BRYAN, GARNIER & CO

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20th January 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	16016.02	+0.17%	-10.14%
S&P 500	1881.33	+0.05%	-8.62%
Nasdaq	4476.95	-0.26%	-5.47%
Nikkei	16416.19	-3.71%	-2.31%
Stoxx 600	332.932	+1.31%	-2.81%
CAC 40	4272.26	+1.97%	-0.01%
Oil /Gold			
Crude WTI	28.36	-1.87%	-47.31%
Gold (once)	1086.15	-0.28%	-8.44%
Currencies/Rates			
EUR/USD	1.08985	+0.21%	-9.93%
EUR/CHF	1.0937	-0.09%	-9.04%
German 10 years	0.482	+2.31%	-10.86%
French 10 years	0.87	+0.01%	+3.78%
Euribor	-	+-%	+-%

Economic releases :

Date	
20th-Jan	GB - Jobless claims change Dec. (2.8k exp.) GB - Unemployment rate dec. CHF - ZEW Survey expectations Jan. US - Housing Starts Dec. (2.3% m/m) US - Building permits Dec.(-6.4% exp.) US - CPI Dec. (0.0% exp., 0.8% y/y)

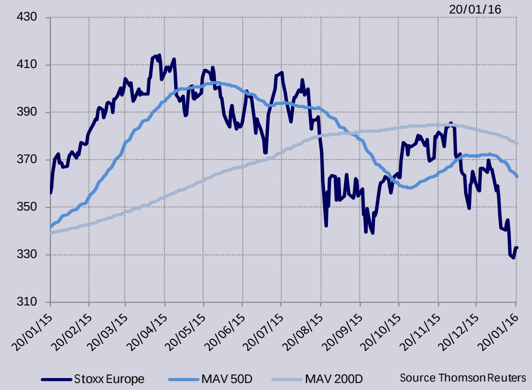
Upcoming BG events :

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	
19th-Jan	The wild child comes of age: thank you Orange!
15th-Jan	QIAGEN : Leverage would have to wait
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!

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



KERING — **BUY vs. NEUTRAL, Fair Value EUR180 (+20%)**

Slight improvement expected for Gucci in Q4 vs Q3!

ASML — **NEUTRAL, Fair Value EUR76 (+5%)**

Outlook still cloudy for NT but the group has increased shareholder returns

GENMAB — **BUY-Top Picks, Fair Value DKK1170 (+46%)**

Ofatumumab approved for the maintenance therapy of patients with CLL

LUXOTTICA — **BUY, Fair Value EUR66 (+13%)**

FY15 Sales Preview: Take advantage of (unjustified) Winter Sales!

SAINT GOBAIN — **BUY vs. NEUTRAL, Fair Value EUR42 (+14%)**

France likely to be a positive catalyst in 2016. Upgrade to Buy. (report published today)

WIRECARD — **BUY-Top Picks, Fair Value EUR52 (+14%)**

Confirmation of our bullish scenario

GROUPE SEB — **BUY, Fair Value EUR105 (+12%)**

2015 sales top expectations, optimistic outlook for 2016

SGS SA — **BUY, Fair Value CHF2150 (+16%)**

FY results: Pretty resilient in a challenging environment

SOFTWARE AG — **BUY, Fair Value EUR34 vs. EUR33 (+17%)**

Feedback from FY15 results conference call: momentum improving, better confidence ahead

In brief...

DBV TECHNOLOGIES, *FDA's briefing documents favouring EPIT*

UCB, *EU approval for Brivaracetam in Epilepsy patients*

ZURICH INSURANCE GROUP, *Profit warning, yet again!*

LUXURY GOODS, *Tiffany sales momentum deterioration during Holiday season*

Luxury & Consumer Goods

Kering

Price EUR150.50

Bloomberg	PP FP
Reuters	PRTP.PA
12-month High / Low (EUR)	197.0 / 139.1
Market Cap (EUR)	19,003
Ev (BG Estimates) (EUR)	22,535
Avg. 6m daily volume (000)	357.8
3y EPS CAGR	5.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.5%	-0.2%	-9.9%	-4.7%
Pers & H/H Gds	-4.6%	-7.2%	-9.9%	-6.0%
DJ Stoxx 600	-7.8%	-8.6%	-17.9%	-9.0%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	10,037	11,430	12,060	12,800
% change		*13.9%*	*5.5%*	*6.1%*
EBITDA	2,044	2,050	2,290	2,510
EBIT	1,664	1,650	1,870	2,070
% change		*-0.8%*	*13.3%*	*10.7%*
Net income	1,177	1,080	1,243	1,388
% change		*-8.2%*	*15.1%*	*11.7%*

	2014	2015e	2016e	2017e
Operating margin	16.6	14.4	15.5	16.2
Net margin	11.7	9.4	10.3	10.8
ROE	10.5	9.0	10.0	10.5
ROCE	6.7	6.2	6.7	7.3
Gearing	39.0	34.2	32.2	28.3

(EUR)	2014	2015e	2016e	2017e
EPS	9.31	8.54	9.83	10.89
% change	-	*-8.2%*	*15.1%*	*10.8%*
P/E	16.2x	17.6x	15.3x	13.8x
FCF yield (%)	2.9%	3.1%	3.7%	4.7%
Dividends (EUR)	3.95	4.55	5.30	5.90
Div yield (%)	2.6%	3.0%	3.5%	3.9%
EV/Sales	2.3x	2.0x	1.9x	1.7x
EV/EBITDA	11.2x	11.0x	9.8x	8.8x
EV/EBIT	13.7x	13.7x	12.0x	10.7x

Slight improvement expected for Gucci in Q4 vs Q3!

Fair Value EUR180 (+20%) **BUY vs. NEUTRAL**

Kering is due to release its FY 2015 results on 18th February (before trading). We expect sales to grow 3.6% organically and EBIT margin to narrow 220bp to 14.4%. In view of 20% upside and the better trend expected at Gucci in 2016 after the year of transition in 2015 and therefore the prospect of better momentum to come, we have upgraded our recommendation on Kering from Neutral to Buy on Kering with an unchanged FV of EUR180.

ANALYSIS

- **Kering** is to report its FY 2015 results on 18th February (before trading). **We expect sales to reach EUR11.43bn, up 14% and 3.6% organically**. Our FY assumptions imply a Q4 at +3.7%, slightly above 9M (+3.4%) and Q3 (+3.1%). Concerning the **luxury division** alone, FY and Q4 sales should be up respectively 3.2% and 3.1% on an organic basis, in line with the Q3 and 9M performance! The main trigger of this release will be the performance by the **Gucci brand** (30% of group sales and 60% of group EBIT). We expect this brand to post still relatively poor organic sales growth in Q4 (+1.6%) but with a clear improvement versus Q3 (-0.4%), therefore, FY 2015 Gucci sales are expected to decrease by 0.4%. The Q4 rebound is set to be driven by stronger retail sales, which we expect to rise by around 2.8% vs +1% in Q3, while wholesale should report almost the same trend (-5%). The expected rebound in retail stems from the higher weight in sales of the new collections of Alessandro Michele, the brand's new designer since January 2015. This trend should even accelerate in 2016 such that we expect mid-single digit organic sales growth this year.

