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18th January 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	15988.08	-2.39%	-10.30%
S&P 500	1880.33	-2.16%	-8.67%
Nasdaq	4488.42	-2.74%	-5.23%
Nikkei	16955.57	-1.12%	-1.74%
Stoxx 600	329.84	-2.82%	-3.71%
CAC 40	4210.16	-2.38%	-1.46%
Oil /Gold			
Crude WTI	29.7	-4.93%	-44.82%
Gold (once)	1090.15	+0.72%	-8.11%
Currencies/Rates			
EUR/USD	1.0952	+1.04%	-9.49%
EUR/CHF	1.09385	+0.05%	-9.02%
Euribor	-0.142	-0.70%	-282.05%

Economic releases :

Date	
18th-Jan	US - Markets closed. GB - Rightmove House prices Jan. (6.5% act.) JP - Tertiary Industry Index Jan. (-0.8% act. 0.7% exp.)

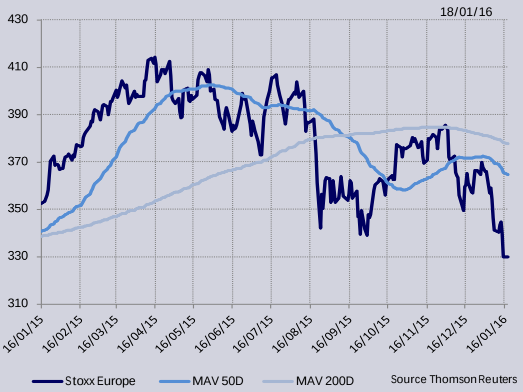
Upcoming BG events :

Date	
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



EDF — NEUTRAL, Fair Value EUR18,5 vs. EUR18 (+56%)

Lower than expected impact of Cigeo costs on the group's provisions

Last Friday after market, in a letter sent to the Chairman and CEO of EDF, the Chairman of Areva and the General Administrator of CEA, the Ministry of Ecology and Sustainable Development and Energy attached a Ministerial order concerning the cost associated with the Cigéo project. The new cost set by this order stands at EUR25bn under economic conditions in 2011 and is to substitute the estimates benchmark of EUR20.8bn on which the EDF group based its 2014 and interim 2015 accounts. This substitution has a positive impact on our FV as we were assuming a higher adjustment. Positive.

HUGO BOSS — NEUTRAL, Fair Value EUR103 vs. EUR107 (+42%)

Reassuring Q4 organic growth at the expense of margins

Last Friday Hugo Boss announced its preliminary FY15 results ahead of schedule. Investors preferred to see the glass half full (i.e. Q4 FX-n growth of 5% vs. BG and CS at ~3%) instead of retaining the margin miss (Q4 adj. EBITDA of EUR171 => ~8% below BG ests). Hugo Boss posted reassuring top line trends thanks to a robust performance in Europe (+10% FX-n), helped by more promotions though, while Americas and Asia-Pacific were less weak than in Q3. Following Burberry's trading statement last Thursday, this publication also shows that fears about the mild winter and travel cancellations were somewhat over-exagerrated. Ahead of the FY16 outlook which should be delivered on 10th March, we have notched down our FY16-17 adj. EBITDA assumptions by 3% on average, leading to our FV of EUR103 vs. EUR107.

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

S&P update: a sledgehammer blow / self-fulfilling phenomenon

According to the latest information, against the backdrop of a challenging macroeconomic environment in emerging markets, and more especially Brazil, S&P placed Casino Group's BBB- under negative creditwatch on 15th January. Following Muddy Waters' report, one of the biggest challenges for Casino was to maintain the confidence of the market (shareholders and rating agencies) and to avoid of a self-fulfilling phenomenon. We believe that this is precisely what is happening (insofar as S&P does not seems to bring new very elements). The market now has to rely on Casino's strong track record in terms of asset disposals.

VIDEO GAMES

US packaged software sales in December and CY15

The NPD Group has released data for December's packaged video games sales in the US. Hardware sales were down 3% Y/Y in Dec. and 2% in CY15 (the PS4 was the top-selling console for the 10th time). Packaged software was down 6% in Dec. and 4% in CY15 (vs. BG ests: +5%e and stable), mainly due to declines in handheld and last generation consoles and the strong trend towards digital. Activision Blizzard's Call of Duty: Black Ops III was the best-selling game. Note that calendar Q4 represented 49.2% of CY sales (Oct. 6.5%, Nov. 19.2% and Dec. 23.4%). We are making no change to recommendations for our sector coverage: Buy on UBISOFT with a FV of EUR37 and GAMELOFT with a FV of EUR6.7. Speculation has heightened now that Vivendi has sold its remaining 5.7% stake in Activision Blizzard (net proceeds of ~EUR1bn). We believe in this and our FVs reflect minimum prices for potential public offers.

In brief...

