BRYAN, GARNIER & CO
LONDON • PARIS • GENEVA • NEW YORK • NEW DELHI

Please find our Research on Bloomberg BRYG <GO>)

27th January 2016

# BG's Wake Up Call

| | Last close | Daily chg (%) | Chg YTD (%) |
|---|---|---|---|
| **Indices** | | | |
| Dow Jones | 16167.23 | +1.78% | -9.29% |
| S&P 500 | 1903.63 | +1.41% | -7.54% |
| Nasdaq | 4567.67 | +1.09% | -3.56% |
| Nikkei | 17163.92 | +2.72% | -4.25% |
| Stoxx 600 | 339.199 | +0.87% | -0.98% |
| CAC 40 | 4356.81 | +1.05% | +1.97% |
| **Oil /Gold** | | | |
| Crude WTI | 31.25 | +10.54% | -41.94% |
| Gold (once) | 1117.38 | +1.07% | -5.81% |
| **Currencies/Rates** | | | |
| EUR/USD | 1.08485 | +0.15% | -10.35% |
| EUR/CHF | 1.10415 | +0.34% | -8.17% |
| German 10 years | 0.367 | -9.07% | -32.16% |
| French 10 years | 0.754 | -4.38% | -10.02% |
| Euribor | - | +-% | +-% |

**Economic releases :**

| Date | |
|---|---|
| 27th-Jan | DE - GfK consumer Confidence survey (Feb. )<br>US - New Home sales Dec. (2.0% exp.)<br>US -DoE inventories<br>US - -Fed. Open Market Committee rate decision<br>GB - Nationwide HPI (exp. +0.6 m/m, +4.7 y/y) |

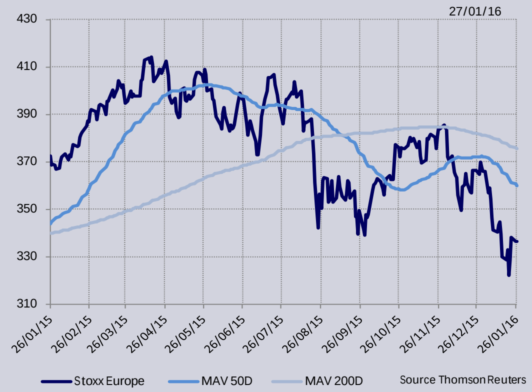
**Upcoming BG events :**

| 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




## GLAXOSMITHKLINE — BUY vs. NEUTRAL, Fair Value 1635p vs. 1540p (+17%)

*A balanced story with most risks now behind us (report released today)*

GSK has been our least-preferred large cap pharma stock for a while but the company is very close to a turning point in our view and we now see it as a safe play and also as a self-help story with more than decent growth over the [2015-2020] timeframe, with core EPS CAGR of 9.2%. Supported also by a dividend yield of 5.7% at the current price, we rate GSK a new BUY with a FV of GBP1,635.

## NOVARTIS — NEUTRAL vs. BUY, Fair Value Under Review

*Let's wait and see how it performs at the start of 2016*

Disappointing final 2015 numbers, weak guidance for flat performance in 2016, delay with serelaxin and questions around Alcon and Entresto point to a difficult start to the year for Novartis in our view. We put our FV under review but we cut our rating to NEUTRAL (despite theoretical upside) to reflect negative relative positioning vs other names in the European pharma space.

## ACCORHOTELS — BUY-Top Picks, Fair Value EUR53 (+57%)

*Strategic alliance with China Lodging finalised*

AccorHotels and China Lodging Group have finalised their strategic alliance announced mid-December 2014. Remember that China Lodging is one of the most significant hotels groups in China and the 13th largest hotel group in the world with c.2,800 hotels and 280,000 rooms at the end of December 2015 (AccorHotels 3,815 hotels with over 500,000 rooms). Under the arrangement, AccorHotels takes a stake of 10.8% and a seat at the Board of directors.

## MOLSON COORS — BUY, Fair Value USD101 (+15%)

*Raising capital to finance acquisition of 58% stake in MillerCoors*

MolsonCoors is raising USD2.35bn to part finance the acquisition of the 58% of MillerCoors that it does not already own. The capital increase could place mild pressure on the share price, thereby presenting a timely buy opportunity since the shares offer the highest upside to Fair Value amongst the brewers.

## SAGE GROUP — NEUTRAL, Fair Value 550p (-3%)

*Q1 FY16 trading update in line*

This morning Sage issued a trading update for the quarter ending 31st December 2015, announcing Q1 FY16 sales up 6.6% lfl or in line with company guidance for 2016 (at least +6% lfl) – while management mentioned in early December that there would be no particular softness in sales in H1 2016. While recurring revenues accelerated growth, SSRS (software and related services) fell due to the planned transition to subscriptions. We expect the share price to react slightly positively to this announcement. We continue to see limited catalysts for the stock.

## STMICROELECTRONICS — SELL, Fair Value EUR6.8 (+16%)

*Q4 2015 broadly in line – set-top-box business to be discontinued*

STMicroelectronics has reported Q4 2015 sales in line with estimates and EPS slightly below consensus. The group has posted Q4 2015 sales of USD1,668m, down 5.5% seq., with a gross margin down by 130bp seq. to 33.5% and EPS of USD0.00, slightly below consensus expectations (cons. USD0.02, BG ests. USD0.00). However, Q1 2016 guidance is slightly above expectations with revenues set to drop 3% (+/- 350bp) sequentially, i.e. sales close to USD1,620m, while current expectations were for USD1,600 (BG ests. -1% at USD1,647m). Finally, the set-top-box business is to be discontinued with annual savings estimated at USD170m and restructuring costs also at about USD170m. We will wait for the conference call at 9:30am (CET) to obtain more details about this restructuring.

