial potential should be the priority.

Question marks remain regarding Russia and e-commerce

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 stigmatizing and harshly punishing margin rate policies, a margin rate at this level leaves us somewhat perplexed. Hence, the uncertainty overhanging Russia somewhat wipes out the value characteristics. Moreover, we are drawn by the situation of Media Saturn outside Russia given that it is in the front row concerning the ramp-up of e-commerce. We maintain our Sell rating and our Fair Value of EUR24.

VALUATION

- Metro is trading at a 14.7x 2016 P/E vs 16x for our sample (15x excluding Tesco)

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Luxury & Consumer Goods

Richemont

Price CHF65.55

4% organic sales decline in Q3, slowdown vs H1 as expected

Fair Value CHF90 (+37%) **BUY**

Bloomberg	CFR VX
Reuters	CFR.VX
12-month High / Low (CHF)	91.1 / 65.0
Market Cap (CHF)	36,708
Ev (BG Estimates) (CHF)	28,751
Avg. 6m daily volume (000)	1,673
3y EPS CAGR	19.9%

	1 M	3 M	6 M	31/12/14
Absolute perf.	-7.1%	-21.7%	-14.0%	-26.2%
Pers & H/H Gds	-2.2%	-4.9%	-4.4%	13.0%
DJ Stoxx 600	-3.5%	-5.1%	-11.7%	0.2%

YEnd Mar. (EURm)	03/15	03/16e	03/17e	03/18e
Sales	10,410	11,350	12,030	12,760
% change		*9.0%*	*6.0%*	*6.1%*
EBITDA	3,060	2,900	3,160	3,445
EBIT	2,436	2,500	2,760	3,070
% change		*2.6%*	*10.4%*	*11.2%*
Net income	1,336	1,850	2,077	2,303
% change		*38.5%*	*12.3%*	*10.9%*

	03/15	03/16e	03/17e	03/18e
Operating margin	23.4	22.0	22.9	24.1
Net margin	12.8	16.3	17.3	18.0
ROE	9.3	10.8	10.4	10.1
ROCE	23.3	21.3	21.2	21.4
Gearing	-39.6	-42.6	-45.8	-48.6

(EUR)	03/15	03/16e	03/17e	03/18e
EPS	2.39	3.30	3.71	4.11
% change	-	*38.5%*	*12.3%*	*10.9%*
P/E	25.3x	18.3x	16.3x	14.7x
FCF yield (%)	4.4%	7.3%	8.1%	9.1%
Dividends (EUR)	1.60	1.85	2.10	2.20
Div yield (%)	2.7%	3.1%	3.5%	3.6%
EV/Sales	2.7x	2.3x	2.0x	1.8x
EV/EBITDA	9.2x	9.1x	7.8x	6.6x
EV/EBIT	11.5x	10.6x	8.9x	7.4x

Richemont this morning reported Q3 sales at EUR2.93bn (+3%), implying a 4% organic sales decline (-4.5% expected by BG) after +3% in H1 and -6% in October. Europe sales are down 3% during the quarter versus +24% in H1 while the situation is Asia-Pacific is less dramatic (-9%) than in the H1 (-17%). We maintain our Buy recommendation with an unchanged CHF90 FV.

ANALYSIS

- **Richemont's 9m and Q3 sales reached a respective EUR8.75bn (+11%) and EUR2.93bn (+3%)** with 1% organic sales growth for 9m and 4% organic sales decline in Q3 alone (almost in line with our estimates but below consensus -3%), versus -6% in October. The better trend in November and December vs October is due to better distribution mix in our view. By geographical area, we would highlight the still-strong increase in **Japan** (9% of Group sales) with +9% in Q3 despite some slowdown versus H1 (+44%) , affected by a tougher comparison basis. Sales in **Europe** (31% of Group sales) declined 3% in Q3 following +24% in H1, given the lack of tourism from November, we assume this to be the consequence of the attacks in Paris on November 13. On the other hand, while the momentum remained negative in **Asia-Pacific** (33% of Group sales) with a 9% revenue decline, it did show some sequential improvement after the 17% decrease in H1). The rate of sales growth continues to improve in **Mainland China** (8% of sales) while momentum in **Hong Kong** (13% of sales) and Macau is still negative. Poor watch demand in APAC is driving a sales decline. Sales in the **Americas** (15% of CFR revenues) declined by 3% in Q3 after a poor +1% in H1, here too affected by weak demand for watches while jewellery showed good growth.

