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26th January 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	15885.22	-1.29%	-10.87%
S&P 500	1877.08	-1.56%	-8.83%
Nasdaq	4518.49	-1.58%	-4.59%
Nikkei	16708.9	-2.35%	-1.95%
Stoxx 600	336.27	-0.62%	-1.83%
CAC 40	4311.33	-0.58%	+0.90%
Oil /Gold			
Crude WTI	28.27	-8.24%	-47.47%
Gold (once)	1105.55	+0.47%	-6.81%
Currencies/Rates			
EUR/USD	1.08325	+0.07%	-10.48%
EUR/CHF	1.1004	+0.25%	-8.48%
German 10 years	0.404	-2.35%	-25.39%
French 10 years	0.789	-1.51%	-5.90%
Euribor	-	+-%	+-%

Economic releases :

Date	
26th-Jan	US - House price index Nov. (0.5% m/m) US - S&P Case Shiller composite 20 Nov. (5.64% exp.) US - Consumer confidence Jan. (96.5 exp.) US - Redbook

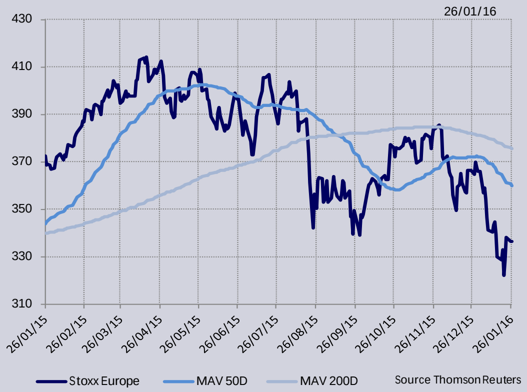
Upcoming BG events :

Date	
29th-Jan	TELECOM Sector (BG Paris breakfast)
4th-Feb	QIAGEN (BG Paris With CFO, IR)
2nd-Mar	ALBIOMA (BG Paris Lunch CEO)
10th-Mar/ 11th-Mar	BG TMT Conference
23rd-Mar	EIFFAGE (BG Luxembourg with IR)
28th-Apr	ORPEA (BG Luxembourg with IR)

Recent reports :

Date	
25th-Jan	BioTechnology Last mark down on biotech!
20th-Jan	SAINT GOBAIN : France likely to be a positive catalyst in 2016
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

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



ILIAD — BUY, Fair Value EUR270 (+18%)

Iliad explores move to enter UK mobile market

Iliad could seize the opportunity of the O2/Three merger in the UK to move into the market. Although we think the move is credible, this information is fairly preliminary, and we see no major impact on the stock price at this point. Also, execution and financing might be an issue within the context of highly-probable French consolidation. Last: could this "leak" be a way for Iliad to put pressure on its competitors in the Orange/Bouygues merger negotiations, and appear to have other opportunities if the deal fails?

JERONIMO MARTINS — NEUTRAL, Fair Value EUR13.5 (+19%)

Polish tax relief

The Polish government has released details of the famous Polish Retail Tax. Some details on its implementation are still lacking but, at this stage, we know that retailers with monthly revenues of between PLN1.5m and PLN300m are likely to have to pay a 0.7% sales tax while those with revenues above EUR300m should pay a 1.3% sales tax. Small retailers with sales below EUR1.5m will be tax exempt. Moreover, the ministry also plans to impose a 1.9% tax rate on weekend and holiday revenues. The good news is that Biedronka should be impacted in similar proportions to its largest competitors while the blended rate (~1.5%e for JM) is probably lower than the level initially feared (i.e. up to 2.5%). Further details are still to come. Stay tuned.

SWORD GROUP — BUY, Fair Value EUR28 (+14%)

Preliminary FY15 results in line, FY16 guidance confirmed

Yesterday evening Sword reported preliminary FY15 results in line with our estimates. FY16 guidance is consistent with our expectations, with the company banking on 15% Ifl revenue growth – both for Software and IT Services - and a 15% EBITDA margin. Finally, the management confirmed that there was no hurry for acquisitions. We expect a slightly positive short-term share price reaction on the back of this release, and deem the growth story will remain a positive catalyst going forward.

In brief...