***In brief...***

**EIFFAGE, *2016 toll increases announced***

**SOFTWARE AG, *Final FY15 results fully in line with initial estimates and FY16 guidance confirmed***

**ZURICH INSURANCE GROUP, *Mario Greco to become CEO as of 1st May***

**CONSTRUCTION-CONCESSIONS, *Cautious French roadworks guidance for 2016 from the Federation***

Healthcare

# GlaxoSmithKline

Price 1,400p

## A balanced story with most risks now behind us (report released today)

**Fair Value 1635p vs. 1540p (+17%)** **BUY vs. NEUTRAL**

| | |
|---|---|
| Bloomberg | GSK LN |
| Reuters | GSK.L |
| 12-month High / Low (p) | 1,642 / 1,238 |
| Market Cap (GBPm) | 68,177 |
| Ev (BG Estimates) (GBPm) | 74,944 |
| Avg. 6m daily volume (000) | 8 277 |
| 3y EPS CAGR | -1.4% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | 1.7% | 2.3% | 4.6% | 2.0% |
| Healthcare | -4.4% | -5.2% | -11.2% | -5.3% |
| DJ Stoxx 600 | -8.2% | -10.9% | -14.8% | -8.1% |

| YEnd Dec. (GBPm) | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| Sales | 23,006 | 23,503 | 24,773 | 25,570 |
| *% change* | | *2.2%* | *5.4%* | *3.2%* |
| EBITDA | 8,294 | 7,572 | 8,235 | 8,743 |
| EBIT | 6,594 | 5,872 | 6,535 | 7,043 |
| *% change* | | *-10.9%* | *11.3%* | *7.8%* |
| Net income | 4,584 | 3,674 | 4,150 | 4,555 |
| *% change* | | *-19.8%* | *13.0%* | *9.8%* |

| | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| Operating margin | 28.7 | 25.0 | 26.4 | 27.5 |
| Net margin | 19.9 | 15.6 | 16.8 | 17.8 |
| ROE | 81.4 | 100.0 | 128.0 | 121.2 |
| ROCE | 25.0 | 33.1 | 35.7 | 37.1 |
| Gearing | 264.9 | 158.0 | 127.4 | 93.8 |

| (p) | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| EPS | 95.33 | 76.03 | 86.10 | 91.28 |
| *% change* | *-* | *-20.2%* | *13.2%* | *6.0%* |
| P/E | 14.7x | 18.4x | 16.3x | 15.3x |
| FCF yield (%) | 4.0% | 6.5% | 6.0% | 6.4% |
| Dividends (p) | 80.00 | 80.00 | 80.00 | 80.00 |
| Div yield (%) | 5.7% | 5.7% | 5.7% | 5.7% |
| EV/Sales | 3.5x | 3.2x | 3.0x | 2.9x |
| EV/EBITDA | 9.8x | 9.9x | 9.1x | 8.5x |
| EV/EBIT | 12.3x | 12.8x | 11.4x | 10.5x |

**GSK has been our least-preferred large cap pharma stock for a while but the company is very close to a turning point in our view and we now see it as a safe play and also as a self-help story with more than decent growth over the [2015-2020] timeframe, with core EPS CAGR of 9.2%. Supported also by a dividend yield of 5.7% at the current price, we rate GSK a new BUY with a FV of GBP1,635.**

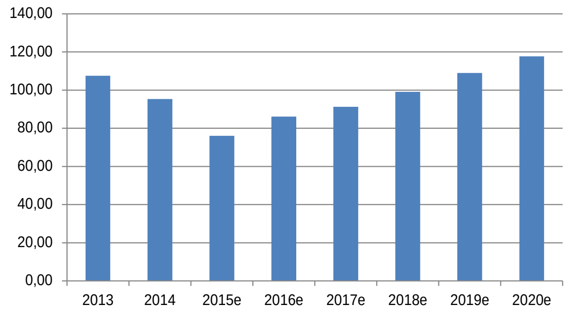
### ANALYSIS

- 2014 and 2015 were a nightmare for GSK shareholders, characterised by a severe drop in respiratory sales, poor commercial success on new drug launches, a scandal in China and a positive-but-dilutive agreement with Novartis. As a consequence, core EPS have fallen by almost 30% in two years and the stock price by 5%, i.e. underperformance of more than 30% compared to the Stoxx Europe Healthcare index.
- This period should now be behind us and we believe that the risks are under control while opportunities to grow are multiplying. In 2016, GSK has already committed itself to double-digit core EPS growth, based on a top-line turnaround, cost savings and synergies from the Novartis transaction. A return to revenue growth is obviously good news and in this note we emphasize the key role of three products: Nucala (with a new PS of USD1.7bn in 2022), Triumeq (which together with Tivicay will exceed USD4bn in our opinion) and Shingrix (that we move from USD900m to USD1.4bn). Together with Breo which is now waking up, they should be the key growth drivers for GSK through to 2020 (we are essentially ignoring sirukumab at this stage).
- Moving from top-line to earnings growth, we have noted the significant royalties and minority interest paid to partners Innoviva (on Breo and Anoro), Shionogi (on Tivicay and Triumeq) and Novartis (on the combined CHC business). Although these payments reduce the margin impact on the turnaround, Nucala and ViiV will support margin expansion together with cost savings and synergies in vaccines and CHC.

### VALUATION

- All in all, while having almost cancelled any upside from the pipeline (no contribution beyond Shingrix and sirukumab), we are left with core EPS CAGR of 9.2%. between 2015 and 2020 (see the sequence below). This is amongst the best in the industry and the beauty is that it is starting now, not in one or two years' time. Lastly, the stock is supported by a comfortable dividend yield. Although the upside to our FV is not enormous, we think GSK is worth a BUY now.

**Sequence of core EPS growth**




### NEXT CATALYSTS

- 3 February 2016 : FY 2015 results

*Click here to download*

**Analyst :**
Eric Le Berrigaud
33(0) 1 56 68 75 33
eleberrigaud@bryangarnier.com

**Sector Team :**
Mickael Chane Du
Hugo Solvet

Healthcare

# Novartis

Price CHF83.65

## Let's wait and see how it performs at the start of 2016

**Fair Value Under Review** **NEUTRAL vs. BUY**

| | |
|---|---|
| Bloomberg | NOVN VX |
| Reuters | NOVN.VX |
| 12-month High / Low (CHF) | 102.3 / 79.7 |
| Market Cap (CHFm) | 223,930 |
| Ev (BG Estimates) (CHFm) | 223,579 |
| Avg. 6m daily volume (000) | 5 109 |
| 3y EPS CAGR | 3.2% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | -1.6% | -7.6% | -15.2% | -3.6% |
| Healthcare | -4.3% | -4.9% | -11.1% | -5.2% |
| DJ Stoxx 600 | -7.4% | -9.8% | -14.0% | -7.3% |