- On the other hand, we are forecasting a slowdown at **Bottega Veneta** with a 2.8% organic sales increase following +4.3% in Q3 and +5.6% over 9M. This trend is the consequence of i/ high exposure to Asian tourists (including Japanese) with almost 70% of sales ii/ a tough situation in Hong Kong, which combined with Macao accounts for 15% of brand sales**. Yves Saint Laurent** should still report strong momentum despite its exposure to France (10% of sales) and we expect almost a similar trend in Q4 (+21.5%) than in Q3 (+26.5%). Lastly, sales at "Others" should be down 1.5% in Q4, in line with Q3. In all, the luxury division should register a 3.2% sales increase in Q4 in line with Q3 and 9M pointing to a very resilient performance. Puma's Q4 sales momentum (+6%) should accelerate vs Q3 (+3.9%) thanks to anticipated orders ahead of 2016 EURO and OG in Rio.

Quarterly organic sales growth by business

lfl chge (%)	H1 15	Q3 15	9M 15	Q4 15e	2015e
Gucci	-1.6	-0.4	-1.2	1.6	-0.4
Bottega Veneta	6.4	4.3	5.6	2.8	4.8
YSL	24.3	26.5	25.1	21.4	24.0
Others	1.0	-1.1	0.3	-1.5	-0.2
Luxury division	**2.8**	**3.1**	**3.0**	**3.2**	**3.1**
Puma	5.9	3.9	5.2	6.0	5.4
Total Group	**3.5**	**3.1**	**3.4**	**3.7**	**3.6**

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

- **Kering's 2015 FY EBIT margin** is set to have come under pressure with an expected 220bp decline to 14.4% (EUR1.65bn EBIT), which nevertheless implies a less negative H2 (-150bp) following -320bp in H1. The slight improvement in H2 vs H1 should stem from a less negative deleveraging impact (mainly at Gucci) and a less negative hedging impact.

VALUATION

- Given recent share price weakness (-5% over last month), 20% upside and a better trend expected at Gucci in 2016 (+4% organic sales growth) after the transition 2015 year, **we have upgraded our recommendation on Kering from Neutral to Buy** with an unchanged FV of EUR180. The stock is trading on a slight premium (7%) versus the peer average on 2016 EV/EBIT.

NEXT CATALYSTS

- 2015 FY results to be released on 18th February (before trading). *Click here to download*

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TMT

ASML

Price EUR72.47

Outlook still cloudy for NT but the group has increased shareholder returns

Fair Value EUR76 (+5%) **NEUTRAL**

Bloomberg	ASML NA
Reuters	ASML.AS
12-month High / Low (EUR)	103.8 / 71.8
Market Cap (EURm)	31,404
Ev (BG Estimates) (EURm)	29,551
Avg. 6m daily volume (000)	1,438
3y EPS CAGR	23.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-10.3%	-6.6%	-21.4%	-12.2%
Semiconductors	-11.6%	-7.3%	-19.4%	-12.8%
DJ Stoxx 600	-9.0%	-9.5%	-19.0%	-10.2%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	5,856	6,259	6,970	8,311
% change		*6.9%*	*11.4%*	*19.2%*
EBITDA	1,547	1,817	2,054	2,751
EBIT	1,282	1,536	1,749	2,431
% change		*19.8%*	*13.9%*	*39.0%*
Net income	1,197	1,351	1,542	2,145
% change		*12.9%*	*14.1%*	*39.2%*

	2014	2015e	2016e	2017e
Operating margin	21.9	24.5	25.1	29.3
Net margin	20.4	21.6	22.1	25.8
ROE	15.9	16.7	17.4	21.4
ROCE	20.4	21.8	24.0	31.3
Gearing	-21.3	-22.8	-26.8	-31.0

(EUR)	2014	2015e	2016e	2017e
EPS	2.72	3.13	3.62	5.13
% change	-	*14.9%*	*15.7%*	*41.8%*
P/E	26.6x	23.2x	20.0x	14.1x
FCF yield (%)	2.1%	3.6%	4.3%	5.7%
Dividends (EUR)	0.61	0.70	0.81	0.93
Div yield (%)	0.8%	1.0%	1.1%	1.3%
EV/Sales	5.1x	4.7x	4.2x	3.4x
EV/EBITDA	19.3x	16.3x	14.1x	10.3x
EV/EBIT	23.2x	19.2x	16.6x	11.6x

ASML posted Q4 results in line with expectations. Sales came out at EUR1.43bn, down 7.4% on a sequential basis and down 4.0% year over year. This was in line with the company's guidance for Q4 sales of about EUR1.4bn and the consensus of EUR1.44bn. Gross margin at 46% was wider than the Q3 level (45.4 %), such Q4 EPS stood at EUR0.68, above consensus expectations of EUR0.61. Nevertheless, the Q1 outlook is cautious. The group anticipates Q1 2016 sales to be close to EUR1.3bn (vs. cons. at EUR1.41bn) while gross margin is expected to decrease to around 42% (cons. at 45.7%). Additionally, the group has raised shareholder returns with a new share buyback plan for EUR1bn and a dividend up 50% to EUR1.05 per share.

ANALYSIS

- **ASML has reported Q4 results in line with guidance and consensus expectations.** The company reported Q4 sales of EUR1.43bn, down 7.4% seq., in line with guidance for sales of EUR1.4bn and consensus expectations for EUR1.44bn (BG ests. EUR1.41bn). The gross margin increased by 60bp vs. Q3 to 46.0% (vs. 45.4%) above company and consensus expectations of 45%. Operating result came in at EUR318m or a 22.2% margin. Adjusted EPS of EUR0.07 was above consensus expectations at EUR0.68 vs. USD0.61 (BG ests. EUR0.60). We also note that, both net bookings and the systems backlog increased during Q4 to EUR1,184m and EUR3,184m respectively from EUR904m and EUR2,880m. For FY15, sales rose to EUR6.3bn from EUR5.9bn in 2014 while 2016 EPS was up to EUR3.21 from EUR2.72.
- **EUV keeps improving with availability of more than 80% and productivity of more than 1,250 wafers per day. The group is targeting six to seven EUV system shipments for 2016**. As expected, two NXE:3350B tools were shipped during Q4. Note that ASML announced the shipment of the first NXE:3350B earlier in September. Overall, three EUV systems were shipped during 2015. With this new NXE:3350B system (the first NXE:3350B was shipped in September 2015), the group announced that productivity of more than 1,250 wafers per day had been achieved.
- **The outlook remains cloudy in the near term, with the group continuing to expect better momentum as of Q2 2016.** Q1 2016 guidance for sales of approximately EUR1.3bn is below consensus expectations at EUR1.41bn. The gross margin is expected to decrease in Q1 2016 to about 42% (vs. Q4 2015 at 46%) and EBIT margin to decrease to 16.4% (from 22.2% in Q4-16). Overall, the outlook remains cloudy for the near term despite a booking increase in Q4 relative to Q3 2015. ASML continues to expect the 10nm ramp up to start in Q2 2016.
- **The group announced a plan for additional share repurchases of EUR1bn leading to a total of 4.8% of outstanding shares left to be bought-back and increased the dividend to EUR1.05 (+50% yoy).** As a reminder, ASML announced its intention to purchase up to 3.3m shares in 2015/16 (0.8% of outstanding shares) to cover employee stock option plans (ESOPs) and up to EUR750m in shares (c. 2.2% of outstanding shares) to be cancelled upon repurchase. At the end of the third quarter, ASML published that the group had completed the purchase of 3.3m shares for ESOPs for a total amount of EUR314.9m, plus about EUR110m of shares bought in order to be cancelled. Today, ASML announced a new share buyback program to be executed over 2016-2017, with additional purchases of about EUR1bn. As a result, ASML intends to purchase shares up to EUR1.5bn (incl. approx. EUR500m left from the previous program) or a total of 4.8% of outstanding shares. In addition, ASML also proposes dividend of EUR1.05 per share, 50% higher than last year (EUR0.70).

VALUATION

- ASML's shares trade at a 2016e P/E ratio of 20.0x and a 2016e PEG ratio of 0.8x.