GALAPAGOS, *Discontinuation of GLPG1205 in Ulcerative colitis*

INNATE PHARMA, *Affimed inks a deal with Merck & co. Positive read-across for IPH*

LUXURY GOODS, *Swiss watches exports declined by 3.8% in December and -3.3% on FY 2015*

TMT

Iliad

Price EUR229.05

Iliad explores move to enter UK mobile market

Fair Value EUR270 (+18%) **BUY**

Bloomberg	ILD FP
Reuters	ILD.PA
12-month High / Low (EUR)	235.1 / 175.5
Market Cap (EURm)	13,422
Ev (BG Estimates) (EURm)	14,544
Avg. 6m daily volume (000)	95.20
3y EPS CAGR	27.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.0%	18.2%	7.1%	4.1%
Telecom	-4.1%	-7.8%	-14.3%	-4.5%
DJ Stoxx 600	-8.2%	-10.9%	-14.8%	-8.1%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	4,168	4,428	4,782	5,149
% change		*6.2%*	*8.0%*	*7.7%*
EBITDA	1,284	1,507	1,761	2,062
EBIT	0.0	0.0	0.0	0.0
% change		*NM*	*NM*	*NM*
Net income	278.4	350.2	426.8	582.6
% change		*25.8%*	*21.9%*	*36.5%*

	2014	2015e	2016e	2017e
Operating margin	13.7	15.6	17.0	20.9
Net margin	6.7	7.9	8.9	11.3
ROE	12.3	13.3	14.1	16.2
ROCE	9.7	10.5	10.3	12.1
Gearing	46.9	42.5	46.1	32.7

(EUR)	2014	2015e	2016e	2017e
EPS	4.73	5.85	7.13	9.73
% change	-	*23.7%*	*21.9%*	*36.4%*
P/E	48.4x	39.2x	32.1x	23.6x
FCF yield (%)	NM	0.4%	NM	2.5%
Dividends (EUR)	0.36	0.38	0.38	0.38
Div yield (%)	0.2%	0.2%	0.2%	0.2%
EV/Sales	3.5x	3.3x	3.1x	2.8x
EV/EBITDA	11.3x	9.7x	8.4x	7.1x
EV/EBIT	NS	NS	NS	NS

Iliad could seize the opportunity of the O2/Three merger in the UK to move into the market. Although we think the move is credible, this information is fairly preliminary, and we see no major impact on the stock price at this point. Also, execution and financing might be an issue within the context of highly-probable French consolidation. Last: could this "leak" be a way for Iliad to put pressure on its competitors in the Orange/Bouygues merger negotiations, and appear to have other opportunities if the deal fails?

ANALYSIS

- According to the Financial Times, Xavier Niel is exploring a move into the British mobile market on the back of the proposed acquisition of O2 by rival Three. Iliad, the French telecoms group controlled by Mr Niel, has approached Ofcom, the UK telecoms regulator, to express a "preliminary" interest in entering the market, according to people familiar with the situation. This move would depend on acquiring telecoms infrastructure as a result of the O2-Three merger, according to a person with knowledge of the situation. The person added that the antitrust authorities in Brussels were expected to force the combined group to sell or open its network to rivals as the market consolidates from four to three operators. Iliad and Ofcom have declined to comment.
- We believe this type of move is very credible from Iliad, as we don't see Xavier Niel contenting himself with managing a national Free as its revenues stabilize. In our view, he is likely to look for external growth after years of double-digit organic growth, as he did last year with a surprise offer to acquire a majority stake in T-Mobile US.
- Iliad has a low level of debt, around EUR1.1bn, with 2015 estimated EBITDA at EUR1.5bn. Assuming a maximum leverage ratio of four times 2015 EBITDA, Iliad could raise additional debt of EUR4.8bn. Furthermore, by accepting dilution for Xavier Niel while leaving him with 50.01% of the share capital, Iliad could raise €1.1bn by way of a capital increase. This brings Iliad's acquisition war chest to around EUR6bn.
- Nevertheless, this type of deal faces several hurdles: first, Hutchison is unlikely to agree to creating a rival mobile network that would remove the consolidation benefits of acquiring O2. Also British rivals such as Sky and TalkTalk are also hoping to be able to acquire the infrastructure in a forced sale.
- Last but not least, Iliad should also be involved in the French consolidation to take place in France with the Orange/Bouygues Telecom merger. As Iliad might pay around EUR1.5bn in our estimates for Bouygues's networks assets, and possibly buy out some of Bouygues Telecom's consumers, this will leave him with limited acquisition capacity in the UK. It will also raise execution issues, and we believe handling the two projects at the same time might be complex.