| YEnd Dec. (USDm) | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| Sales | 57,996 | 49,340 | 50,454 | 53,105 |
| *% change* | | *-14.9%* | *2.3%* | *5.3%* |
| EBITDA | 15,487 | 14,737 | 14,643 | 16,021 |
| EBIT | 10,736 | 9,237 | 9,143 | 10,521 |
| *% change* | | *-14.0%* | *-1.0%* | *15.1%* |
| Net income | 10,210 | 8,055 | 8,427 | 9,789 |
| *% change* | | *-21.1%* | *4.6%* | *16.2%* |

| | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| Operating margin | 18.5 | 18.7 | 18.1 | 19.8 |
| Net margin | 17.6 | 16.3 | 16.7 | 18.4 |
| ROE | 14.1 | 11.5 | 11.9 | 13.4 |
| ROCE | 18.4 | 15.7 | 15.6 | 17.9 |
| Gearing | 9.2 | 19.7 | 15.0 | 9.8 |

| (USD) | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| EPS | 5.23 | 5.07 | 5.17 | 5.75 |
| *% change* | *-* | *-3.1%* | *2.1%* | *11.1%* |
| P/E | 15.7x | 16.2x | 15.9x | 14.3x |
| FCF yield (%) | 7.0% | 1.0% | 4.8% | 5.4% |
| Dividends (USD) | 2.60 | 2.75 | 3.00 | 2.87 |
| Div yield (%) | 3.2% | 3.3% | 3.7% | 3.5% |
| EV/Sales | 3.7x | 4.5x | 4.3x | 4.0x |
| EV/EBITDA | 13.7x | 14.9x | 14.8x | 13.3x |
| EV/EBIT | 19.8x | 23.8x | 23.7x | 20.3x |


**Disappointing final 2015 numbers, weak guidance for flat performance in 2016, delay with serelaxin and questions around Alcon and Entresto point to a difficult start to the year for Novartis in our view. We put our FV under review but we cut our rating to NEUTRAL (despite theoretical upside) to reflect negative relative positioning vs other names in the European pharma space.**

### ANALYSIS

- Novartis is reporting this morning lower-than-expected numbers for its fourth-quarter of 2015 with Pharma more or less in line with expectations while Sandoz and Alcon are below estimates.
- Pharmaceuticals has had another good quarter in Q4 with sales up 9% and core operating margin expanding by 160bp to 26.8%. Note however that the reported growth includes the positive perimeter impact of the former oncology GSK drugs. This growth, among others, was driven by another very good performance of Gilenya (USD742, +18%) and the continuing strong ramp-up of Cosentyx that achieved USD121m in Q4 (vs our expected USD112m). In the respiratory field, Ultibro performed well but others suffered more, including Onbrez which was down. Note also that China posted a very strong quarter in Pharmaceuticals overall with several one-offs as a result of highly concentrated tenders. But the big disappointment comes from Entresto that posted a very low USD5m for the quarter. We knew access to the drug was still restricted in Q4 but we did not expect such low numbers. Novartis says it expects "to expand access beginning in early 2016". Ex-US markets will help too. No doubt however that Entresto will raise questions about the right level of expectations for 2016 but maybe also at peak.
- But the miss in Q4 came from Sandoz and Alcon. Sandoz did not surprise the management that much because Generics remain volatile by nature and because comparison base was not easy. However the flat growth in Q4 (which compares to +11% in Q2 and +9% in Q3) is also the reflection of forced price cuts in the US for several product ranges and notably dermatology so that price impact was negative by 8% compared to a positive impact in the previous period. As far as Alcon, the 6% decline is a significant further downward move compared to previous quarters (-2% in Q3) and the group is reporting competitive pressure in IoLs and a slowdown in equipment purchases in the surgical segment, generic competition to Patanol for pharmaceuticals. As expected, Novartis is announcing first steps in its plan to return to growth at Alcon which results in the transfer of the former pharmaceuticals segment to the Pharma division while Alcon will concentrate on surgical solutions and contact lenses. New Head is also appointed, with previous experience at Hospira and Allergan as President. To note is that another type of transfer will take place, this time between Pharma and Sandoz with the first transferring to the second about USD900m in annual sales of old, non-marketed products (like Foradil or Aclasta). All in all, those changes will have a positive influence on Sandoz's margins and negative on Alcon's.
- In the end, the full-year 2015 performance resulted in a core EPS of USD5.01 (vs CS: USD5.06).
- Note also in the R&D update section of the press release that the final read-out of the RELAX-HF2 study is delayed from mid-2016 into 2017, which removes a significant potential triggering event from 2016. There is still no update about strategy for Ultibron in the US.

### VALUATION

- On top of the transfers of product segments from one division to another, Novartis also announces new wave of efficiency measures in manufacturing operations which will result in USD1.4bn in costs over 5 years and USD1bn annual cost savings by 2020.
- Guidance for 2016 is towards flat sales and core EBIT. Associates and financials should play positively but this will be offset by currencies so that core EPS can be expected flat too. This means consensus has to cut its estimates for 2016 by 4 to 5%.
- We put our FV under review. We think Novartis will underperform the sector in H1 and therefore we also reduce our rating to NEUTRAL from BUY.

### NEXT CATALYSTS

- Today at 2.30pm: Conference Call - *Click here to download*

**Analyst :**
Eric Le Berrigaud
33(0) 1 56 68 75 33
eleberrigaud@bryangarnier.com

**Sector Team :**
Mickael Chane Du
Hugo Solvet

Hotels

# AccorHotels

Price EUR33.75

## Strategic alliance with China Lodging finalised

**Fair Value EUR53 (+57%)** **BUY-Top Picks**

| | |
|---|---|
| Bloomberg | AC FP |
| Reuters | ACCP.PA |
| 12-month High / Low (EUR) | 51.3 / 32.2 |
| Market Cap (EURm) | 7,943 |
| Ev (BG Estimates) (EURm) | 8,096 |
| Avg. 6m daily volume (000) | 1 260 |
| 3y EPS CAGR | 5.2% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | -15.5% | -24.9% | -28.1% | -15.6% |
| Travel&Leisure | -7.8% | -5.7% | -5.6% | -8.4% |
| DJ Stoxx 600 | -7.4% | -9.8% | -14.0% | -7.3% |