Quarterly organic sales growth by geographical area

Ifl chge %	5m 2016	H1 2016	Q3 2016	9m 2016
Europe	26	24	-3	15
Middle East	2	4	0	2
Asia Pacific	-18	-17	-9	-15
America	2	1	-3	-1
Japan	48	44	9	30
Group	**4**	**3**	**-4**	**1**

Source : Company Data; Bryan Garnier & Co. ests.

- **By business, it is worth noting that in Q3 Jewelry Maisons (Cartier and Van Cleef & Arpels) performed in line with Specialists Watches** with a revenue decline of 4%. We assume that again Jewelry did fairly well with "good demand" and watches suffered significantly even at the Cartier brand. We also assume that Cartier jewellery has likely been impacted by the Paris attacks. **Others** sales were up by 3% in Q3, thanks to positive performances at Montblanxc and Chloé. By **distribution mix**, Retail sales (55% of CFR revenues) remained stable in Q3, affected by the European sales decline. Wholesale sales suffered even more with a 8% revenue decline. The trend of Retail outperformance continues at Richemont.

- Our FY 2015/16 sales forecasts remain unchanged at EUR11.33bn with the -0.5% sales decline this implies for Q4 (-4.5%), almost the same trend as in Q3, in line with the management's commentary on a still "challenging environment in the final quarter". We expect the FY EBIT margin to be down by 210bp to 21.3%.

VALUATION

- We maintain our Buy recommendation on the stock despite the challenging current environment, as it looks attractive in terms of valuation with a 7% discount vs peers on 2016 EV/EBIT.

NEXT CATALYSTS

- FY 2015/16 results to be reported on May 20.

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Food retailing

Tesco

Price 155.20p

Q3 trading statement (first take): encouraging signs, but we remain timorous

Fair Value 166p (+7%) **NEUTRAL**

Bloomberg	TSCO LN
Reuters	TSCO.L
12-month High / Low (p)	251.0 / 139.2
Market Cap (GBPm)	12,635
Ev (BG Estimates) (GBPm)	20,160
Avg. 6m daily volume (000)	23 645
3y EPS CAGR	0.3%

	1 M	3 M	6 M	31/12/14
Absolute perf.	7.5%	-23.1%	-25.3%	-17.9%
Food Retailing	0.1%	-7.0%	-8.1%	6.1%
DJ Stoxx 600	-3.5%	-5.1%	-11.7%	0.2%

YEnd Feb. (GBPm)	02/15	02/16e	02/17e	02/18e
Sales	62,284	55,691	56,710	58,156
% change		*-10.6%*	*1.8%*	*2.6%*
EBITDA	2,942	2,240	2,236	2,450
EBIT	-5,792	903.4	1,051	1,235
% change		*NS*	*16.3%*	*17.5%*
Net income	589.3	279.6	460.3	594.7
% change		*-52.5%*	*64.6%*	*29.2%*

	02/15	02/16e	02/17e	02/18e
Operating margin	2.2	1.6	1.9	2.1
Net margin	0.9	0.5	0.8	1.0
ROE	NM	NM	NM	NM
ROCE	5.5	4.2	5.0	6.0
Gearing	119.9	54.7	42.5	30.6

(p)	02/15	02/16e	02/17e	02/18e
EPS	7.27	3.45	5.68	7.34
% change	-	*-52.5%*	*64.6%*	*29.2%*
P/E	21.4x	45.0x	27.3x	21.2x
FCF yield (%)	NM	0.0%	0.1%	0.1%
Dividends (p)	1.16	0.00	0.85	2.20
Div yield (%)	0.7%	NM	0.5%	1.4%
EV/Sales	0.4x	0.4x	0.3x	0.3x
EV/EBITDA	8.4x	9.0x	8.7x	7.7x
EV/EBIT	NS	22.3x	18.5x	15.2x