AXWAY SOFTWARE, *Acquisition of Appcelerator*

BONE THERAPEUTICS,

COFACE, *Xavier Durand to replace Jean-Marc Pillu as CEO next month*

PERNOD RICARD, *Pernod Ricard gained US approval for Havana Club trademark*

Utilities

EDF

Price EUR11.87

Lower than expected impact of Cigeo costs on the group's provisions

Fair Value EUR18,5 vs. EUR18 (+56%) **NEUTRAL**

Bloomberg	EDF FP
Reuters	EDF.PA
12-month High / Low (EUR)	23.8 / 11.9
Market Cap (EUR)	22,792
Ev (BG Estimates) (EUR)	85,986
Avg. 6m daily volume (000)	2 332
3y EPS CAGR	-14.8%

	1 M	3 M	6 M	31/12/14
Absolute perf.	-7.6%	-29.4%	-42.5%	-48.0%
Utilities	-4.9%	-6.6%	-13.4%	-10.2%
DJ Stoxx 600	-8.3%	-8.6%	-17.5%	-3.7%

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	2,917	2,826	2,764
% change		*-34.7%*	*-3.1%*	*-2.2%*

	2014	2015e	2016e	2017e
Operating margin	11.0	11.5	10.0	9.3
Net margin	6.1	3.9	3.7	3.5
ROE	11.0	7.1	6.9	6.7
ROCE	3.4	3.7	3.2	2.9
Gearing	139.8	150.3	161.0	169.6

(EUR)	2014	2015e	2016e	2017e
EPS	2.40	1.57	1.52	1.49
% change	-	*-34.7%*	*-3.1%*	*-2.2%*
P/E	4.9x	7.6x	7.8x	8.0x
FCF yield (%)	NM	NM	NM	NM
Dividends (EUR)	1.25	1.25	1.25	0.99
Div yield (%)	10.5%	10.5%	10.5%	8.4%
EV/Sales	1.1x	1.1x	1.2x	1.2x
EV/EBITDA	4.6x	5.0x	5.6x	5.7x
EV/EBIT	10.0x	9.9x	11.8x	13.0x

Last Friday after market, in a letter sent to the Chairman and CEO of EDF, the Chairman of Areva and the General Administrator of CEA, the Ministry of Ecology and Sustainable Development and Energy attached a Ministerial order concerning the cost associated with the Cigéo project. The new cost set by this order stands at EUR25bn under economic conditions in 2011 and is to substitute the estimates benchmark of EUR20.8bn on which the EDF group based its 2014 and interim 2015 accounts. This substitution has a positive impact on our FV as we were assuming a higher adjustment. Positive.

ANALYSIS

- **A new Cigeo cost set by the Ministry of Ecology and Sustainable Development and Energy:** Last Friday after market, in a letter sent to the Chairman and CEO of EDF, the Chairman of Areva and the General Administrator of CEA, **the Ministry of Ecology and Sustainable Development and Energy attached** a Ministerial order concerning the cost associated with the Cigéo project. The new cost set by this order stands at **EUR25bn** under economic conditions of 2011 and is to substitute the estimates benchmark of **EUR20.8bn** on which the EDF group based its 2014 and interim 2015 accounts. Taking into account this cost will therefore result in an increase of around **EUR800m** in provisions (*EUR0.43/share impact*) for long-term radioactive waste management for future expenses relating to Cigéo deep storage in EDF's consolidated accounts at the end of 2015. This increase in provisions is set to have a negative impact of around **EUR500m** post tax on net income group share in 2015 *(-12.5% vs. our previous estimates*). The group mentioned that EDF's Board of Directors would determine the impact of this provision on the dividend to be proposed at the General Shareholder's Meeting, based on 2015 consolidated financial statements.

- **Impact for EDF?** While this adjustment is clearly negative for EDF as it will negatively alter the group's balance sheet compared with 2014, it has a positive impact on our FV as we were assuming a higher adjustment (*EUR3bn negative impact on the group's provisions based on a Cigéo cost of EUR36bn*). Readjusting our assumptions for Cigéo provisions (*based on an SOTP, and a Dividend Yield & P/E model*) prompts us to raise our FV from **EUR18 to EUR18.5/share**. As for dividend payment for 2015 we continue to assume **EUR1.25/share** and do not expect any negative adjustment in share terms, at least not based on this assumption change (*non-cash effect*). However, we were already assuming a decline in 2017 to **EUR1/share** based on earnings deterioration compared with 2014-15.

- **Additional cost reductions in the pipe?** Over the weekend, the CFDT union announced that the group is working on a plan aimed at cutting **4,000 posts by 2018** (*without compulsory redundancies),* thereby reducing the group's workforce by **2.5%.** No further details were unveiled, except that EDFD is planning to set out this plan next Thursday. Based on the group's current average full wage charges (around EUR75k/employee/year) this could imply a positive impact of up to **EUR300m** on the group's costs structure by 2019 *(+1.7% positive impact on EBITDA*). Given the lack of details, we have not factored a positive impact from this plan into our model, although it is clearly positive.