| YEnd Dec. (€m) | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| Sales | 5,454 | 5,670 | 5,848 | 6,076 |
| *% change* | | *4.0%* | *3.2%* | *3.9%* |
| EBITDA | 923 | 1,019 | 1,101 | 1,206 |
| EBIT | 602.0 | 667.2 | 749.5 | 842.0 |
| *% change* | | *10.8%* | *12.3%* | *12.3%* |
| Net income | 386.0 | 442.3 | 475.7 | 540.2 |
| *% change* | | *14.6%* | *7.6%* | *13.6%* |

| | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| Operating margin | 11.0 | 11.8 | 12.8 | 13.9 |
| Net margin | 4.1 | 6.4 | 8.1 | 8.9 |
| ROE | 6.2 | 12.3 | 18.2 | 24.0 |
| ROCE | 12.4 | 15.6 | 19.7 | 25.4 |
| Gearing | 4.1 | 5.0 | 4.8 | 4.7 |

| (€) | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| EPS | 1.68 | 1.92 | 1.72 | 1.95 |
| *% change* | - | *14.6%* | *-10.6%* | *13.6%* |
| P/E | 20.1x | 17.6x | 19.6x | 17.3x |
| FCF yield (%) | 7.7% | 7.5% | 7.8% | 8.8% |
| Dividends (€) | 0.95 | 1.00 | 1.10 | 1.25 |
| Div yield (%) | 2.8% | 3.0% | 3.3% | 3.7% |
| EV/Sales | 1.5x | 1.4x | 1.4x | 1.3x |
| EV/EBITDA | 8.8x | 7.9x | 7.3x | 6.7x |
| EV/EBIT | 13.5x | 12.1x | 10.8x | 9.6x |


**AccorHotels and China Lodging Group have finalised their strategic alliance announced mid-December 2014. Remember that China Lodging is one of the most significant hotels groups in China and the 13th largest hotel group in the world with c.2,800 hotels and 280,000 rooms at the end of December 2015 (AccorHotels 3,815 hotels with over 500,000 rooms). Under the arrangement, AccorHotels takes a stake of 10.8% and a seat at the Board of directors.**

### ANALYSIS

- **A "groundbreaking" alliance to strengthen their respective footprints:** The alliance will accelerate both groups' expansion and especially in China.
  - **China Lodging Group** operates a hotel chain in China with leased and operated and franchised and managed models with 7 brands covering all market segments from Upscale (Joya hotel, Manxin Hotels & Resorts) to Midscale (JI Hotels, Starway) and Economy (Hanting, Elan and Hi Inn).
  - **Accor** currently has 149 hotels in China compared with a total number of rooms of 33,760.
- **Significant development based on the agreement: Accor's economy and midscale platforms in China** will be integrated in China Lodging Group, which will become Accor's exclusive master franchisee operating and developing in Mainland China, Mongolia and Taiwan. **Upscale brands** will still be managed and developed by Accor and China Lodging Group will take a 10.% stake in Accor's luxury and Upscale business in China. The ai is to accelerate both groups' development and China Lodging plans to open 350 to 400 new hotels under Accor brands in the next five years. Moreover, this agreement will offer combined **loyalty programmes** representing together 75m card holders with a network of 6,600 hotels around the world.

### VALUATION

- At the current share price, the stock is trading at 7.9x EV/EBITDA 2015e and 7.3x 2016e which compares with an average of European peers of respectively 9x and 8.2x and US hoteliers of 10.7x and 10x (IBES consensus).

### NEXT CATALYSTS

- FY results on 18th February

*Click here to download*

**Analyst :**

Bruno de La Rochebrochard
33(0) 1 56 68 75 88
bdelarochebrochard@bryangarnier.com

Food & Beverages

# Molson Coors

Price USD87.76

## Raising capital to finance acquisition of 58% stake in MillerCoors

**Fair Value USD101 (+15%)** **BUY**

| | |
|---|---|
| Bloomberg | TAP US |
| Reuters | TAP.N |
| 12-month High / Low (USD) | 95.1 / 65.2 |
| Market Cap (USDm) | 16,180 |
| Ev (BG Estimates) (USDm) | 13,510 |
| Avg. 6m daily volume (000) | 2,529 |
| 3y EPS CAGR | 8.5% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | -6.6% | -0.5% | 25.4% | -6.6% |
| Food & Bev. | -2.7% | -2.5% | -0.8% | -2.8% |
| DJ Stoxx 600 | -7.4% | -9.8% | -14.0% | -7.3% |

| YEnd Dec. (USDm) | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| Sales | 4,146 | 3,583 | 3,574 | 11,899 |
| *% change* | | *-13.6%* | *-0.2%* | *NM* |
| EBITDA | 856 | 709 | 721 | 2,587 |
| EBIT | 489.1 | 406.1 | 422.3 | 1,937 |
| *% change* | | *-17.0%* | *4.0%* | *NM* |
| Net income | 768.5 | 719.0 | 723.2 | 1,158 |
| *% change* | | *-6.4%* | *0.6%* | *60.1%* |

| | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| Operating margin | 11.8 | 11.3 | 11.8 | 16.3 |
| Net margin | 18.5 | 20.1 | 20.2 | 9.7 |
| ROE | 9.8 | 8.7 | 8.3 | 9.2 |
| ROCE | 3.4 | 2.9 | 2.8 | 8.4 |
| Gearing | 39.4 | 33.6 | 26.9 | 72.6 |

| (USD) | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| EPS | 4.13 | 3.86 | 3.89 | 5.28 |
| *% change* | - | *-6.4%* | *0.6%* | *35.8%* |
| P/E | 21.3x | 22.7x | 22.6x | 16.6x |
| FCF yield (%) | 6.2% | 4.2% | 4.6% | 6.9% |
| Dividends (USD) | 1.48 | 1.64 | 1.80 | 1.98 |
| Div yield (%) | 1.7% | 1.9% | 2.1% | 2.3% |
| EV/Sales | 3.3x | 3.8x | 3.6x | 2.1x |
| EV/EBITDA | 16.0x | 19.1x | 17.8x | 9.8x |
| EV/EBIT | 28.0x | 33.3x | 30.3x | 13.1x |

**MolsonCoors is raising USD2.35bn to part finance the acquisition of the 58% of MillerCoors that it does not already own. The capital increase could place mild pressure on the share price, thereby presenting a timely buy opportunity since the shares offer the highest upside to Fair Value amongst the brewers.**

MolsonCoors announced yesterday after trading that it has started the public offering of USD2.35bn new shares with a potential additional USD235m for the underwriters (they have a 30 day option). The proceeds are to finance the USD12bn acquisition of AB InBev/SABMiller's 58% interest in Miller Coors. The remainder of the acquisition price is to befinanced with debt.