NEXT CATALYSTS

- A conference call is scheduled today at 3:00pm (CET or 9:00am EST).

(Continued next page)

FQ4-15 Actual vs. estimates

[EURm]	BG ests. 4Q15e	Consensus 4Q15e	4Q15 Actual	Actual vs. Cons.
Net revenue	1,406	1,435	1,434	-0.1%
% change (seq)	*-9.2%*	*-7.4%*	*-7.4%*	-6bp
Gross Margin	44.9%	45.1%	46.0%	90bp
Adj. EBIT	289	298		-100.0%
% of revenue	*20.6%*	*20.7%*	*0.0%*	-2074bp
Dil. EPS	0.60	0.61	0.68	11.5%

Sources: Thomson Reuters I.B.E.S; Bryan, Garnier & Co ests.

FQ1-16 Guidance vs. estimates

[EURm]	BG ests. 1Q16e	Consensus 1Q16e	1Q16e Guidance	Guid. vs. Cons.
Net revenue	1,491	1,414	1,400	-1.0%
% change (seq)	*6.0%*	*-1.5%*	*-2.4%*	-91bp
Gross Margin	45.0%	45.7%	42.0%	-370bp
Dil. EPS	0.68	0.64	-	-

Sources: Thomson Reuters I.B.E.S; Bryan, Garnier & Co ests.

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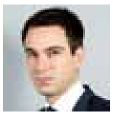

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Healthcare

Genmab

Price DKK801.50

Ofatumumab approved for the maintenance therapy of patients with CLL

Fair Value DKK1170 (+46%) **BUY-Top Picks**

Bloomberg	GEN DC
Reuters	GEN.CO
12-month High / Low (DKK)	954.0 / 402.8
Market Cap (DKK)	47,547
Ev (BG Estimates) (DKK)	44,381
Avg. 6m daily volume (000)	342.2
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	-12.5%	27.6%	17.3%	-12.6%
Healthcare	-7.0%	-5.9%	-16.4%	-8.8%
DJ Stoxx 600	-9.0%	-9.5%	-19.0%	-10.2%

YEnd Dec. (DKKm)	2014	2015e	2016e	2017e
Sales	850.4	779.3	684.9	458.3
% change		*-8.4%*	*-12.1%*	*-33.1%*
EBITDA	265	149	8.0	-264.3
EBIT	265.2	323.9	8.0	-264.3
% change		*22.2%*	*-97.5%*	
Net income	301.3	188.9	43.0	-224.3
% change		*-37.3%*	*-77.2%*	

	2014	2015e	2016e	2017e
Operating margin	31.2	41.6	1.2	-57.7
Net margin	35.4	46.7	6.3	-48.9
ROE	14.8	12.1	1.4	-8.0
ROCE	-67.0	4,018	20.7	-56.0
Gearing	-130.9	-105.6	-99.0	-92.1

(DKK)	2014	2015e	2016e	2017e
EPS	5.20	3.14	0.71	-3.72
% change	-	*-39.7%*	*-77.2%*	
P/E	NS	NS	NS	NS
FCF yield (%)	NM	0.4%	0.0%	0.1%
Dividends (DKK)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	52.8x	56.9x	65.0x	98.1x
EV/EBITDA	169.3x	298.0x	5535.3x	NS
EV/EBIT	169.3x	137.0x	5535.3x	NS

Ofatumumab has received approval from the FDA for the maintenance treatment of patients with Chronic Lymphocytic Leukemia (CLL). While this is good news that should be well received by the market, we don't see it as transforming because of the recent changes in the therapeutic landscape for CLL. That said, we see strong potential for value creation in Multiple Sclerosis (MS)... and we think the street will fully realise this once Roche's ocrelizumab is approved in both PPMS (the primary progressive form) and RRMS (the relapsing-remitting one). BUY reiterated with a FV of DKK1,170.

ANALYSIS

- **Ofatumumab has been approved by the US FDA for the treatment of patients with Chronic Lymphocytic Leukemia (CLL) who are in complete or partial response after at least 2 lines of therapy**. The decision was based on Phase III results showing that ofatumumab significantly improved median progression-free survival vs observation (29.4 vs 15.2 months, HR: 0.50 at a median follow-up of 19.1 months, p<0.0001). As a reminder, the compound 1/ is commercialised by Novartis (BUY – FV CHF109) and 2/ was already approved to treat untreated and refractory patients with CLL.
- **While this is good news, we don't see it as transforming for Genmab**. The therapeutic landscape for CLL has evolved with 1/ the arrival of AbbVie/JNJ's ibrutinib (BTK inhibitor), which by the way significantly improved median PFS vs ofatumumab in R/R patients with CLL (HR: 0.1); 2/ Roche's venetoclax (BCL2 inhibitor) which could be approved by the end of Q2 2016 and has also exhibited quite deep responses; 3/ the development of novel combinations (ex: ibrutinib/venetoclax or ibrutinib/nivolumab). Against this backdrop, we don't see how Genmab's ofatumumab will be able to grab a significant share of the CLL pie... so we make no changes to our sales estimates.
- **We think the value lies in multiple sclerosis**. Anti-CD20 antibodies came under the spotlight with the recent Phase III results of Roche's ocrelizumab in both primary progressive (PPMS) and relapsing-remitting multiple sclerosis (RRMS) – See our initiation report here for more details. The FDA is very likely to give it a priority review, thus leaving the door open to a potential approval by the end of Q2 2016. We think the street will then realize how interesting ofatumumab could be outside the oncology business.

VALUATION

- **BUY reiterated with a FV of DKK1,170**, knowing that our valuation could be further increased to DKK1,500 if 1/ the Phase III studies evaluating daratumumab in less pre-treated patients prove to be positive; 2/ Roche's ocrelizumab receives a fairly broad label for the treatment of RRMS (like Novartis' Gilenya).

NEXT CATALYSTS

- Q2 2016: Phase III results for daratumumab (anti-CD38) for the treatment of R/R patients with multiple myeloma (second-line and more).
- Q2 or Q3 2016: Read-acros from the approval of Roche's ocrelizumab (another anti-CD20) for the treatment of multiple sclerosis.
- 2016: Collaboration agreement between JNJ and another big pharma to evaluate daratumumab in combination with a PD-1/PD-L1 checkpoint blocker.

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Luxury & Consumer Goods

Luxottica

Price EUR58.25

FY15 Sales Preview: Take advantage of (unjustified) Winter Sales!

Fair Value EUR66 (+13%) **BUY**

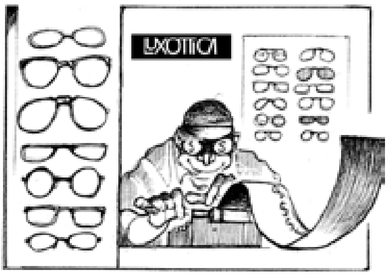
Bloomberg	LUX IM
Reuters	LUX.MI
12-month High / Low (EUR)	67.5 / 49.0
Market Cap (EURm)	28,173
Ev (BG Estimates) (EURm)	29,197
Avg. 6m daily volume (000)	723.0
3y EPS CAGR	16.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.4%	-8.8%	-10.7%	-3.6%
Consumer Gds	-6.2%	-5.0%	-10.6%	-7.2%
DJ Stoxx 600	-7.8%	-8.6%	-17.9%	-9.0%

YEnd Dec. (€m)	2014	2015e	2016e	2017e
Sales	7,652	8,898	9,614	10,278
% change		*16.3%*	*8.0%*	*6.9%*
EBITDA	1,542	1,903	2,127	2,319
EBIT	1,158	1,430	1,591	1,745
% change		*23.5%*	*11.2%*	*9.7%*
Net income	642.6	849.8	974.8	1,086
% change		*32.2%*	*14.7%*	*11.4%*