VALUATION

- At the current share price, EDF is trading on 5.5x 2016e EBITDA and offers a 10.3% yield
- Neutral, FV @ EUR18.5

NEXT CATALYSTS

- 14th February 2016: EDF - 2015 earnings

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Luxury & Consumer Goods

Hugo Boss

Price EUR72.74

Bloomberg	BOSS GR
Reuters	BOSG_p.DE
12-month High / Low (EUR)	120.0 / 69.1
Market Cap (EURm)	5,121
Ev (BG Estimates) (EURm)	5,189
Avg. 6m daily volume (000)	256.9
3y EPS CAGR	6.0%

	1 M	3 M	6 M	31/12/14
Absolute perf.	-3.4%	-28.8%	-30.1%	-28.5%
Pers & H/H Gds	-7.1%	-8.5%	-10.3%	9.3%
DJ Stoxx 600	-8.3%	-8.6%	-17.5%	-3.7%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	2,572	2,809	2,962	3,138
% change		*9.2%*	*5.4%*	*6.0%*
EBITDA	571	609	633	688
EBIT	448.7	465.8	490.4	537.7
% change		*3.8%*	*5.3%*	*9.6%*
Net income	333.3	335.8	370.3	412.2
% change		*0.8%*	*10.3%*	*11.3%*

	2014	2015e	2016e	2017e
Operating margin	17.4	16.6	16.6	17.1
Net margin	13.0	12.0	12.5	13.1
ROE	39.5	35.2	31.8	29.5
ROCE	33.2	30.5	31.2	33.5
Gearing	5.1	7.2	-9.2	-22.6

(EUR)	2014	2015e	2016e	2017e
EPS	5.04	4.91	5.40	6.01
% change	-	*-2.6%*	*10.0%*	*11.2%*
P/E	14.4x	14.8x	13.5x	12.1x
FCF yield (%)	5.5%	6.1%	8.9%	10.2%
Dividends (EUR)	3.62	3.75	4.20	4.65
Div yield (%)	5.0%	5.2%	5.8%	6.4%
EV/Sales	2.0x	1.8x	1.7x	1.5x
EV/EBITDA	9.0x	8.5x	7.9x	7.0x
EV/EBIT	11.5x	11.1x	10.2x	8.9x

Reassuring Q4 organic growth at the expense of margins

Fair Value EUR103 vs. EUR107 (+42%) **NEUTRAL**

Last Friday Hugo Boss announced its preliminary FY15 results ahead of schedule. Investors preferred to see the glass half full (i.e. Q4 FX-n growth of 5% vs. BG and CS at ~3%) instead of retaining the margin miss (Q4 adj. EBITDA of EUR171 => ~8% below BG ests). Hugo Boss posted reassuring top line trends thanks to a robust performance in Europe (+10% FX-n), helped by more promotions though, while Americas and Asia-Pacific were less weak than in Q3. Following Burberry's trading statement last Thursday, this publication also shows that fears about the mild winter and travel cancellations were somewhat over-exagerrated. Ahead of the FY16 outlook which should be delivered on 10th March, we have notched down our FY16-17 adj. EBITDA assumptions by 3% on average, leading to our FV of EUR103 vs. EUR107.

ANALYSIS

- **Q4 sales reached EUR750m, up 10% as reported and 5% FX-n (CS and BG: ~+3%e).** Although the group achieved FX-n growth in the lower range of the FY guidance (+3-5% FX-n), the Q4 performance accelerated vs. Q3 (-1%) and topped expectations thanks to: **(i)** a robust growth in Europe (+10% FX-n vs. +4% in Q3), helped by higher rebates, **(ii)** a higher contribution from retail (~65% of total sales vs. 54% in Q3), which grew at 6% and **(iii)** a slight rebound in wholesale to 2% vs. -7% in Q3. Note that **retail comp sales** decreased by 1% in Q4 vs. flat in Q3.
- By region and in Q4 alone, **Europe** indeed posted better-than-expected growth (+10% FX-n) thanks to the UK and southern Europe, confirming also that Hugo Boss is a bit less exposed to travel cancellations for Europe as tourists only account for ~15% of European retail sales. As expected, the **Americas** remained weak (-1% vs. -7% in Q3) marked by a tough US market (double-digit decline). Last but not least, **Asia-Pacific** decreased by 7% (vs. -12% in Q3) given a double-digit decline in China although the group does not specify whether trends improved in Mainland China like for Burberry.