### ANALYSIS

- All this has been announced previously, but the timing of the capital increase comes very quickly after AB InBev raised USD46bn in bond debt only two weeks ago. For us this is another sign that the SABMiller acquisition will close earlier than the indicated second half of the year. (We have always argued that the deal could close by May).
- With the Peroni and Grolsh divestement by AB InBev also proceding, investors are still waiting to hear what is going to happen to the 49% stkae in Chinese company CR Snow. A couple of days ago, CR Beer which owns the 51% in CR Snow announced pretty poor figures (volume decline of 1% despite easy comps) causing its shares to tumble 17% from HKD14.71 (21 Jan) to HKD12.26 in recent sessions.
- MolsonCoors also indicated that its full year sales should come out between USD3553m and USD3583m, with our estimate being the higher end of the range. Results will be released on 11th February.

### VALUATION

- At 16.6x 2017 earnings (the first year of full integration of the acquisition of 58% of MillerCoors), the stock is significantly cheaper than ABI (20.8x) and Heineken (17.9x)

### NEXT CATALYSTS

- FY 2016 results on 11th February

*Click here to download*

**Analyst :**
Nikolaas Faes
33(0) 1 56 68 75 72
nfaes@bryangarnier.com

**Sector Team :**
Loïc Morvan
Antoine Parison
Cédric Rossi
Virginie Roumage

TMT

# Sage Group

Price 567.50p

## Q1 FY16 trading update in line

**Fair Value 550p (-3%)** **NEUTRAL**

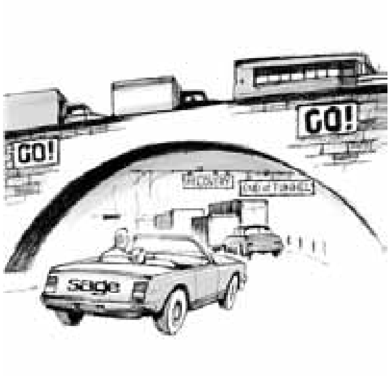
| | |
|---|---|
| Bloomberg | SGE L |
| Reuters | SGE.LN |
| 12-month High / Low (p) | 614.0 / 461.9 |
| Market Cap (GBP) | 6,124 |
| Ev (BG Estimates) (GBP) | 6,283 |
| Avg. 6m daily volume (000) | 2 212 |
| 3y EPS CAGR | 7.2% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | -4.8% | 4.7% | 4.9% | -6.0% |
| Softw.& Comp. | -2.5% | 1.6% | 1.6% | -3.3% |
| DJ Stoxx 600 | -7.4% | -9.8% | -14.0% | -7.3% |

| YEnd Sept. (£m) | 09/15 | 09/16e | 09/17e | 09/18e |
|---|---|---|---|---|
| Sales | 1,436 | 1,497 | 1,596 | 1,711 |
| *% change* | | *4.3%* | *6.6%* | *7.2%* |
| EBITDA | 418 | 437 | 469 | 509 |
| EBIT | 297.2 | 288.5 | 421.1 | 460.8 |
| *% change* | | *-2.9%* | *45.9%* | *9.4%* |
| Net income | 283.9 | 290.3 | 318.9 | 350.1 |
| *% change* | | *2.2%* | *9.9%* | *9.8%* |

| | 09/15 | 09/16e | 09/17e | 09/18e |
|---|---|---|---|---|
| Operating margin | 27.1 | 27.6 | 27.9 | 28.4 |
| Net margin | 13.5 | 13.1 | 18.5 | 19.1 |
| ROE | 22.5 | 21.7 | 28.5 | 27.3 |
| ROCE | 25.2 | 31.7 | 32.8 | 37.8 |
| Gearing | 39.6 | 17.6 | -2.5 | -20.1 |

| (p) | 09/15 | 09/16e | 09/17e | 09/18e |
|---|---|---|---|---|
| EPS | 25.29 | 25.85 | 28.39 | 31.17 |
| *% change* | - | *2.2%* | *9.9%* | *9.8%* |
| P/E | 22.4x | 22.0x | 20.0x | 18.2x |
| FCF yield (%) | 4.6% | 4.8% | 5.4% | 6.0% |
| Dividends (p) | 13.10 | 13.76 | 14.44 | 15.16 |
| Div yield (%) | 2.3% | 2.4% | 2.5% | 2.7% |
| EV/Sales | 4.5x | 4.2x | 3.8x | 3.4x |
| EV/EBITDA | 15.5x | 14.4x | 13.0x | 11.6x |
| EV/EBIT | 16.6x | 15.2x | 13.7x | 12.1x |




**This morning Sage issued a trading update for the quarter ending 31st December 2015, announcing Q1 FY16 sales up 6.6% lfl or in line with company guidance for 2016 (at least +6% lfl) – while management mentioned in early December that there would be no particular softness in sales in H1 2016. While recurring revenues accelerated growth, SSRS (software and related services) fell due to the planned transition to subscriptions. We expect the share price to react slightly positively to this announcement. We continue to see limited catalysts for the stock.**