	2014	2015e	2016e	2017e
Operating margin	15.1	16.1	16.5	17.0
Net margin	8.4	9.5	10.1	10.6
ROE	13.1	16.8	17.7	18.1
ROCE	10.4	13.2	14.8	16.2
Gearing	20.6	20.3	10.3	1.5

(€)	2014	2015e	2016e	2017e
EPS	1.44	1.77	2.03	2.26
% change	-	*22.5%*	*14.7%*	*11.4%*
P/E	40.3x	32.9x	28.7x	25.8x
FCF yield (%)	2.6%	2.9%	3.7%	4.1%
Dividends (€)	0.72	0.92	1.05	1.20
Div yield (%)	1.2%	1.6%	1.8%	2.1%
EV/Sales	3.8x	3.3x	3.0x	2.7x
EV/EBITDA	18.9x	15.3x	13.5x	12.2x
EV/EBIT	25.2x	20.4x	18.1x	16.2x



Luxottica is due to release 2015 sales on 29th January. We expect adjusted net sales of EUR9.072bn, up 17.8% reported and 6.2% FX-n, matching guidance for "mid to high single-digit growth". In Q4 alone, adjusted organic growth should be close to Q3 (+5.5%e), despite more difficult comparison (+9.3% in Q4 2014 vs. +6.7% in Q3) in view of a positive calendar effect (53rd week = extra sales of EUR60m). Following the recent market correction, the stock has returned to more attractive levels for investors seeking: (i) reassuring exposure to mature countries (~76% of sales), where sales remained buoyant in Q4, especially in North America (~56%), (ii) robust growth in emerging markets (rebound in China, still strong in LatAm) and (iii) various 2016 catalysts such as operating leverage, shareholder returns, retail initiatives, etc.

ANALYSIS

- **Wholesale Division: +8%e expected in Q4.** Growth should primarily be driven by **Europe** where the group enjoyed favourable weather conditions and easy comps (-8% in Q4 2014), with the group's main markets set to be at the forefront (i.e. Italy, Spain, etc.). We are more cautious on **Wholesale US**, not because of weak final demand but due to: **(i)** a very tough comparison base (+19% FX-n in Q4 14) and **(ii)** the integration process for Oakley's wholesale activities which could cause minor disruptions. In **emerging markets**, all lights should be at green since the group experienced a strong rebound in volumes in **China** after the price adjustment implemented in Q3 and trends have remained strong in **Latin America** (shift to local consumption).

- **Retail Division: +4% on top of difficult comps.** Last year retail sales benefited from a 53rd week which generated extra sales of EUR60m. Besides this calendar effect, underlying trends remained robust for **LensCrafters** and **Sunglass Hut.** As for the first 9M (SSSG: +0.7%), sales at **OPSM** (Australia-NZ) should still be affected by harsher competition and a tough retail environment. Last but not least, **GMO** (LatAm) and **SGH** (Mexico, Brazil, Southeast Asia) should post solid performances while H-K/Macao are set to weigh further on growth at **LensCrafters China**.

Adjusted FX-neutral growth by Division (%):

Adj. FX-neutral growth *	**Q3 15**	**9M 15**	**Q4 15e**	**2015e**
Wholesale Division (~42% of sales)	6.8	6.9	8.0	7.1
Retail Division (~58% of sales)	4.7	6.1	4.0	5.6
Group total	**5.5**	**6.4**	**5.5**	**6.2**

** Before the change in accounting method at EyeMed (FY15: -EUR174m)* *Source: Company Data*

- **FY15 adj. EBIT margin is set to widen 100bp to 16.3%.** Ahead of the FY15 results (1st March) we expect EBIT margin in the **Wholesale division** to increase 110bp (to 23.8%) while profitability in the **Retail division** should widen 90bp to 15.0%. The main margin enhancers are: **(i)** volume growth and mass scale effect, **(ii)** focus on store productivity (Retail) and **(iii)** efficiency gains at the group level. As such, for the sixth year in a row (and last?) LUX is due to achieve its "rule-of-thumb" of growing EBIT twice as fast as FX-n sales growth.

- **LUX does not lack growth opportunities and catalysts for 2016.** On 2nd March, management is to present a "multi-year plan" which could harbour positive catalysts (increased emphasis on ROCE/ROI ratios, formal shareholder return, etc.) in addition to the traditional sales and margin outlook. 2016 will be a busy year for the **Retail Division** considering the implementation of the new store concept at LC, the partnership with Macy's and the "re-set plan" at OPSM. 2016 will probably be a milestone year in the development of smart eyewear (Intel and Google partnerships). At CES 2016, Oakley and Intel presented Race Pace athlete-coaching glasses, which should be launched in late 2016.

VALUATION

- Ahead of these catalysts, we recommend that investors take advantage of these attractive entry points. Buy recommendation and FV of EUR66 confirmed.

NEXT CATALYSTS

- FY15 sales on 29th January // FY15 results on 1st March // Investor Day on 2nd March.

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Construction & Building Materials

Saint Gobain

Price EUR36.71

France likely to be a positive catalyst in 2016. Upgrade to Buy. (report published today)

Fair Value EUR42 (+14%) **BUY vs. NEUTRAL**

Bloomberg	SGO FP
Reuters	SGOB.PA
12-month High / Low (EUR)	44.5 / 35.0
Market Cap (EUR)	20,589
Ev (BG Estimates) (EUR)	27,280
Avg. 6m daily volume (000)	2,132
3y EPS CAGR	19.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.8%	-4.3%	-14.9%	-7.9%
Cons & Mat	-5.7%	-2.1%	-11.4%	-7.4%
DJ Stoxx 600	-7.8%	-8.6%	-17.9%	-9.0%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	41,054	39,429	39,575	40,996
% change		*-4.0%*	*0.4%*	*3.6%*
EBITDA	4,151	3,987	4,104	4,628
EBIT	2,797	2,648	2,904	3,378
% change		*-5.3%*	*9.7%*	*16.3%*
Net income	1,103	1,282	1,502	1,875
% change		*16.2%*	*17.2%*	*24.8%*

	2014	2015e	2016e	2017e
Operating margin	6.8	6.7	7.3	8.2
Net margin	2.4	2.6	3.2	4.0
ROE	6.1	7.2	8.2	9.8
ROCE	6.3	6.5	7.0	8.0
Gearing	39.2	27.5	24.7	19.6

(EUR)	2014	2015e	2016e	2017e
EPS	1.97	2.27	2.68	3.34
% change	-	*14.9%*	*18.2%*	*24.8%*
P/E	18.6x	16.2x	13.7x	11.0x
FCF yield (%)	NM	4.2%	5.4%	7.5%
Dividends (EUR)	1.24	1.24	1.30	1.40
Div yield (%)	3.4%	3.4%	3.5%	3.8%
EV/Sales	0.7x	0.7x	0.7x	0.6x
EV/EBITDA	7.1x	6.8x	6.6x	5.7x
EV/EBIT	10.5x	10.3x	9.3x	7.8x

Following pretty good Q4 figures from SIG plc in France, combined with the recent improvement in existing-home transactions, our view on the French renovation market has clearly improved. Mixed with good trends from new residential, France is likely to be better oriented in the course of 2016. In addition, apart from Brazil (c4.5% of sales), EM exposure is well spread out, thereby diluting risk. In view of share price weakness over the past two months and a FV unchanged at EUR42, the timing looks right for an upgrade to BUY (vs NEUTRAL).