Sales growth per geography and distribution channel:

FX-neutral growth	Q3 15	9M 15	Q4 15	2015
Europe	4	5	10	**5**
Americas	-7	-1	-1	**-1**
Asia-Pacific	-12	-2	-7	**-3**
Retail FX-n / SSSG	6 / 3	8 / 3	6 / -1	**7 / 2**
Wholesale	-7	-4	2	**-3**
Total Hugo Boss	**-1**	**3**	**5**	**3**

Source: Company Data, BG ests

- **Q4 adj EBITDA of EUR171m missed expectations (BG: EUR185m).** This deviation is explained by: **(i)** the negative retail comp sales over Q4 (= operating deleverage) and **(ii)** a higher rate of rebates vs. Q4 14 given adverse apparel market conditions (unfavourable weather and promotional). The adj. EBITDA margin dropped by 140bps to 23.1%. This difficult year-end led to a limited 1% increase in the adj. EBITDA for 2015, shy of the company's guidance (+3-5%).
- **Cautious FY16 outlook:** Ahead of the FY15 Results presentation on 10th March, the group has already declared that FX-n sales growth should be below the LT target of high single-digit (BG: +5.5%e) given the difficult US and Chinese markets. We have made no change to our top line assumptions but have notched down our adj. EBITDA forecasts by 3% on average for the 2016-17 period since we expect the group to remain affected by markdowns and by the US/China in H1 16 at least.

VALUATION

- This early publication should eventually appease fears about two significant headwinds (i.e. mild weather and a decline in tourist flows to Europe), which explains why investors focused more on these reassuring top line trends than on the margin miss, all the more since the stock has dropped by ~30% since the PW last October.

NEXT CATALYSTS

- Hugo Boss is to release its FY15 Results on 10th March.

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Food retailing

Casino Guichard

Price EUR40.04

S&P update: a sledgehammer blow / self-fulfilling phenomenon

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

Bloomberg	CO FP
Reuters	CASP.PA
12-month High / Low (EUR)	87.3 / 38.2
Market Cap (EURm)	4,532
Ev (BG Estimates) (EURm)	14,988
Avg. 6m daily volume (000)	699.9
3y EPS CAGR	-11.9%

	1 M	3 M	6 M	31/12/14
Absolute perf.	-13.0%	-28.3%	-42.0%	-47.6%
Food Retailing	-5.3%	-7.2%	-14.2%	3.4%
DJ Stoxx 600	-8.3%	-8.6%	-17.5%	-3.7%

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	17.4x	15.0x	13.2x
FCF yield (%)	15.3%	0.0%	3.2%	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

According to the latest information, against the backdrop of a challenging macroeconomic environment in emerging markets, and more especially Brazil, S&P placed Casino Group's BBB- under negative creditwatch on 15th January. Following Muddy Waters' report, one of the biggest challenges for Casino was to maintain the confidence of the market (shareholders and rating agencies) and to avoid of a self-fulfilling phenomenon. We believe that this is precisely what is happening (insofar as S&P does not seems to bring new very elements). The market now has to rely on Casino's strong track record in terms of asset disposals.

"Asset disposals are not ruled out" [...] "we will react, as usual, in real time to market expectations" said Mr Naouri during our latest RS in Paris (comments following our RS with CEO and CFO). Yet, in all evidence, Casino's indebtedness has become such a question mark, as evidenced by Muddy Waters, that management may have no choice but to take drastic measures through outright disposals of non-core assets. However, Casino has stated its intention to sell Big C which, along with Monoprix, finds a pro-eminent place amongst the crown jewels! This announcement could illustrate the degree of the company's distress. Today, S&P's annoucement is likely to bring further pressure.
According to the latest information, against the backdrop of a challenging macroeconomic environment in emerging markets, and more especially Brazil, S&P placed Casino Group's BBB- under negative creditwatch on 15th January. At this stage, S&P anticipates that it may lower the rating by "not more than two notches". This announcement came after the group's CFO guided for 2015 underlying EBIT of aound EUR1.5bn (vs EUR1.7bn expected by the consensus the day of this statement).

The rating agency emphasises the group's high indebtness and the deterioration of the situation in Latin America, Asia and e-commerce operations, performances from which were below S&P's estimates. As a result, S&P expects rather weak financial metrics over 2016 and 2017 that could prevent Casino from improving its proportional leverage to 3.5x in 2016, in contrast to its prior expectations. The rating agency will soon conduct, in collaboration with Casino's management, a review of the Group's credit rating. As a reminder, in late 2015, Casino launched a disposal plan, initially of EUR2bn, which was increased to approximately EUR4bn with the planned sale of its Big C subsidiary listed in Thailand, following indications of interest from potential buyers.

ANALYSIS

- The group is now threatened by a potential downgrade to non investment grade (i.e. a category of investment which cannot be owned by large institutional investors). This announcement may come as a surprise (it comes after the reiteration of Casino's outlook on 15th December and after the announcement by management that it will divest its operations in Thailand).
- S&P needs 90 days to assess the evolution of Casino's results and financial position (i.e. Casino probably has this deadline to undertake convincing asset disposals). At first sight, if Casino were to lose its investment grade status, its interest charge in France would increase by around EUR100m, amputating the domestic FCF (as a reminder, guidance for this is for 2016 FCF after financial expenses and dividends "above EUR200m" in France.
- Management must reassure that it is able to quickly put in place a clear strategy of deleveraging through outright disposals (and not financial engineering) on very good multiples (we are waiting to see the exit terms from Vietnam and Big C). The market now has to rely on Casino's track record in terms of asset disposals (see page 2).