### ANALYSIS

- **Q1 2016 lfl revenue growth slightly above the low-end of FY16 guidance**. Management reported Q1 2016 (quarter ending 31st December 2015) sales up 6.6% lfl, or in line with guidance for FY16 (at least +6% lfl), after mentioning during the analysts' meeting on 2nd December 2015 that FY16 would not be particularly seasonal and there would be no particular softness in H1 revenues. Recurring revenues were up 10.4% lfl (vs. +9% lfl in FY15) driven by subscriptions up 35.7% lfl (vs. +29% lfl), while Processing was up 5.4% (vs. +1.7% lfl) - including for the first time Sage Payroll Solutions (formerly PayChoice), which was acquired in October 2014 - and SSRS (Software/software-realted services) down 5.3% (vs. -0.7% lfl) reflecting the planned transition to subscription relationships and therefore less upfront revenues from licences and upgrades. Sage's performance was led by solid growth in Europe, balanced by a slower performance in Brazil and Asia Pacific (Africa remained strong).
- **No change in outlook**. Management is confident that the business remains on course to deliver full year 2016 guidance for revenues up at least 6% lfl and an organic operating margin of at least 27%, weighting investment for growth towards H1 FY16. In addition, it considers the business transformation is on track and the company is focused on execution to realise its long-term plan for 'sustainable and high-quality growth'. Starting from a baseline of 19% of sales for G&A costs for FY15, Sage has implemented a reorganisation which is expected to generate GBP50m annualised cost savings (c. 3.5ppt of sales) by the end of FY16 in order to boost capacity for growth, but most of the savings will be reinvested in sales and marketing. For FY16, our forecasts imply sales up 6.6% lfl to GBP1,497m and an op. margin of 27.1%, roughly in line with the consensus (sales GBP1,487m, op. margin 27.2%).
- **Decline in net debt position**. In the absence of share buy-backs in the quarter, Sage had net debt of GBP408m on 31st December 2015, down GBP17m from GBP425m on 30th September 2015, and down GBP134m from the GBP542m reported on 31st December 2014. We forecast a net debt position for 30th September 2015 of GBP159m (net gearing: 18%).

### VALUATION

Sage's shares are trading at est. 15.2x FY16 and 13.7x FY17 EV/EBIT multiples.

### NEXT CATALYSTS

Conference call today at 8.30am BST / 9.30am CET / 3.30am EDT (+44 20 34 27 19 14).

*Click here to download*

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

**Sector Team :**
Richard-Maxime Beaudoux
Thomas Coudry
Dorian Terral

TMT

# STMicroelectronics

Price EUR5.86

## Q4 2015 broadly in line – set-top-box business to be discontinued

**Fair Value EUR6.8 (+16%)** **SELL**

| | |
|---|---|
| Bloomberg | STM FP |
| Reuters | STM.FR |
| 12-month High / Low (EUR) | 9.3 / 5.3 |
| Market Cap (EURm) | 5,338 |
| Ev (BG Estimates) (EURm) | 4,682 |
| Avg. 6m daily volume (000) | 2,191 |
| 3y EPS CAGR | 35.6% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | -4.9% | -17.7% | -18.1% | -5.2% |
| Semiconductors | -4.4% | -7.0% | -8.1% | -4.1% |
| DJ Stoxx 600 | -8.2% | -10.9% | -14.8% | -8.1% |

| YEnd Dec. (USDm) | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| Sales | 7,404 | 6,877 | 7,092 | 7,356 |
| *% change* | | *-7.1%* | *3.1%* | *3.7%* |
| EBITDA | 994 | 805 | 1,103 | 1,181 |
| EBIT | 181.7 | 83.4 | 379.4 | 460.4 |
| *% change* | | *-54.1%* | *NM* | *21.4%* |
| Net income | 143.0 | 96.1 | 281.8 | 350.2 |
| *% change* | | *-32.8%* | *NM* | *24.3%* |

| | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| Operating margin | 2.5 | 1.2 | 5.3 | 6.3 |
| Net margin | 1.9 | 1.4 | 4.0 | 4.8 |
| ROE | 2.5 | 1.9 | 6.0 | 7.4 |
| ROCE | 4.7 | 3.0 | 7.4 | 9.3 |
| Gearing | -10.8 | -13.7 | -15.9 | -18.2 |

| (USD) | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| EPS | 0.16 | 0.11 | 0.32 | 0.40 |
| *% change* | *-* | *-32.2%* | *NM* | *24.3%* |
| P/E | 36.5x | 53.8x | 18.2x | 14.6x |
| FCF yield (%) | 4.1% | 9.0% | 8.7% | 8.9% |
| Dividends (USD) | 0.40 | 0.40 | 0.40 | 0.40 |
| Div yield (%) | 6.8% | 6.8% | 6.8% | 6.8% |
| EV/Sales | 0.6x | 0.7x | 0.6x | 0.6x |
| EV/EBITDA | 4.8x | 5.8x | 4.2x | 3.8x |
| EV/EBIT | 26.4x | 56.1x | 12.1x | 9.7x |


**STMicroelectronics has reported Q4 2015 sales in line with estimates and EPS slightly below consensus. The group has posted Q4 2015 sales of USD1,668m, down 5.5% seq., with a gross margin down by 130bp seq. to 33.5% and EPS of USD0.00, slightly below consensus expectations (cons. USD0.02, BG ests. USD0.00). However, Q1 2016 guidance is slightly above expectations with revenues set to drop 3% (+/- 350bp) sequentially, i.e. sales close to USD1,620m, while current expectations were for USD1,600 (BG ests. -1% at USD1,647m). Finally, the set-top-box business is to be discontinued with annual savings estimated at USD170m and restructuring costs also at about USD170m. We will wait for the conference call at 9:30am (CET) to obtain more details about this restructuring.**

### ANALYSIS

- **Q4 top-line was in line with expectations but EPS was USD0.02 below the street's expectations.** The company reported Q4 2015 revenues of USD1,668m down 5.5% seq. (-8.8% yoy), in the middle of the guidance range (revenues -6.0% (+/- 350bp) sequentially), and in line with consensus expectations. Gross margin came in at 33.5%, in line with the guidance and our expectations of 33.5%. Combined R&D and SG&A in the fourth quarter were slightly up to USD583m vs. USD549m in Q3 2015. As a result, EBIT was below expectations at USD25m (cons. USD36m/BG ests. USD10m) while EPS was also USD0.02 below consensus at USD0.00 (cons. USD0.02 / BG ests. USD0.00). In Q4, the group generated a positive cash flow of USD148m compared to USD85m in the previous quarter. The Inventories was is broadly stable at USD1,251m vs. USD1,253m at the end of the previous quarter. On a full year basis, revenues came in at USD6.90bn, down -6.8%, gross margin improved by 10bp to 33.8% compared to 2014, and 2015 EPS stood at USD0.12, i.e. USD0.02 lower than 2014.

- **The SP&A division continued to suffer from the weak market and inventory correction in the channel. EPS revenues increased 2% seq. thanks to good momentum in microcontrollers.** Revenues in the segment decreased by 9.9% sequentially in Q4 (-13.5% yoy) with lower revenue in all product groups Automotive, Analog & MEMS, and Industrial & Power discrete. Note that this segment is usually impacted by seasonality in Q4. In addition, the EPS segment revenues increased by +2% sequentially (-0.9% yoy) thanks to good momentum in microcontrollers offsetting the decrease in other digital products (mainly set-top-boxes in our view).