VALUATION

- Buy rating and fair value of EUR270
- Iliad is currently trading at 3.3x in EV/Sales and 9.7x in EV/EBITDA

NEXT CATALYSTS

- O2/Three deal set to be challenged in the next week by the European competition regulator
- Iliad 2015 results publication on March 15th 2016 (to be confirmed)

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Food retailing

Jeronimo Martins

Price EUR11.34

Polish tax relief

Fair Value EUR13.5 (+19%) **NEUTRAL**

Bloomberg	JMT PL
Reuters	JMT.LS
12-month High / Low (EUR)	13.8 / 9.6
Market Cap (EURm)	7,133
Ev (BG Estimates) (EURm)	7,704
Avg. 6m daily volume (000)	1 195
3y EPS CAGR	8.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.9%	-11.7%	-5.7%	-5.5%
Food Retailing	-1.8%	-7.7%	-14.2%	-3.3%
DJ Stoxx 600	-5.2%	-8.6%	-15.5%	-7.5%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	12,679	13,735	14,627	15,551
% change		*8.3%*	*6.5%*	*6.3%*
EBITDA	732	789	863	945
EBIT	446.9	486.7	517.3	565.1
% change		*8.9%*	*6.3%*	*9.2%*
Net income	310.4	336.4	358.9	397.6
% change		*8.4%*	*6.7%*	*10.8%*

	2014	2015e	2016e	2017e
Operating margin	3.6	3.6	3.5	3.6
Net margin	2.4	2.4	2.5	2.6
ROE	NM	NM	NM	NM
ROCE	18.6	20.5	21.7	24.1
Gearing	17.4	19.2	-3.8	-15.2

(EUR)	2014	2015e	2016e	2017e
EPS	0.49	0.53	0.57	0.63
% change	-	*8.4%*	*6.7%*	*10.8%*
P/E	23.0x	21.2x	19.9x	17.9x
FCF yield (%)	2.4%	5.2%	5.4%	6.2%
Dividends (EUR)	0.25	0.27	0.00	0.32
Div yield (%)	2.2%	2.4%	NM	2.8%
EV/Sales	0.6x	0.6x	0.5x	0.5x
EV/EBITDA	10.5x	9.8x	8.5x	7.5x
EV/EBIT	17.1x	15.8x	14.2x	12.5x

The Polish government has released details of the famous Polish Retail Tax. Some details on its implementation are still lacking but, at this stage, we know that retailers with monthly revenues of between PLN1.5m and PLN300m are likely to have to pay a 0.7% sales tax while those with revenues above EUR300m should pay a 1.3% sales tax. Small retailers with sales below EUR1.5m will be tax exempt. Moreover, the ministry also plans to impose a 1.9% tax rate on weekend and holiday revenues. The good news is that Biedronka should be impacted in similar proportions to its largest competitors while the blended rate (~1.5%e for JM) is probably lower than the level initially feared (i.e. up to 2.5%). Further details are still to come. Stay tuned.

According to the latest information released post the market close yesterday, the government finally plans to impose a progressive tax that will amount to 0.7% for retailers with monthly sales of between PLN1.5m under PLN300m and 1.3% for those with monthly revenues above this level. On top of this, the ministry also plans to impose a 1.9% tax rate on weekend and holiday revenues (of course, we guess this WE tax would replace the normal tax and not be on top). Note that payments to low-income young families should also increase, partly funded by the PLN2bn expected to be raised thanks to the new tax. The proposal is yet to go through all legislative levels and the ministry expects the tax to be effective as of April. However, questions remain particularly about whether the tax will be regarded as compliant with EU regulation (we imagine that the government has covered itself). Stay tuned.

ANALYSIS

- Admittedly, the tax rate announced today (i.e. 1.5% e blended tax rate) is lower than the level initially feared (i.e. up to 2.5%). However, this announcement remains confirmation that JM will have to face a headwind going forward. At first sight, it would seem complicated to pass part of this tax on to consumers through homogeneous price increases (potential risk of cross-elasticity), since different retailers will be subject to different tax rates depending on their revenues.
- Nevertheless, the real good news in this respect is that Biedronka should be impacted in similar proportions to its largest competitors (Tesco, Auchan and Carrefour…), the majority of which are barely profitable and should have no choice but to pass this new tax through to consumers (not to mention de fact that hypermarkets generate a higher proportion of sales on WEs).
- The government indicated that the retail tax will not lead to increases in prices which is probably kind of wishful thinking. Given how this new tax should be implemented, we rather expect some more inflation to come as a consequence of this new regulation.
- Moreover, it is worth remembering Jeronimo Martins's strong price advantage vs its competitors (i.e. ~5%e vs discounters and ~10%e vs hypermarkets) while the increased payment to young families should intuitively benefit Biedronka.
- A blended tax rate of around 1.5% would imply a gross impact of around EUR140m a year, i.e. 39% of the net profit expected in 2016 (assuming that 2/3 of this tax is passed through to consumers, the impact would be restrained vs previous expectations).