VALUATION

- Our own Fair Value is the average beteween an SOTP (EUR 41) and a DCF (EUR 68). Following our latest adjustments, it therefore works out to EUR54 vs EUR69.

(continued net page)

Asset disposal programme of Casino over the last years

€2bn disposal programme announced in March 2006, for completion by	Amount
Disposal of 11 warehouses	188
Disposal of treasury stock	48
Mercialys	240
Disposal of Saint Etienne head office	86
Unwinding Cora equity swap	253
38% of Feu Vert	90
Poland	827
Taiwan (50%)	50
Smart & Final (55%)	351
Disposal of real estate in France and La Réunion	635
Total programme 2006	**2 768**

€1bn disposal programme announced in March 2009, for completion by	Amount
Super de Boer (Netherlands) /Laurus	400
Mature real estate	100
Venezuela indemnification (60%)	276
Exito capital increase/end of Carulla Vivero put	195
Total programme 2009	**971**

€700m disposal programme announced in November10, extended to	Amount
Exito capital increase	430
Mature real estate / other real estate (Venezuela indemnification 40%)	370
GPA equity swap (3% of capital)	200
Total programme 2010/2011	**1 000**

€1.5bn programme announced in March 2012 and to be completed over	Amount
Mercialys	700
Capital increase and disposals of treasury stocks	400
Disposal of financial and real estate assets	200
Others	100
Total programme 2012	**1 500**

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

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Sector View

Video Games

US packaged software sales in December and CY15

	1 M	3 M	6 M	31/12/14
Softw.& Comp. SVS	-5.5%	3.8%	-1.1%	18.9%
DJ Stoxx 600	-8.3%	-8.6%	-17.5%	-3.7%

*Stoxx Sector Indices

Companies covered

GAMELOFT		**BUY**	**EUR6.7**
Last Price	EUR5.1	*Market Cap.*	EUR434m
UBISOFT		**BUY**	**EUR37**
Last Price	EUR24.22	*Market Cap.*	*EUR2,694m*

The NPD Group has released data for December's packaged video games sales in the US. Hardware sales were down 3% Y/Y in Dec. and 2% in CY15 (the PS4 was the top-selling console for the 10th time). Packaged software was down 6% in Dec. and 4% in CY15 (vs. BG ests: +5%e and stable), mainly due to declines in handheld and last generation consoles and the strong trend towards digital. Activision Blizzard's *Call of Duty: Black Ops III* was the best-selling game. Note that calendar Q4 represented 49.2% of CY sales (Oct. 6.5%, Nov. 19.2% and Dec. 23.4%). We are making no change to recommendations for our sector coverage: Buy on UBISOFT with a FV of EUR37 and GAMELOFT with a FV of EUR6.7. Speculation has heightened now that Vivendi has sold its remaining 5.7% stake in Activision Blizzard (net proceeds of ~EUR1bn). We believe in this and our FVs reflect minimum prices for potential public offers.

ANALYSIS

- **On Thursday overnight, the NPD Group released its monthly sales report for December's packaged video games in the US** (5-week period ending on 2nd January, 2016). Bear in mind that these numbers only represent a fraction of the industry (i.e. around 50% of spending). NPD only tracks new games sold at US retailers. This does not include second-hand software, mobile, and digital. As such, it simply gives an insightful glimpse of a much more dynamic industry. **Revenue in the sector was down 1% over one year at USD3.22bn** (stable in CY15): **1/ Hardware -6% Y/Y at USD1.24bn** (-4% in CY15: with -32% in handheld hardware, -71% in 7th-gen and +4% in 8th-gen home console hardware sales). **The PS4 was the best-selling platform in the US for the 10th time YTD** (thanks to PS4 *Star Wars Battlefront/UC* bundles with USD50 price cut to USD300 over 6-19 Dec., and despite a USD50 price cut for the Xbox One making an entry price at USD300 over 9-26 Dec.) and totalled 35.9m units sold to consumers worldwide since its launch (of which 5.7m during the holiday season). Note that Dec. 2015 was the best month ever for Xbox One, PS4 and Wii U total hardware unit sales; and 2015 the best year for PS4 and Xbox One. **2/ Software -3% Y/Y at USD1.21bn** (-2% in CY15: with -34% in handheld software, -53% in 7th-gen and +52% in 8th-gen home console software sales), i.e. below our +5%e (stable sales est. for CY15; no consensus). Activision Blizzard's *Call of Duty: Black Ops III* was the top-selling game (a yearly well-established game franchise) significantly outselling EA's *Star Wars: Battlefront*. **3/ Accessories +10% Y/Y at USD761.7m** (+12% in CY15), mainly thanks to peripherals, interactive toys, points, subscription cards sales.
- **Worth noting on the software side in December: 1/** a fairly unfavourable base effect (-2% in Dec. 2014); **2/** *Call of Duty: Black Ops III* (Activision Blizzard) was the top-selling game of the month for the second time in a row; **3/** home console game sales were down 1%, and handheld game sales dropped 40%; **4/** 8th-gen console game sales increased 48% while the 7th-gen fell 54%; **5/** Dec. 2015 was the best month on record for PS4 and Xbox One, and the second-best for the Wii U in terms of new physical software unit sales; **6/** Dec. 2015 was the best month of total 8th-gen physical software sales; **7/** the growing transition towards digital (gamers are more and more comfortable with downloading games, all the more so with the highly connected home consoles).
- **Bear in mind that the NPD Group doesn't track: 1/** digital game sales; and **2/** games packed-in with consoles (there were compelling bundles in December).