- **Q1 2016 guidance is slightly above consensus and our expectations.** STMicroelectronics expects Q1 sales to decrease sequentially by -3% (+/-350bp) at about USD1,620m, slightly below our expectations of -0.7% to USD1,764m but slightly above consensus expectations of -4.0% to USD1,601m. The short term environment was discussed but the group continues to see long term opportunities in automotive, the industrial segment and IoT. Gross margin is expected to decrease sequentially by about 50bp to 33.5% (+/-200bp) for management, below our estimates (cons. 42.9%, BG ests. 36.8%).

- **The group plans to discontinue its Set-Top-Box and Home Gateway business.** Included in the DPG division representing about 15% of sales, management recognises that these businesses are highly competitive while the slower than expected adoption of leading-edge products led it to generate significant losses. We estimate operating margin in this business at close to -30%. The plan includes a global workforce reduction of 1,400 employees worldwide (of which about 1/3 in France through a voluntary departure plan). 1,000 of them are expected to leave the company by 2016 (of which 150 in France). Annual savings are estimated at USD170m and restructuring costs also at about USD170m. Note that 2015 operating result was USD109m and 2016 street expectations currently stand at USD325m.

### VALUATION

- STMicroelectronics shares trade at 2016e EV/Sales and EV/EBIT ratios of 0.6x and 18.2x respectively.

### NEXT CATALYSTS

- Conference call at 9:30am (CET).
- Q1 2016 Results to be announced in late April.

*(continued next page)*

## Q4 estimates vs. Actual

| [mUSD] | BG ests. Q4 | Consensus Q4 | Q4 Actual | Actual vs. Cons. |
|---|---|---|---|---|
| Net revenue | 1,659 | 1,668 | 1,668 | 0.0% |
| % change (seq) | -6.0% | -5.4% | -5.5% | -6bp |
| Gross Margin | 33.5% | 39.7% | 33.5% | -620bp |
| SG&A + R&D | -531 | - | -583 | - |
| EBIT | 10 | 36 | 25 | -30.7% |
| % of revenue | 0.6% | 2.2% | 1.5% | -67bp |
| EPS | 0.00 | 0.02 | 0.00 | -100.0% |

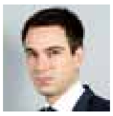
*Sources: Thomson Reuters I.B.E.S; Bryan, Garnier & Co ests.*

## Q4 estimates vs. Guidance

| [mUSD] | BG ests. Q1 | Consensus Q1 | Q1 Guidance | Guid. vs. Cons. |
|---|---|---|---|---|
| Net revenue | 1647 | 1601 | 1618 | 1.0% |
| % change | -0.7% | -4.0% | -3.0% | 100bp |
| Gross Margin | 35.2% | 33.4% | 33.0% | -40bp |
| EPS | 0.03 | 0.02 | | |

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

*Click here to download*



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

**Sector Team :**
Richard-Maxime Beaudoux
Thomas Coudry
Gregory Ramirez

Construction & Building Materials

# Eiffage

Price EUR61.72

## 2016 toll increases announced

Fair Value EUR63 (+2%) **BUY**

| | |
|---|---|
| Bloomberg | FGR FP |
| Reuters | FOUG.PA |
| 12-month High / Low (EUR) | 61.7 / 43.0 |
| Market Cap (EURm) | 5,890 |
| Avg. 6m daily volume (000) | 275.5 |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | 5.6% | 10.1% | 18.6% | 3.7% |
| Cons & Mat | -5.2% | -4.4% | -7.5% | -5.4% |
| DJ Stoxx 600 | -7.4% | -9.8% | -14.0% | -7.3% |

| | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| P/E | 20.0x | 19.1x | 16.5x | 13.9x |
| Div yield (%) | 1.9% | 1.9% | 1.9% | 1.9% |

### ANALYSIS

- 2016 toll increases have been announced for APRR and its subsidiary AREA: +1.23% and +1.27%, respectively. This is based on a very modest inflation figure of 0.056%, equivalent to the CPI ex-tobacco at end October 2015. The new tariffs will apply as of 1st February 2016.
- The figures are certainly no surprise, as they are derived from well-known formulas for each key network: e.g. 85%xCPI + 1.18% in the case of APRR, 0.81% of which to compensate the 50% increase in the 2013 council tax ("*redevance domaniale*"). Toll roads will continue to compensate this particular event in 2017 and 2018. From 2019 to 2023, compensation related to the frozen 2015 tariff will apply.
- Although it Vinci has not communicated on 2016 tariffs yet, toll rates should increase by +1.6% for the main ASF networks, +1.2% for ESCOTA and +0.8% for Cofiroute, based on formulas.
- As toll increases in 2016 are directly linked to 2015 negotiations with the French government, we view political risks as more limited today.

### VALUATION

- EUR63 FV derived from a SOTP.

### NEXT CATALYSTS

- 2015 results to be communicated on 24th February

Click here to download

Eric Lemarié, elemarie@bryangarnier.com

TMT

## Software AG

Price EUR30.06

**Final FY15 results fully in line with initial estimates and FY16 guidance confirmed**

**Fair Value EUR34 (+13%)** **BUY**

| | |
|---|---|
| Bloomberg | SOW GR |
| Reuters | SOWG.DE |
| 12-month High / Low (EUR) | 30.2 / 22.5 |
| Market Cap (EUR) | 2,374 |
| Avg. 6m daily volume (000) | 221.4 |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | 15.3% | 17.2% | 9.4% | 13.8% |
| Softw.& Comp. SVS | -2.5% | 1.6% | 1.6% | -3.3% |
| DJ Stoxx 600 | -7.4% | -9.8% | -14.0% | -7.3% |

| | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| P/E | 13.0x | 13.2x | 12.3x | 11.5x |
| Div yield (%) | 1.8% | 2.0% | 2.2% | 2.3% |

### ANALYSIS

- **Software AG has confirmed the preliminary FY15 results announced on 19th January**. The figures are fully in line with those pre-announced: revenues up 1.8% to EUR873.1m (-1.7% lfl), a non-IFRS op. margin of 29.7% (+1.8ppt), and EBIT up 19% to EUR209.4m. By division, figures were also confirmed, with DBP (Digital Business Platform) sales up 2% at cc, A&N (Adabas & Natural) sales down 5% lfl, and Consulting down 5% lfl. The new figures announced today were: 1) net profit up 26.7% to EUR139.6m (BG est.: EUR136m), 2) free cash flow up 28.1% to EUR170m (19% of sales).
- **FY16 guidance confirmed**. Software AG confirmed the FY16 guidance announced on 19th January, i.e. DBP product sales up 5-10%cc, A&N product sales down 4-8% cc, and a non-IFRS op. margin of 30-31%. Management reiterated its confidence in delivering the 32-35% non-IFRS operating margin 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. 8.1x 2016 and 7.1x 2017 EV/EBIT multiples.
- Net debt on 31st December 2015 was EUR13.9m (net gearing: 1%).