VALUATION

- Jeronimo Martins is currently showing a 20x 2016 P/E ratio vs 16x for our sample

NEXT CATALYSTS

- Strong come-back of inflation in Poland
- Field Trip to Colombia (15&16 March 2016)

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TMT

Sword Group

Price EUR24.50

Preliminary FY15 results in line, FY16 guidance confirmed

Fair Value EUR28 (+14%) **BUY**

Bloomberg	SWP FP
Reuters	SWP.PA
12-month High / Low (EUR)	25.3 / 19.1
Market Cap (EUR)	229
Ev (BG Estimates) (EUR)	180
Avg. 6m daily volume (000)	9.10
3y EPS CAGR	8.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.1%	2.3%	13.8%	0.8%
Softw.& Comp.	-2.3%	1.9%	1.9%	-3.1%
DJ Stoxx 600	-8.2%	-10.9%	-14.8%	-8.1%

YEnd Dec. (€m)	2014	2015e	2016e	2017e
Sales	117.0	138.0	167.0	189.0
% change		*17.9%*	*21.0%*	*13.2%*
EBITDA	19.0	22.0	25.0	30.0
EBIT	13.0	14.0	20.0	25.0
% change		*7.7%*	*42.9%*	*25.0%*
Net income	15.0	17.0	17.0	19.0
% change		*13.3%*	*0.0%*	*11.8%*

	2014	2015e	2016e	2017e
Operating margin	14.2	13.8	13.0	13.9
Net margin	10.3	9.4	9.0	9.5
ROE	7.4	7.8	8.8	10.1
ROCE	12.8	14.0	13.4	15.7
Gearing	-30.0	-30.0	-29.0	-30.0

(€)	2014	2015e	2016e	2017e
EPS	1.60	1.83	1.77	2.06
% change	-	*14.4%*	*-3.3%*	*16.4%*
P/E	15.3x	13.4x	13.8x	11.9x
FCF yield (%)	8.2%	2.6%	6.1%	7.7%
Dividends (€)	1.20	1.20	1.20	1.20
Div yield (%)	4.9%	4.9%	4.9%	4.9%
EV/Sales	1.5x	1.3x	1.1x	0.9x
EV/EBITDA	9.5x	8.2x	7.2x	5.8x
EV/EBIT	10.7x	9.5x	8.2x	6.7x

Yesterday evening Sword reported preliminary FY15 results in line with our estimates. FY16 guidance is consistent with our expectations, with the company banking on 15% lfl revenue growth – both for Software and IT Services - and a 15% EBITDA margin. Finally, the management confirmed that there was no hurry for acquisitions. We expect a slightly positive short-term share price reaction on the back of this release, and deem the growth story will remain a positive catalyst going forward.