VALUATION

- **UBISOFT: We are maintaining our Buy recommendation and FV of EUR37** (we value the entire cycle). This is derived from 12m fwd average multiples for Ubisoft's past two console cycles applied to our FY16-17 estimates to which we have added a 15% premium (justified by: 1/ contrary to the past, the current cycle includes ~40% of digital revenues which are more recurring and 25% more profitable, and 2/ Ubisoft is now benefiting from other entertainment revenues linked to the strength of its IPs).
- **GAMELOFT: We are maintaining our Buy recommendation and FV of EUR6.7** (we value the entire cycle). We have applied an EV/sales of 2x to our FY16 estimate for Gameloft (i.e. a 20% discount to the recent acquisition multiple of King digital by Activision Blizzard).

NEXT CATALYSTS

- **UBISOFT: Q3 sales** on 11th February, 2016 (after trading).
- **GAMELOFT: FY sales** on 28th January, 2016 (after trading).

Top ten selling games in December 2015 by platform in the US

Rank	Games	Consoles	Publisher
1	*Call of Duty: Black Ops III*	Xbox One, PS4, Xbox 360, PS3, PC	Activision Blizzard
2	*Star Wars: Battlefront*	Xbox One, PS4, PC	Electronic Arts
3	*Fallout 4*	PS4, Xbox One, PC	Bethesda Softworks
4	*Madden NFL 16*	PS4, Xbox One, Xbox 360, PS3	Electronic Arts
5	*NBA 2K 16*	PS4, Xbox One, Xbox 360, PS3	Take-Two Interactive
6	*Grand Theft Auto V*	PS4, Xbox One, Xbox 360, PS3, PC	Take-Two Interactive
7	*Tom Clancy's Rainbow Six: Siege*	Xbox One, PS4, PC	Ubisoft
8	*Minecraft*	Xbox 360, Xbox One, PS4, PS3	Microsoft
9	*Minecraft: Story Mode – A Telltale Game Series*	Xbox 360, Xbox One, PS4, PS3	Telltale Games
10	*FIFA 16*	PS4, Xbox One, Xbox 360, PS3	Electronic Arts

N.B.: games bundled with hardware are not tracked by the NPD Group

Sources: NPD Group; Bryan, Garnier & Co.

- *Call of Duty: Black Ops III* (Activision Blizzard) was the top-selling game in Dec. and CY15.
- Electronic Arts was the publisher of the month and CY15, with three titles in the TOP 10.
- Ubisoft ranked only 1 game in Dec. (*Rainbow Six: Siege)* and none in CY15.

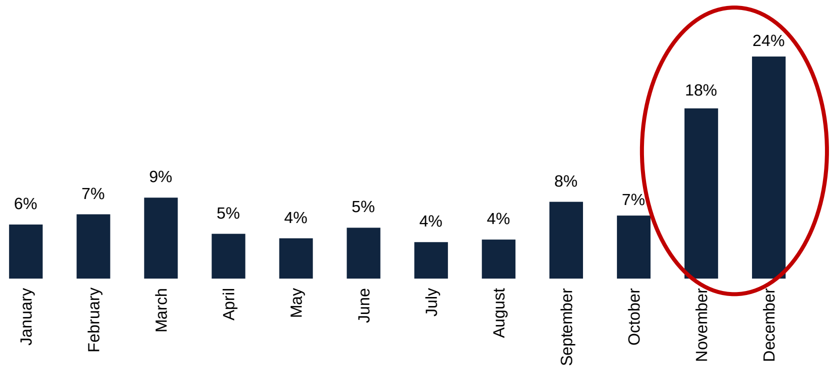
Y/Y % change in retail software sales in the US from 2000 to 2015 (in value, at constant scope)