ANALYSIS

- At end-October last year, we downgraded Saint-Gobain following a poor Q3 performance in France, due to a worse-than-expected renovation market, while emerging markets (no less than one third of EBIT) were frightening and exposure to the US was fine but not that significant for Saint-Gobain (one fifth of EBIT).
- However, the healthy Q4 figures from SIG plc in France in Q4 have struck a chord. Admittedly, unemployment is high and is negative for household confidence and renovation in turn. However existing home transactions have picked up since September while distribution could start to benefit from stronger new residential figures. In all, France distribution (c20% of sales) is likely to provide positive catalysts in 2016.
- Brazil (c4.5% of sales) is of course a key uncertainty but the rest of EM exposure is well spread out and SGO has proven its resilience so far. The US industrial segment might be at risk too, although the drop in proppant prices in 2015 is set to provide a welcome easy comparison basis this year.

VALUATION

- FV maintained at EUR42. Recent weakness (since end-November) provides some upside. We believe momentum will improve, with and undemanding (in our view) consensus. Upgrade to BUY vs NEUTRAL.Bullet (Bullet)Bullet

NEXT CATALYSTS

- Saint-Gobain is to publish FY results on 25th February 2016.

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TMT

Wirecard

Price EUR45.51

Confirmation of our bullish scenario

Fair Value EUR52 (+14%) **BUY-Top Picks**

Bloomberg	WDI GR
Reuters	WDIG.DE
12-month High / Low (EUR)	47.4 / 34.4
Market Cap (EURm)	5,620
Ev (BG Estimates) (EURm)	5,214
Avg. 6m daily volume (000)	548.9
3y EPS CAGR	31.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.3%	4.9%	17.0%	-2.1%
Softw.& Comp.	-3.5%	4.9%	0.0%	-4.7%
DJ Stoxx 600	-7.8%	-8.6%	-17.9%	-9.0%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	601.0	770.6	1,006	1,218
% change		*28.2%*	*30.5%*	*21.1%*
EBITDA	173	231	304	380
EBIT	150.4	202.5	269.1	336.9
% change		*34.6%*	*32.9%*	*25.2%*
Net income	123.0	164.0	225.9	284.7
% change		*33.4%*	*37.7%*	*26.0%*

	2014	2015e	2016e	2017e
Operating margin	25.0	26.3	26.8	27.7
Net margin	18.0	18.8	20.0	20.9
ROE	10.1	12.0	14.5	15.7
ROCE	27.6	22.1	25.5	28.4
Gearing	-55.6	-33.7	-33.9	-36.5

(EUR)	2014	2015e	2016e	2017e
EPS	1.01	1.33	1.83	2.30
% change	-	*31.5%*	*37.7%*	*26.0%*
P/E	45.1x	34.3x	24.9x	19.8x
FCF yield (%)	1.2%	1.4%	2.1%	3.1%
Dividends (EUR)	0.12	0.13	0.14	0.15
Div yield (%)	0.3%	0.3%	0.3%	0.3%
EV/Sales	8.4x	6.8x	5.1x	4.1x
EV/EBITDA	29.0x	22.6x	16.9x	13.2x
EV/EBIT	33.4x	25.7x	19.1x	14.9x

Yesterday, Reuters quoted Wirecard's CEO as saying that "2016 EBITDA outlook is conservative", "(he) fully stands by 2015 EBITDA guidance of EUR223-232m" and "Q4 went very well". No real news for us here but more a confirmation of our bullish scenario. We maintain our Buy rating and FV of EUR52 (including a DCF at EUR56) – the stock is in our Q1 Top Pick list.

ANALYSIS

We reiterate our investment case:

- **1/ We maintain our 2015 forecast** for EUR231.1m in EBITDA (Thomson Reuters cons. of EUR226.7) vs. guidance of EUR223-232m. Our figures include the acquisition of the payments business of Great Indian Retail Group (on 28th October, we raised our FY15 EBITDA forecast from EUR229.9m of EUR231.1m, i.e. a 30% EBITDA margin).
- **2/ Regarding 2016, as usual at this stage, management is timid.** In the end, we believe Wirecard should post 2016 EBITDA above its EUR280-300m guidance range (Thomson Reuters cons. of EUR293m and BG est. of EUR304.3m). Bear in mind that these figures do not include any potential additional income from the Visa Europe acquisition by Visa Inc. We are very confident in our forecast given the traditional communication by management, its excellent track-record, and very strong growth in the volume of e-commerce transactions processed which is accelerating quarter after quarter.
- **3/ Some elements of track record:** In recent years, the group has regularly raised its EBITDA guidance (several times during the year). On average, it has reported a figure 1% higher than the middle of its initial range (3% higher in 2014). Note also that every year, it moves slightly closer to the top-end of its initial range (difference of 5.5% in 2011 and just 1.2% in 2014), and in 2015e and 2016e it should be above.

Management track-record: reported EBITDA vs. initial guidance

Year	2010		2011		2012		2013		2014	
EURm	Initial guidance	Reported figure	Initial guidance	Reported figure	Initial guidance	Reported figure	Initial guidance	Reported figure	Initial guidance	Reported figure
EBITDA	70-75	73.3	81-89	84.4	103-115	109.2	120-130	126.0	160-175	172.9
Mid-point	72.5	73.3	85	84.4	109	109.2	125	126.0	167.5	172.9
Reported vs. mid-point		*+1.1%*		*-0.7%*		*+0.2%*		*+0.8%*		*+3.2%*
Upper range vs. reported		*+3.5%*		*+5.5%*		*+5.3%*		*+3.2%*		*+1.2%*

Source: Bryan, Garnier & Co

- **4/ We are maintaining Wirecard on our Q1 Top Pick list** to benefit from the rising momentum of eCommerce (notably during the Christmas period) and good visibility (first 2016 guidance already given). The group is a growth story (strong double digit organic top line growth) and one of margin improvement (thanks to its fixed-cost structure).

VALUATION

- **The share is attractive relative to its EPS growth:** 2016e: P/E of 25x vs. +38% attrib. net profit
- **We maintain our Buy rating and FV of EUR52** (including a DCF of EUR56 and a 12m rolling fwd EV/TVP ratio based on PayPal after a 15% discount of EUR47). **The stock is on our Q1 Top Pick list**.

NEXT CATALYSTS

- **FY 2015 earnings** at the beginning of April.

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Healthcare

DBV Technologies

Price EUR47.30

Bloomberg	DBV FP
Reuters	DBV.PA
12-month High / Low (EUR)	81.0 / 37.8
Market Cap (EURm)	1,140
Avg. 6m daily volume (000)	50.80

	1 M	3 M	6 M	31/12/15
Absolute perf.	-26.7%	-21.0%	-37.0%	-28.8%
Healthcare	-5.6%	-5.4%	-15.1%	-7.4%
DJ Stoxx 600	-7.8%	-8.6%	-17.9%	-9.0%

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

FDA's briefing documents favouring EPIT

Fair Value EUR92 (+95%) **BUY**

ANALYSIS

- The FDA released yesterday briefing documents (please see here) ahead of a panel discussion from the Allergenic Products Advisory Committee on the clinical development and licensure of food allergy immunotherapies scheduled on 21st January. Not only did these documents recognise the Double Blind Placebo-Controlled Food Challenge trial (DBPCFC) as gold standard trial but they also insist on the goal of food allergy immunotherapy, which is the mitigation of symptoms of accidental exposure to allergen as well as close monitoring of patients, which has been undertaken by DBV.
- Moreover, these briefing documents favour DBV's EPIT approach in our view as they highlight the increased safety profile of EPIT compared to either oral immunotherapies (OIT), sublingual immunotherapies (SLIT) or subcutaneous immunotherapies (SCIT). For OIT which is the administration route studied by Aimmune Therapeutics (phase III results in H2 2017), the FDA highlighted the high rate of adverse events (oral and GI side effects), the development EoE which might be induced by the administration of milk protein and more importantly, the risk of this approach in paediatric populations as they might not be able to communicate on early symptoms. This could negatively impact Aimmune in our view as the addressable paediatric population (4-5yo) is made up for 25% of the 4-11yo market and literature shows that early treatment improves responder rate. As for SCIT and SLIT, the regulatory authority spotlighted one fatality case and weak efficacy respectively.
- Lastly we would remind that although the briefing documents do not seem to take into consideration advancements made by DBV in Milk, this is due to the agency's policy not to include results from studies that have not been published in a peer-reviewed journal in its briefing documents issued for open discussion. As such, the FDA refers to the AP-HP trial conducted in 2010 in 19 patients, which showed a positive trend but was not statistically significant.