ANALYSIS

- **FY15 results globally in line with our forecasts**. FY15 saw sales up 17.5% (+15.1% lfl) to EUR137.6m (BG est.: EUR136.7m; consensus: EUR136.3m) and an EBITDA up 14.3% to EUR21.6m or 15.7% of sales (-0.4ppt) (BG est.: EUR21.7% or 15.9% of sales; consensus: EUR15.2m or 15.6% of sales). For Q4 15, sales were up 18% (+16.8% lfl) to EUR36m and an EBITDA up 18.4% to EUR5.8m or 16.1% of sales (flat). Revenues were in line with the management's goal to deliver sales growth above 12% lfl and 1% above our estimate. By division, Software posted sales of EUR44m (+18.4% lfl) and an EBITDA margin of 28.4% (31.1% in Asset Finance Solutions, 24.5% in GRC and 27.8% in IP-based solutions), while IT Services posted sales of EUR93.6m (+13.6% lfl) and an EBITDA margin of 9.7% (11.4% in Switzerland, 11.1% in France, 5.7% in Benelux, 10.2% in the UK, and 7.5% for others), in line with the company's "normative" levels. Finally, the management estimates that net profit will be close to the consensus' average (c. EUR13m, BG est. of EUR13.4m).
- **Upbeat FY16 guidance confirmed**. From a 2015 pro forma base of EUR144.9m for sales, Sword confirms its expectation for 2016 sales up 15% lfl with an EBITDA margin of 15%. As such, with current fx assumptions, FY16 revenues and EBITDA would reach EUR166.6m (BG est.: EUR168.7m) and EUR25m (BG est.: EUR24.7m), respectively. Both Software and IT Services divisions are expected to grow at the same rate, with, in more details: 1). In Software: +17% for Asset Finance Solutions and +12% for GRC; 2). In IT Services, +18% for Switzerland, +9% for France, +15% for Benelux, +29% for the UK, and +32% for Others. On an EBITDA margin standpoint, Sword forecasts c. 27% for Software and c. 10% for Services. Such a lfl growth rate is underpinned by a "strong backlog" – not mentioned this time – and feedback from the field. Despite tougher comps in H2 16, the management is confident that Benelux can generate 15% lfl growth in 2016 with the appointment of a manager based in Greece responsible for bids on contracts with the European Commission, with the ambition to raise the dedicated headcount to 80 from 35.
- **M&A and R&D updates**. If it proves that lfl sales growth at or above 15% is sustainable, Sword is likely to favour organic growth rather than acquisitions. However, the management will not stay away from M&A deals if the opportunity to a buy a 'jewel' occurs. The new Software R&D programme ("Bluebird"), which was expected to amount to EUR11m over 2015-2017 (vs. EUR15m for the initial plan), has been expensed for less than EUR2m so far as most of the staff hired for this programme have been reallocated to the busy deployment of the BMW asset finance deal, confirming our view (cf. our comment on 4/12/2015) that it is likely to be reduced to EUR8-9m.

VALUATION

- Sword's shares are trading at est. 8.2x 2016 and 6.7x 2017 EV/EBIT multiples.
- Net cash position on 31st December 2015 was EUR42.7m.

NEXT CATALYSTS

Final FY15 results on 7th March after markets close (analysts' meeting on 8th March at 10am CET / 9am BST / 4am EDT in Paris).

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Healthcare

Galapagos

Price EUR48.59

Bloomberg	GLPG BB
Reuters	GLPG.BR
12-month High / Low (EUR)	58.5 / 17.9
Market Cap (EURm)	1,899
Avg. 6m daily volume (000)	294.3

	1 M	3 M	6 M	31/12/15
Absolute perf.	-12.6%	10.9%	-5.5%	-14.4%
Healthcare	-4.4%	-5.2%	-11.2%	-5.3%
DJ Stoxx 600	-8.2%	-10.9%	-14.8%	-8.1%

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

Discontinuation of GLPG1205 in Ulcerative colitis

Fair Value EUR63 vs. EUR64 (+30%) BUY

ANALYSIS

- Galapagos announces that GLGP1205 studied in phase IIa in Ulcerative Colitis did not met primary endpoint. The trial aimed at assessing the safety and first signs of efficacy of the compound at the 100mg QD dose vs. placebo in 64 patients over a 12-week treatment course. Although no safety issues have been reported, GLPG1205 did not met primary endpoint of statistically significant change in MAYO score at 8 weeks compared to placebo, hence, the development of the drug should be discontinued.
- We were cautious about the development of the drug which featured a novel mode of action by inhibiting GPR84. Removing it from our estimates leads to a EUR1 decrease in our fair value. We modelled a 10% royalty rate with first sales in 2020e and a peak sales of EUR424m.

VALUATION

- Our fair value now stands at EUR63 vs EUR64.
- We would expect the share price to be under pressure today as some investors might have placed hope for another BD opportunity following Celgene/Receptos USD7.2bn deal to acquire Ozanimod (RMS, UC).

NEXT CATALYSTS

- H1 2016: filgotinib 20w data in Crohn's disease / GLPG2222 phase I data in CF / initiation of phase III trial for filgotinib in RA.