%	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
January	2	16	4	0	18	0	-5	53	12	10	-12	-5	-38	1	-25	6
February	5	-11	45	-5	5	13	-12	32	48	9	-15	-5	-23	-36	-9	7
March	20	-15	33	8	-6	31	-8	16	64	-17	10	-16	-25	-1	-27	-3
April	27	-13	11	39	-3	9	16	-1	69	-22	-22	26	-42	-17	-10	13
May	4	10	31	20	-17	30	-10	33	42	-17	4	-19	-32	-31	57	-25
June	4	23	27	-9	12	2	15	22	61	-29	-15	-12	-29	-10	-3	21
July	-1	26	11	4	27	-10	19	11	41	-26	-8	-17	-23	-19	-15	0
August	-12	18	43	4	1	0	18	23	13	-15	-14	-34	-9	23	-21	-10
September	-26	-8	50	-10	44	-24	29	47	-6	5	-6	3	-18	52	-36	-3
October	13	-20	74	-15	35	-24	1	40	36	-18	6	3	-25	12	-27	-3
November	1	28	7	7	11	-17	14	63	11	-3	3	11	-11	-24	-1	-7
December	-9	24	7	13	-1	-3	6	37	15	-7	-8	-14	-26	-17	-2	-3
Total	-1	10	21	5	8	-3	7	34	27	-10	-6	-6	-23	-9	-12	-2

Sources: NPD Group; Bryan, Garnier & Co.

- Packaged software sales were down 3% in December (vs. BG: +5%e)
- Packaged software sales were down 2% in CY15 (vs. BG: stable), after -12% in CY14.
- Physical sales account for 50%e of the US consumer spend on the industry (35/40%e in Europe).
- Combined PS4/Xbox One sales are 47% higher than Xbox 360/PS3 over the past 26 months.

US retail software contribution in CY15 sales per month



Sources: NPD Group; Bryan, Garnier & Co.

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Axway Software

Price EUR22.40

Acquisition of Appcelerator

Fair Value EUR30 (+32%) **BUY**

Bloomberg	AXW FP
Reuters	AXW PA
12-month High / Low (EUR)	25.7 / 14.8
Market Cap (EURm)	461
Avg. 6m daily volume (000)	11.00

	1 M	3 M	6 M	31/12/14
Absolute perf.	-10.4%	-0.9%	9.3%	35.8%
Softw.& Comp. SVS	-5.5%	3.8%	-1.1%	18.9%
DJ Stoxx 600	-8.3%	-8.6%	-17.5%	-3.7%

	2014	2015e	2016e	2017e
P/E	13.7x	12.6x	11.3x	10.1x
Div yield (%)	1.9%	1.9%	2.1%	2.3%

ANALYSIS

- **This morning Axway announced the acquisition of Appcelerator for an undisclosed sum.** Founded in 2006 with headquarters in San Jose (California), Appcelerator develops and sells a mobile engagement platform which help companies to create mobile apps, integrate them with existing systems using APIs, manage back-end services and optimise them with comprehensive analytic tools. It is handling 2bn mobile API calls per month and powers apps running on over 350m mobile devices.
- **This is not a big acquisition, but helps Axway's digital engagement strategy.** We understand Appcelerator is a small company, of a size similar to that of Vordel when it was acquired in 2012 (around an est. EUR10m), with an SaaS revenue model. We doubt the company is profitable given its size. The acquisition price was not disclosed but this kind of target is usually sold for several times sales. Finally, Appcelerator provides Axway with a stronger Digital Engagement strategy, by adding the mobile app development and analytical layers to the API integration layer brought by Vordel.

VALUATION

- Axway's shares are trading at est. 7.3x 2016 and 5.9x 2017 EV/EBIT multiples

NEXT CATALYSTS

- FY15 results on 24th February after trading.

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Healthcare

Bone Therapeutics

Price EUR16.98

Fair Value EUR29 (+71%) **BUY-Top Picks**

Bloomberg	BONE FP
Reuters	BONE.PA
12-month High / Low (EUR)	24.1 / 16.0
Market Cap (EURk)	116,279
Avg. 6m daily volume (000)	4.00

	1 M	3 M	6 M	31/12/14
Absolute perf.	-5.7%	-17.8%	-21.4%	ns
Healthcare	-6.3%	-4.4%	-15.4%	4.3%
DJ Stoxx 600	-8.3%	-8.6%	-17.5%	-3.7%

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

ANALYSIS

- Bone Therapeutics has announced this morning the initiation of a phase IIa study in patients suffering from multiple delayed-union fractures. The trial aims to assess both efficacy and safety of two to four minimally invasive percutaneous doses of ALLOB at two to four sites on either the same or different long bones and should enrol 12 patients. Recruitment of the 12 patients with 9 sites opened in Belgium and Germany is expected to be completed towards the year-end with a readout by mid-2017. Patients are to be evaluated at six months by CT-scan or X-ray. We believe that a >2 points improvement has been retained as has been the case for the ongoing phase IIa non-union trial.
- This extension of the phase IIa trial in delayed-union patients should offer additional data on the use of ALLOB at higher doses i.e. up to 200^6 cells while 100^6 cells has been the maximum studied so far. As such, we are not ruling out the prospect of patients suffering from multiple fractures being included in the phase III trial, potentially broadening the label of Bone Therapeutics' allogeneic product upon approval.