VALUATION

- We reiterate our EUR92 Fair Value and BUY recommendation

NEXT CATALYSTS

- 4th-7th March: American Academy of Allergy, Asthma & Immunol (AAAAI). Probable communication of the CoFAR6 study results (mechanistic, biomarkers; NIH-sponsored)

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Luxury & Consumer Goods

Groupe SEB

Price EUR93.62

2015 sales top expectations, optimistic outlook for 2016

Fair Value EUR105 (+12%) **BUY**

Bloomberg	SK FP
Reuters	SEBF.PA
12-month High / Low (EUR)	96.9 / 59.0
Market Cap (EURm)	4,697
Ev (BG Estimates) (EURm)	5,120
Avg. 6m daily volume (000)	61.60
3y EPS CAGR	17.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.2%	8.1%	2.6%	-1.0%
Consumer Gds	-6.2%	-5.0%	-10.6%	-7.2%
DJ Stoxx 600	-7.8%	-8.6%	-17.9%	-9.0%

YEnd Dec. (€m)	2014	2015e	2016e	2017e
Sales	4,253	4,770	5,028	5,281
% change		*12.2%*	*5.4%*	*5.0%*
Recur. Op. profit	368.0	430.2	477.7	509.2
EBIT	334.7	401.2	447.1	477.1
% change		*19.9%*	*11.4%*	*6.7%*
Net income	170.0	208.7	256.2	278.7
% change		*22.8%*	*22.8%*	*8.8%*

	2014	2015e	2016e	2017e
Operating margin	7.9	8.4	8.9	9.0
Net margin	4.0	4.4	5.1	5.3
ROE	11.9	14.9	15.5	15.3
ROCE	11.0	12.9	14.0	14.7
Gearing	26.2	23.5	14.0	5.2

(€)	2014	2015e	2016e	2017e
EPS	3.46	4.24	5.21	5.67
% change	-	*22.8%*	*22.8%*	*8.8%*
P/E	27.1x	22.1x	18.0x	16.5x
FCF yield (%)	4.7%	3.6%	5.4%	6.0%
Dividends (€)	1.44	1.57	1.75	1.95
Div yield (%)	1.5%	1.7%	1.9%	2.1%
EV/Sales	1.2x	1.1x	1.0x	0.9x
EV/EBITDA	14.0x	11.9x	10.4x	9.4x
EV/EBIT	15.4x	12.8x	11.1x	10.1x

Yesterday Groupe SEB reported FY 2015 sales of EUR4.770bn (+12.1% reported and +8% LFL), or 2% above CS expectations (EUR4.676bn). This deviation stemmed mainly from better-than-expected LFL growth in Q4 (+7.2% vs. CS at +5.5%e) driven by double-digit increases in western Europe (+15.8%) and in Asia-Pacific (+11.8%). Ahead of FY 2015 results (25th February), SEB is already guiding for op result of "around EUR430m" close to expectations (CS: EUR432/BG: EUR435m). As for 2016, management is forecasting a higher negative FX impact than in 2015 (i.e. EUR130-140m) but the latter should be fully offset by price increases, savings on sourcing and efficiency gains. Buy recommendation and FV of EUR105 confirmed.

ANALYSIS

- **Satisfactory growth in almost all developed markets in Q4. France** posted a 10th consecutive quarter of growth (+2.6%) and the slight deceleration vs. Q3 (+3.2%) was explained by the non-occurrence of "loyalty programmes" (LPs) which boosted last year's Q4 (+9.2% vs. 2.6% in 9M 14). In contrast, **Europe** accelerated with a 15.8% increase thanks to a significant LP in Germany, LFL growth would have been 5% stripping out this LP. SEB experienced good performances in all key European markets. Activity in **North America** grew by 3.5% given softer trends in Canada (price hikes) but they remained well oriented in the U.S and in Mexico.
- **Some good surprises in emerging markets.** We highlight the 11.8% growth in **Asia-Pacific**, mainly driven by Supor in **China** (~17% LFL in Q4 and 2015) in a flattish Chinese market, but SEB also enjoyed a strong end of year in Japan and in South Korea. The group also held up quite well in **Brazil** (mid single-digit decline LFL in Q4), which was partly offset by good growth in Colombia. This resiliency also occurred in **central & eastern Europe** (+2.1%), especially in **Russia** where the sales contraction is limited in the light of very challenging market conditions, whilst Turkey and Poland were quite good.

LFL sales growth by region:

LFL sales growth (%)	H1 15	Q3 15	9M 15	Q4 15	2015
France	10.5	3.2	7.8	2.1	**5.6**
Europe (excl. France)	3.3	12.4	6.3	15.8	**9.7**
North America	8.4	8.3	8.3	3.5	**6.7**
South America	3.5	7.7	5.2	-0.8	**3.4**
Central & Eastern Europe/ RoW	7.1	0.5	4.8	2.1	**3.9**
Asia-Pacific	14.0	11.5	13.2	11.8	**12.8**
Total	**8.7**	**7.8**	**8.4**	**7.2**	**8.0**

Source: Company Data

- **FY15 guidance confirmed.** The negative FX impact for 2015 amounted to EUR100m, at the top end of the EUR90-100m range communicated at the Q3 sales call (end October). However the group enjoyed some tailwinds such as a positive volume effect, a favourable price-mix and savings (operating efficiency programmes), enabling management to guide on a op. result of approx. EUR430m vs. CS at EUR432 and BG at EUR435m, implying a margin expansion of 30bp to 9%
- **Management intends to fully absorb the EUR130-140m negative FX impact expected for 2016!** Why is management so confident? **1/** SEB is to benefit from the same successful initiatives launched in 2015 (efficiency gains, procurement savings, price-mix, etc.), **2/** the stronger USD is affecting the whole industry and particularly SEB's competitors, creating more favourable market conditions for price increases. As such the group passed some price hikes in many countries recently (Russia, Brazil, etc.); **3/** SEB maintains significant pricing power given its powerful and sucessful brands and its strategy based on on innovation.

VALUATION

- We have only made minor adjustements to our 2015 op result given the fine-tuned guidance, while our FY16 and FY17 forecasts remain unchanged. Buy recommendation and FV of EUR105 confirmed.

NEXT CATALYSTS

- Groupe SEB is to report its FY15 Results on 25th February 2016.