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Healthcare

Innate Pharma

Price EUR12.17

Bloomberg	IPH FP
Reuters	IPH.PA
12-month High / Low (EUR)	16.4 / 8.0
Market Cap (EUR)	655
Avg. 6m daily volume (000)	423.2

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.6%	-9.2%	-18.1%	-10.1%
Healthcare	-4.4%	-5.2%	-11.2%	-5.3%
DJ Stoxx 600	-8.2%	-10.9%	-14.8%	-8.1%

	2014	2015e	2016e	2017e
P/E	NS	71.3x	7.4x	4.8x
Div yield (%)	NM	NM	NM	NM

Affimed inks a deal with Merck & co. Positive read-across for IPH

Fair Value EUR19 (+56%) **BUY**

ANALYSIS

- Affimed and Merck & Co. announced the signature of a **collaboration agreement to test AFM13 (a CD30/CD16A bispecific antibody) along with pembrolizumab (anti-PD-1) in patients with Hodgkin Lymphomas (HL)**. Such decision is certainly due to the publication of preclinical data involving this kind of combination in this very same indication (and the combo led to much deeper responses than single-agents; knowing that anti-PD-1s already exhibited very high response rates in relapsed/refractory patients).
- **This reinforces our view that the stimulation of NK cells can amplify the adaptive immune response**, and lead to a higher level of infiltrating CD8+ T lymphocytes through a complex pathway (generation of cytokines favouring a Th1 response, better maturation of dendritic cells, release of cancer antigens). In other words, there are pretty strong synergies between approaches targeting the two parts of our immune system (and this is the rationale behind Innate Pharma's main developments).
- **The read-across is positive for IPH's lirilumab (anti-KIR)** as this checkpoint blocker 1/ shares some similarities with AFM13 (both of them rely on Natural Killer cells to destroy tumours), and we even believe that liri could be a more powerful option (as a non-antigen specific approach, and thus with a broader scope than CD30+ cells as targets); 2/ is currently tested in combination with another anti-PD-1 (BMS' nivolumab in this case) in a set a different cancers, including Hodgkin Lymphomas, Non-Hodgkin Lymphomas and Multiple Myeloma.

VALUATION

- **BUY reiterated with a FV of EUR19**, knowing that we haven't (yet) included the perspectives related to lirilumab/nivolumab for the treatment of Hodgkin Lymphomas.

NEXT CATALYSTS

- H1 16: Announcement of a first study involving monalizumab (anti-NKG2A) in combination with AZN's durvalumab (anti-PD-L1) in several solid tumours.
- Q2 16: Phase II results for lirilumab as a monotherapy for the maintenance treatment of elderly patients with acute myeloid leukaemia (AML).

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Sector View

Luxury Goods

Swiss watches exports declined by 3.8% in December and -3.3% on FY 2015

	1 M	3 M	6 M	31/12/15
Pers & H/H Gds	-2.1%	-8.0%	-7.9%	-4.8%
DJ Stoxx 600	-5.2%	-8.6%	-15.5%	-7.5%

*Stoxx Sector Indices

Companies covered

CHRISTIAN DIOR	BUY	EUR177
HERMES Intl	BUY	EUR360
HUGO BOSS	NEUTRAL	EUR103
KERING	BUY	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

Swiss Watches exports finally reached CHF21.5bn in 2015, down by 3.3% versus 2014, implying a 3.8% decline in December (CHF1.73bn) alone after -5.6% in November. Exports to Greater China (21% of total exports) were down 18% on FY including -14% in December. During this last month, high end segment declined 3.7%

ANALYSIS

- In 2015, total Swiss Watches exports declined by 3.3% to CHF21.5bn of which -3.8% in December alone following -5.6% in November and -12% in October. By segment, we highlight that in December, the high end segment (export prices above CHF3,000) declined by 3.7% after -6.9% in November, while the segment between CHF500 and CHF3,000 remained almost stable versus -2.9% in November. The worst performance was from the entry price segment (CHF200 to CHF500) with a 14% decline.
- By geographical area, it is worth noting the unsurprising clear negative performance in Hong Kong in 2015 with a 23% export decline (-21% in December), while in Mainland China the situation was also quite tough albeit to a lower extent and with a slight rebound in recent months (-4.7% of which +5.4% in December after +17% in November). On the other hand, exports to the US were almost stable (-0.8%) of which -5.5% in December (-5% in November). In Europe, most countries enjoyed export increases last year as in France (+9.4%), Italy (+6.4%), Germany (+0.7%) and UK (+19%). Lastly, exports to Japan declined slightly in 2015 (-2%) after a very strong 2014 (+16%).

NEXT CATALYSTS

- January 2016 Swiss watch exports to be reported on February 18th.

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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 60.2% NEUTRAL ratings 30.8% SELL ratings 9%

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