### NEXT CATALYSTS

Investor Day on 10th February from 10.30am CET / 9.30am BST / 4.30am EDT in Darmstadt (Germany).

Click here to download

Gregory Ramirez, gramirez@bryangarnier.com

Insurance

# Zurich Insurance Group

Price CHF221.80

## Mario Greco to become CEO as of 1st May

**Fair Value CHF295 (+33%)** **NEUTRAL**

| | |
|---|---|
| Bloomberg | ZURN VX |
| Reuters | ZURN.VX |
| 12-month High / Low (CHF) | 332.9 / 217.8 |
| Market Cap (CHFm) | 33,360 |
| Avg. 6m daily volume (000) | 663.3 |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | -13.3% | -14.7% | -26.2% | -14.2% |
| Insurance | -10.9% | -9.1% | -11.5% | -10.8% |
| DJ Stoxx 600 | -7.4% | -9.8% | -14.0% | -7.3% |

| | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| P/E | 8.5x | 14.1x | 8.6x | 8.0x |
| Div yield (%) | 7.8% | 11.5% | 7.8% | 7.8% |

### ANALYSIS

- Mario Greco is to join the company as CEO with effect from 1st May 2016. Until then, he is to remain CEO of Generali.
- We see Mario Greco as the right man in the right place, considering i/ Zurich has experienced a couple of serious issues lately (mainly P&C, but other businesses have clearly lacked momentum) and has been in need of a respected insurance industry leader, with a strong track record, ii/ he knows Zurich pretty well (remember he was Head of Life 2007-2010 and Head of P&C 2010-2012).
- However, some short term question marks remain: i/ Mario Greco is due to arrive in three months time and will then naturally need some time to assess the situation, so we should not expect concrete announcements very soon; ii/ what about the current strategic plan (2014-2016)? the probability that Zurich drops it is high; iii/ what about the shareholder returns expected to be announced on 11th February? we could assume Mario Greco discussed this matter with the BoD before accepting the position and we cannot be sure he is in the state of mind that prevailed until then (i.e. returning part of excess capital to shareholders), especially if his conviction is that Zurich's books need some cleaning up.

### VALUATION

- Based on current numbers, our SOTP is CHF295.
- We consider this appointment as a good news, yet at this stage we are making no change to our Neutral recommendation.

### NEXT CATALYSTS

- FY 2015 numbers on 11th February.

Olivier Pauchaut, opauchaut@bryangarnier.com

Sector View

# Construction-Concessions

## Cautious French roadworks guidance for 2016 from the Federation

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Cons & Mat | -5.2% | -4.4% | -7.5% | -5.4% |
| DJ Stoxx 600 | -7.4% | -9.8% | -14.0% | -7.3% |

*Stoxx Sector Indices

**Companies covered**

| | | |
|---|---|---|
| EIFFAGE | BUY | EUR63 |
| VINCI | NEUTRAL | EUR65 |

**2015 was a tough year for French roadworks, with an 11.9% revenues decline, a combination of 6% volume decline and deflation, as bitumen prices are linked with oil prices. The French federation URSIF is cautious for 2016 and expects a further but more limited 1.5% decline. This echoes recent comments from Vinci's CEO, who expects French roadworks to fall at a slower pace in 2016.**

### ANALYSIS

- Roadworks are core businesses for both Vinci (20% of sales and 7% of EBIT) and Eiffage (28% of sales and 7% of EBIT, including other civil works).
- Both were under pressure last year. Vinci subsidiary Eurovia reported sales down 6.4% on a like-for-like basis at end-September, while at the Eiffage Infrastructures division (incl. roadworks) revenues were down 7.9% on a like-for-like basis over the first 9 months.
- Cautious comments from URSIF are not surprising but confirm 2016 will be a transition year for public works in France. High-speed train line project contributions are fading, while Le Grand Paris new project auctions have not started, yet. Furthermore, local authorities financing (44% of investments) should remain under pressure. On the other hand, URSIF is more optimistic on the private sector (34% of the investments) with an expected 3% increase in 2016. Finally, stimulus toll roads plan projects could start to contribute at the end of 2016.

### VALUATION

- Fair Value derived from SOTP.

### NEXT CATALYSTS

- Vinci FY results to be published on 4th February and Eiffage on 24th February.

Eric Lemarié, elemarie@bryangarnier.com

# 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 60.2% NEUTRAL ratings 30.8% SELL ratings 9%

# Bryan Garnier Research Team


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


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

**London**
Beaufort House
15 St Botolph Street
London EC3A 7BB
Tel: +44 (0) 207 332 2500
Fax: +44 (0) 207 332 2559
Authorised and regulated by the Financial Conduct Authority (FCA)

**Paris**
26 Avenue des Champs Elysées
75008 Paris
Tel: +33 (0) 1 56 68 75 00
Fax: +33 (0) 1 56 68 75 01
Regulated by the Financial Conduct Authority (FCA) and l Autorité de Contrôle prudential et de resolution (ACPR)

**New York**
750 Lexington Avenue
New York, NY 10022
Tel: +1 (0) 212 337 7000
Fax: +1 (0) 212 337 7002
FINRA and SIPC member

**Geneva**
rue de Grenus 7
CP 2113
Genève 1, CH 1211
Tel +4122 731 3263
Fax+4122731 3243
Regulated by the FINMA

**New Delhi**
The Imperial Hotel
Janpath
New Delhi 110 001
Tel +91 11 4132 6062
+91 98 1111 5119
Fax +91 11 2621 9062

BRYAN, GARNIER & CO