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Business Services

SGS SA

Price CHF1,849

FY results: Pretty resilient in a challenging environment

Fair Value CHF2150 (+16%) **BUY**

Bloomberg	SGS VX
Reuters	SGS.VX
12-month High / Low (CHF)	1,989 / 1,626
Market Cap (CHF)	14,463
Ev (BG Estimates) (CHF)	14,977
Avg. 6m daily volume (000)	21.10
3y EPS CAGR	5.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.7%	3.1%	1.8%	-3.2%
Inds Gds & Svs	-8.0%	-5.3%	-17.1%	-9.0%
DJ Stoxx 600	-7.8%	-8.6%	-17.9%	-9.0%

YEnd Dec. (CHFm)	2014	2015e	2016e	2017e
Sales	5,883	5,741	5,938	6,277
% change		*-2.4%*	*3.4%*	*5.7%*
EBITDA	1,245	1,137	1,254	1,343
EBIT	946.9	933.9	976.2	1,048
% change		*-1.4%*	*4.5%*	*7.4%*
Net income	662.2	532.9	659.9	711.7
% change		*-19.5%*	*23.8%*	*7.9%*

	2014	2015e	2016e	2017e
Operating margin	16.1	16.3	16.4	16.7
Net margin	11.3	9.3	11.1	11.3
ROE	28.5	24.9	36.1	36.9
ROCE	19.4	19.3	19.6	20.1
Gearing	14.1	23.3	47.2	45.6

(CHF)	2014	2015e	2016e	2017e
EPS	82.69	70.67	89.27	96.28
% change	-	*-14.5%*	*26.3%*	*7.9%*
P/E	22.4x	26.2x	20.7x	19.2x
FCF yield (%)	4.3%	4.2%	4.6%	4.9%
Dividends (CHF)	68.00	68.00	68.00	73.16
Div yield (%)	3.7%	3.7%	3.7%	4.0%
EV/Sales	2.5x	2.6x	2.6x	2.5x
EV/EBITDA	11.9x	13.2x	12.3x	11.5x
EV/EBIT	15.6x	16.0x	15.7x	14.7x

2015 numbers were in line with expectations and confirmed the group's resilience. In fact total revenue reached CHF5.712bn, down 2.9% in reported terms and 2% on a lfl basis (H1 was up 1.8%) compared with the consensus at CHF5.747bn with lfl of 1.8%. Adjusted EBITA was CHF917m compared with CHF947 last year and CHF924m anticipated by the consensus i.e. a margin flat at 16.1%. The SGS Board is to recommend a dividend of CHF68 like last year representing a dividend yield of 3.7%. For the year ahead, SGS expects to deliver lfl revenue growth of between 2.5% and 3.5% (our current estimate is 2.7%) with stable EBITA margin compared to 2015 (our estimate is +20bp) and solid cash flow.

ANALYSIS

- **Resilient results with revenue up 3.6% at constant currency and 2% on a lfl basis:** This was despite further difficult trading conditions in 2015 with lower commodity prices affecting mainly **OGC** (19.6% of consolidated revenue) down 2.2% on constant currency, **Minerals** (11.1%) down 1.8% and **Industrial Services** (15.5%) down 0.6%. On the other hand, constant currency revenues were sustained in **Governments & Institutions** (4.6%) up 12%, **Automotive** (5.6%) up 13.8%, **Systems & Services** (7.3%) up 7.2%, **Life Science** (3.7%) up 6.8%, **Environmental** (6.4%) up 16.9%, **Consummer** (19.8%) up 6.3% and **Agriculture** (6.4%) up 4%.
- **Stable EBITA margin:** Before the restructuring measures of CHF64m (in line with forecasts) announced in H1 2015 to adjust operations to the current economic environment, adjusted EBITA margin reached CHF917m i.e. an EBITA margin stable at 16.1%, slightly lower than the consensus. Operating cash flow improved to CHF1.062bn from CHF912m expected (CHF64m vs. CHF65m anticipated).
- **2016 expectations:** SGS management expects to deliver organic growth of between 2.5% and 3.5% (our forecast is 2.7%) with stable margin compared to 2015 at 16.1% and "solid" cash flow.

VALUATION

- At the current share price, the stock is trading at 15.7x EV/EBIT 2016e and 14.7x 2017e which compares with the historical median of 14.8x.

NEXT CATALYSTS

- Meeting (webcast) at 2.30pm (Paris time)
- AGM on 14th March 2016

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TMT

Software AG

Price EUR28.96

Feedback from FY15 results conference call: momentum improving, better confidence ahead

Fair Value EUR34 vs. EUR33 (+17%) **BUY**

Bloomberg	SOW GR
Reuters	SOWG.DE
12-month High / Low (EUR)	29.0 / 22.1
Market Cap (EURm)	2,287
Ev (BG Estimates) (EURm)	2,229
Avg. 6m daily volume (000)	216.1
3y EPS CAGR	9.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	11.9%	18.5%	14.1%	9.6%
Softw.& Comp.	-3.5%	4.9%	0.0%	-4.7%
DJ Stoxx 600	-7.8%	-8.6%	-17.9%	-9.0%

YEnd Dec. (€m)	2014	2015e	2016e	2017e
Sales	857.8	873.2	892.1	925.2
% change		*1.8%*	*2.2%*	*3.7%*
EBITDA	250	278	290	309
EBIT	238.0	264.4	275.6	294.4
% change		*11.1%*	*4.2%*	*6.8%*
Net income	164.5	184.2	193.3	207.7
% change		*12.0%*	*5.0%*	*7.4%*

	2014	2015e	2016e	2017e
Operating margin	27.7	30.3	30.9	31.8
Net margin	12.9	15.6	17.3	18.3
ROE	10.9	13.0	13.4	13.2
ROCE	16.6	19.8	20.7	22.7
Gearing	7.0	-5.6	-17.3	-27.5

(€)	2014	2015e	2016e	2017e
EPS	1.86	2.28	2.28	2.45
% change	-	*23.0%*	*-0.2%*	*7.4%*
P/E	15.6x	12.7x	12.7x	11.8x
FCF yield (%)	5.3%	8.1%	7.9%	8.4%
Dividends (€)	0.50	0.55	0.60	0.65
Div yield (%)	1.7%	1.9%	2.1%	2.2%
EV/Sales	2.7x	2.6x	2.3x	2.1x
EV/EBITDA	9.4x	8.0x	7.2x	6.3x
EV/EBIT	9.9x	8.4x	7.6x	6.6x

We are reiterating our Buy rating and have increased our DCF-derived Fair Value to EUR34 from EUR33 as we have raised our adj. EPS ests. by 4% for 2015 and 3% for 2016-18. The solid FY15 results pre-announced yesterday in our view show that the efforts made to improve 'go-to-market' and sales productivity are now bearing fruit. Revenue momentum is improving, and non-IFRS op. margin is well on the way to reach 32-35% by 2020. While lfl revenue growth was still negative in 2015 (est. -1.7%), we are convinced Software AG will be able to post a positive level in 2016 (est. +2.9%), provided that no economic shock happens.

ANALYSIS

- **Digital Business Platform (DBP):** efforts bearing fruit quarter after quarter. The strong DBP growth in Q4 (sales +11% lfl, o/w +17% lfl on licence sales) stemmed from an outstanding performance in the US and in EMEA (licences +18% in the US, x3 in the UK, +72% in France, +22% in Middle East, +66% in Nordic countries, +62% in Eastern Europe) despite a poor quarter in Brazil and uncertainties in Asia Pacific. The number of large deals above EUR1m increased by 37% in 2015, the average deal size was up 13% in 2015 (+36% in Q4), and DBP sales productivity surged by 40% at cc in Q4 and above 20% at cc for the full-year. The number of active indirect sales partners surged by 60% in 2015. DBP cloud bookings were up 66% in Q4 (+131% for FY15). Software AG is reaping the benefits of the sales transformation it underwent a year ago under the management of Eric Duffaut, with a lot of work done on the value proposition sold to clients and a couple of large digital transformation deals won recently (Bosch, EDF, Wells Fargo, Boots Alliance...).