VALUATION

- We are reiterating our BUY recommendation and EUR29 Fair Value.
- We are making no change to our estimates and will wait for the DSMB review in delayed-union patients to include multiple delayed union fractures in our estimates. Note that we estimate the multiple delayed-union fracture market represents 10-20% of the monofocal delayed-union market

NEXT CATALYSTS

- Q1 2016: interim efficacy analysis for the first patients' cohort suffering from severe Osteoporosis
- Q1 2016: Results from the second patients' cohort from the delayed-union phase IIa trial followed by DSMB's interim review on the first 16 patients. Note that the study could be stopped prematurely should 12 out of 16 patients be responders. Four patients (first cohort) have already been qualified as responders.

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Insurance

Coface

Price EUR9.09

Bloomberg	COFA FP
Reuters	COFA.PA
12-month High / Low (EUR)	11.9 / 7.4
Market Cap (EURm)	1,440
Avg. 6m daily volume (000)	153.2

	1 M	3 M	6 M	31/12/14
Absolute perf.	-0.5%	18.0%	-18.1%	-17.2%
Insurance	-8.0%	-2.5%	-11.4%	3.0%
DJ Stoxx 600	-8.3%	-8.6%	-17.5%	-3.7%

	2014	2015e	2016e	2017e
P/E	11.3x	10.9x	10.4x	9.6x
Div yield (%)	5.3%	5.5%	5.7%	6.2%

Xavier Durand to replace Jean-Marc Pillu as CEO next month

Fair Value EUR10.5 (+16%) **NEUTRAL**

ANALYSIS

- The company has announced on Friday night that Jean-Marc Pillu, 60 next March, will step down once 2015 accounts have been approved (9th February 2016), and that Xavier Durand, 52, will take over as CEO at that date.
- Jean-Marc Pillu arrived 5 years ago and has restructured the company into a pure player in credit insurance, driving operating performances up, improving processes, and successfully led the IPO. But remember that Coface is currently in a moving situation, with the loss of public guarantee activities due this year (EUR33m net operating profit impact, or 18% the 2014-2015e numbers) and the necessity to engage a restructuring plan (due 9th February).
- The mission of Xavier Durand, currently Director of Strategy and Growth at GE Capital, is to "reinforce commercial activity", and "implement the necessary structural adaptations in order to continue to improve the group's operational efficiency". The 9th February will definitely be critical for the investment case of the company.

VALUATION

- Based on our current estimates, our SOTP is EUR10.5.

NEXT CATALYSTS

- FY 2015 will be released on 9th February 2016.

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Food & Beverages

Pernod Ricard

Price EUR97.09

Bloomberg	RI FP
Reuters	PERP.PA
12-month High / Low (EUR)	117.3 / 88.3
Market Cap (EURm)	25,770
Avg. 6m daily volume (000)	545.9

	1 M	3 M	6 M	31/12/14
Absolute perf.	-5.2%	-2.1%	-11.2%	5.2%
Food & Bev.	-5.7%	-3.2%	-5.8%	9.2%
DJ Stoxx 600	-8.3%	-8.6%	-17.5%	-3.7%

	06/15	06/16e	06/17e	06/18e
P/E	19.5x	17.5x	16.3x	15.2x
Div yield (%)	1.9%	2.1%	2.2%	2.4%

Pernod Ricard gained US approval for Havana Club trademark

Fair Value EUR122 (+26%) **BUY-Top Picks**

ANALYSIS

- In recent days, the US Patent and Trademark Office has recognised the Havana Club trademark. This was not renewed when it expired in 2006 due to the “Bacardi bill” preventing the recognition of any trademark rights confiscated by a government without compensation, as is the case for Havana Club. The Puerto Rican group had bought the brand in 1997 from the Arechabala family, which went into exile after the Cuban revolution.
- The decision will enable Pernod Ricard to export Havana Club when the US congress lifts the current embargo on Cuban goods. The US accounts for 40% of global rum sales, making it the first rum market in the world. Havana Club has two assets to capture a share of the market in which Bacardi is currently the leader: 1/ its Cuban origin as it is the only brand that is 100% Cuban and 2/ its price positioning, i.e. high-end premium and super premium.

VALUATION

- In our note “Cuba Libre”, we calculate that the lifting of the embargo could lead to upside of 10% relative to our current Fair Value of EUR122.
- However the move could add as much as 14%. In a bleak scenario, there is still a 5% uplift.

NEXT CATALYSTS

- H1 2015/16 results due on February 11th

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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 57.6%   NEUTRAL ratings 33.3%   SELL ratings 9.1%

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