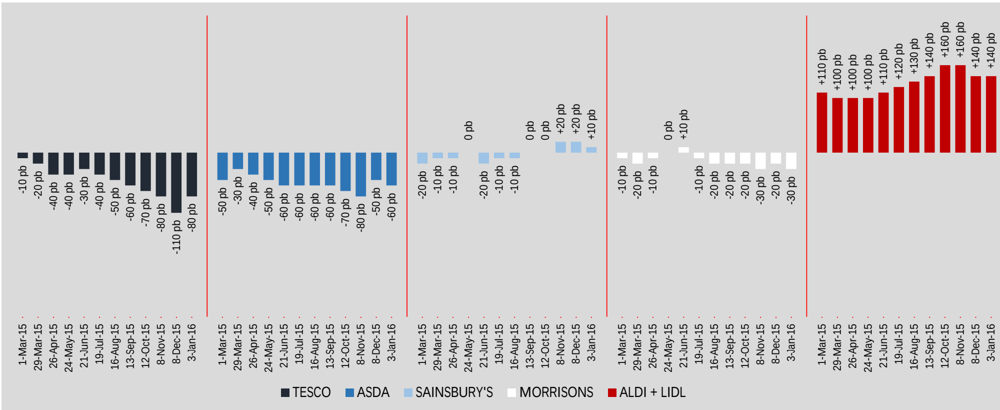
At this stage, today's statement has nothing to change our conviction that other catalysts can only be considered once Tesco has regained strong LFLs in the UK. Hence, at this stage, we maintain our Neutral rating.

Q3 LFL sales growth excl. fuel and VAT (main kpi) came in at -1.5% (vs -1.0% in Q2 and -1.3% in Q1) in the UK. The quarter was notably impacted by strong comps with expensive voucher promotions in 2014. The performance was more encouraging during the Christmas period, with a +1.3% LFL rate (rather encouraging but "one swallow does not a summer make").

Overseas, sales performances are maintaining decent momentum with +2.9% LFL (vs +2.3% in Q2 and -0.2% in Q1), +2.4% rate in Asia (vs flat in Q2) and +3.3% in Europe (vs +4.0% in Q2). Nevertheless, today's statement has nothing to change our conviction that other catalysts can only be considered once Tesco has regained respectable LFLs in the UK.

Given the sluggishness specific to the sector, Tesco's commercial resolutions could take time to produce their effects. Growth is at a standstill (a disruptive factor in a fixed-cost industry, as Tesco's CEO Dave Lewis hinted at when he spoke of a "lethal cocktail of costs" in the UK). This is the reason why, at this stage, we maintain our Neutral rating.

Change in market share in the UK (12 weeks sliding)



Source: Kantar, BG's estimates

Reminder of our investment case

Tesco's balance sheet looks pretty precarious (adjusted ND/EBITDA ratio of 5.3x e before disposal of Korea) in that that even the sale of Homeplus only prompted a modest improvement in the ratio (i.e. an estimated 25bp).

Given the cut in capex and the recent asset disposals, we calculate a ratio of 5.0x, which we consider insufficient to secure the balance sheet (below 4.0x would be reassuring). Abandoning activities in eastern Europe (an option that seems to have been ruled out at this stage), assuming an attractive multiple (i.e. 50% x sales), would only have a limited impact (i.e. ~30bp).

At the end of the day, the improvement in the major balances is dependent on a recovery in lfl figures in the UK. As such, we believe that lfl growth rates of more than 2% are necessary to offset the natural inflation in costs and the emergence of convincing operating leverage. We are not yet convinced by earnings and are therefore initiating the stock with a Neutral recommendation.