- **A&N (Adabas & Natural) to be there beyond 2015, Consulting transformation achieved.** The resilience of A&N revenues is no longer surprising as Software AG has a lot of focus on customer retention, and clients are not left behind: they have been offered premium support and they are accompanied in their digital transformation. Management is confident A&N will deliver for 2016 a business line margin close to the 70% reported for 2015. Finally, Consulting has achieved its transformation, with 40 new customer references in 2015 and a move away from the project-based model which looks to augur a sustainable double-digit business line margin in our view.

- **Confidence in 2020 targets.** The business line margin was up for all divisions in 2015: +2.5ppt to 29% for DBP, +1.8ppt to 70% for A&N, +3.5ppt to 11.3% for Consulting), not by cutting costs per se, but by optimising sales productivity (on DBP, indirect sales excl. US Federal are close to 15% of revenues while they were below 10% one year ago) and the product and service portfolios, and better selectivity in terms of geographies. FY16 company guidance (DBP product sales up 5-10% at cc, A&N product sales down 4-8% at cc, non-IFRS operating margin of 30-31%) brings more confidence to be on track for achieving the 32-35% target set a year ago for 2020 - provided that an economic shock does not jeopardise it. For 2016, thanks to the improving trend in the DBP division we expect 2.9% lfl revenue growth – the first year of positive lfl growth since 2010.

VALUATION

- Software AG's shares are trading at est. 7.6x 2016 and 6.6x 2017 EV/EBIT multiples.
- Net debt on 30th September 2015 was EUR1.7m (net gearing: 0%).

NEXT CATALYSTS

- **Final FY15 results** on 27th January before markets open.
- **Investor Day** on 10th February in Darmstadt (Germany).

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Healthcare

UCB

Price EUR76.06

EU approval for Brivaracetam in Epilepsy patients

Fair Value EUR75 (-1%) **NEUTRAL**

Bloomberg	UCB BB
Reuters	UCBBt.BR
12-month High / Low (EUR)	85.6 / 61.5
Market Cap (EURm)	14,794
Avg. 6m daily volume (000)	288.3

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.2%	9.5%	6.4%	-8.6%
Healthcare	-7.0%	-5.9%	-16.4%	-8.8%
DJ Stoxx 600	-9.0%	-9.5%	-19.0%	-10.2%

	2014	2015e	2016e	2017e
P/E	45.1x	36.2x	29.1x	20.5x
Div yield (%)	%	%	%	%

ANALYSIS

- UCB has announced the European approval of brivaracetam, under the brand name BRIVIACT, as an adjunctive therapy in patients suffering from epilepsy with partial onset seizures (POS). We would expect an effective launch in coming weeks and EUR120m at peak in the region. UCB filed the product in the US and in Europe in January 2015, such that we would expect US approval shortly with EUR271m in sales at peak in the region.
- Positioning of brivaracetam is likely to target patients not responding to one or two anti-epileptic drugs (AED) or needing a high dosage i.e. last line of treatment. As a reminder, the product has a strong safety profile demonstrated through three phase III. The N0152 trial did not meet its primary endpoint to increase prevalence of patients undergoing treatment with Keppra in some subgroups, which affected results.

VALUATION

- We would wait for US approval to raise our PoS from 90% to 100%. Note that this would add EUR1 to our fair value

NEXT CATALYSTS

- 26th February : FY2015 results

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Insurance

Zurich Insurance Group

Price CHF242.30

Profit warning, yet again!

Fair Value CHF310 (+28%) NEUTRAL

Bloomberg	ZURN VX
Reuters	ZURN.VX
12-month High / Low (CHF)	332.9 / 233.9
Market Cap (CHFm)	36,443
Avg. 6m daily volume (000)	621.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.7%	-4.8%	-20.6%	-6.2%
Insurance	-9.4%	-4.4%	-13.4%	-10.2%
DJ Stoxx 600	-9.0%	-9.5%	-19.0%	-10.2%

	2014	2015e	2016e	2017e
P/E	9.4x	10.8x	9.1x	8.6x
Div yield (%)	7.1%	10.4%	7.1%	7.1%

ANALYSIS

- Prior to the full release of Q4/FY numbers on 11th February, Zurich has announced that Q4 numbers will be negatively impacted by a high level of natcats (including USD275m in costs related to storms Desmond, Eva and Franck in the UK) and large losses (credit & surety + property claims). As such, for the P&C division the company is forecasting a c. USD100m operating loss in Q4 (we were expecting a USD475m profit). Other divisions (Life + Farmers) are expected to report "in line with expectations" (but note that the German life business will suffer a c. USD230m goodwill write-off).
- This is the second profit warning in two quarters (remember Q3 numbers were hit by large losses, including the port of Tianjin, and reserve strengthening).
- As a consequence, the company now aims to exceed the cost cutting target for 2016 (USD300m). Fair enough! But 1/ fixing current issues in P&C, and 2/ finding a new group CEO, have become even more critical…

VALUATION

- Based on our current numbers, our SOTP is CHF310.
- Today's news is not expected to have a material impact on the capital position and we still expect the company to pay a CHF8 extraordinary dividend (on top of its CHF17 ordinary one). However, momentum remains poor, justifying our Neutral recommendation.

NEXT CATALYSTS

- Detailed Q4/FY numbers on 11th February.

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Sector View

Luxury Goods

Tiffany sales momentum deterioration during Holiday season

	1 M	3 M	6 M	31/12/15
Pers & H/H Gds	-5.9%	-7.8%	-11.2%	-7.3%
DJ Stoxx 600	-9.0%	-9.5%	-19.0%	-10.2%

*Stoxx Sector Indices

Companies covered		
CHRISTIAN DIOR	BUY	EUR177
HERMES Intl	BUY	EUR360
HUGO BOSS	NEUTRAL	EUR103
KERING	NEUTRAL	EUR180
LVMH	BUY	EUR182
PRADA	NEUTRAL	HKD41
RICHEMONT	BUY	CHF90
S. FERRAGAMO	BUY	EUR26.5
THE SWATCH GROUP	NEUTRAL	CHF440
TOD'S GROUP	NEUTRAL	EUR84

Tiffany registered a clear deterioration sales momentum during Holiday period (November and December) with a 5% same store sales decline following +1% in Q3. FY 15 EPS is expected to be down 10%.

ANALYSIS

- **In November and December 2015, Group sales declined 3% at same forex and 5% at same store basis**, implying clear slowdown versus Q3 (August to October) performance (respectively +4% and +1%). This deterioration is the consequence of poor **Americas** (45% of group sales) where sales declined 8% at same store versus -6% in Q3. This region has been clearly affected by strong USD and lower foreign tourists spending. In **Asia Pacific** (25% of sales), Tiffany reported further deterioration with sales decline 9% at same store versus a 2% increase in Q3. In this region, we want to highlight the significant decrease in Hong Kong and Singapore while sales were well oriented in Mainland China. Richemont registered same trend during the period October to December.
- In November and December, activity in **Europe** (12% of sales) was affected by attacks in Paris as sales declined 2% at same store while they were up 6% in Q3. During holiday period, if revenues remain well oriented in UK, they, unsurprisingly, notably declined in France. Lastly, the only area to register clear positive trend was **Japan** (15% of sales) with a 24% increase at same store.
- These poor sales figures imply net profit warning as management expects for FY 2015 EPS a 10% decline versus 5 to 10% decrease previously.

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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 that could include a SWOT analysis, momentum, technical aspects or 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 that could include a SWOT analysis, momentum, technical aspects or 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 57.9% NEUTRAL ratings 33.1% SELL ratings 9%

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