NEXT CATALYSTS

- Strong LFL and market share gains in the UK

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Luxury & Consumer Goods

Beiersdorf

Price EUR80.96

Bloomberg	BEI GY
Reuters	BEIG.DE
12-month High / Low (EUR)	90.0 / 69.5
Market Cap (EURm)	18,362
Avg. 6m daily volume (000)	0.90

	1 M	3 M	6 M	31/12/14
Absolute perf.	-1.2%	-0.9%	4.8%	19.4%
Pers & H/H Gds	-2.2%	-4.9%	-4.4%	13.0%
DJ Stoxx 600	-3.5%	-5.1%	-11.7%	0.2%

	2014	2015e	2016e	2017e
P/E	36.4x	28.3x	26.1x	23.7x
Div yield (%)	1.0%	1.2%	1.4%	1.5%

FY sales grew by 3% organically, in line with market expectations

Fair Value EUR82 (+1%) **NEUTRAL**

ANALYSIS

- **The German group this morning released its FY 2015 preliminary sales (EUR6.69bn), which are globally in line with market expectations (EUR6.68bn)**. 2015 revenues grew by 6.4% and 3% organically (cf: +3.1% and company guidance between 3 and 4%), implying 4% organic sales growth in Q4 alone after +5.4% in Q3 and +2.7% on 9m. The **Consumer** segment achieved 3.6% organic sales growth (+3.2% on 9m and +6.4% in Q3) implying +4.8% in the Q4 alone, while **Tesa** sales remained almost unchanged, in line with group guidance.
- In Western Europe (43% of Group sales), sales declined by 0.3% on FY implying no growth in Q4 after the rebound in Q3 (+1.8%) while the situation has deteriorated in LATAM (12% of group sales) with a 5.7% sales increase in Q3 vs +13% on 9m and +15% in Q3.
- BDF management confirmed its FY EBIT guidance, which should be "significantly higher than in 2014". Actually, we expect the FY 2015 EBIT margin to reach 14.5%, up by 80bps versus 2014 level (+70bp on 9m at 14.9%). At this stage, market consensus anticipates a 14.4% EBIT margin.

VALUATION

- We maintain our Neutral recommendation with an unchanged EUR82 FV.

NEXT CATALYSTS

- FY 2015 final results should be reported on February 17.

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Construction & Building Materials

Saint Gobain

Price EUR36.62

Bloomberg	SGO FP
Reuters	SGOB.PA
12-month High / Low (EUR)	44.5 / 33.4
Market Cap (EURm)	20,542
Avg. 6m daily volume (000)	2,101

	1 M	3 M	6 M	31/12/14
Absolute perf.	-5.0%	-6.3%	-12.9%	3.9%
Cons & Mat	-2.7%	0.0%	-7.2%	10.5%
DJ Stoxx 600	-3.1%	-3.9%	-13.1%	0.6%

	2014	2015e	2016e	2017e
P/E	18.6x	16.8x	13.5x	10.9x
Div yield (%)	3.4%	3.4%	3.5%	3.8%

Positive read across from SIG Plc's Q4 performance in France

Fair Value EUR42 (+15%) **NEUTRAL**

ANALYSIS

- European building products distributor SIG plc has reported its trading update for 2015. Sales increased by 0.2% l-l-f at GBP2565m, with +1.2% for UK/Ireland and -0.9% for Mainland Europe
- Q4 trends were particularly interesting, with a confirmation of a gradual fading of the UK renovation market, which remains "challenging". Hence UK/Ireland sales declined by -1% l-f-l in Q4. The good news, however, was the positive top line growth in the Mainland Europe zone, with a +1.8% increase l-f-l in Q4. In France in particular, sales increased by a healthy +2.5% l-f-l in Q4, following a very difficult -6.6% l-f-l in Q3 2015. Germany is still struggling, though, with a -3.1% decline in Q4.
- This sounds positive for Saint-Gobain, which suffered in France in Q3 from a subdued renovation market for the residential segment. This market represents ~13% of SGO sales. Western Europe renovation (residential) represents ~19% of SGO sales (e.g. Germany, the UK, and Nordics). Note that Germany reported a decent performance for Saint-Gobain in Q3.
- While Saint-Gobain will not be immune to a UK market slowdown, France remains the key market for the group (a quarter of consolidated sales 2015e), in particular for the distribution business directly comparable with SIG's business. 40% to 45% of the distribution business of SGO is generated in France.

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.

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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 58.8% NEUTRAL ratings 32.1% SELL ratings 9.2%

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