Please find our Research on Bloomberg BRYG <GO>)

29th January 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	16069.64	+0.79%	-9.84%
S&P 500	1893.36	+0.55%	-8.04%
Nasdaq	4506.68	+0.86%	-4.84%
Nikkei	17518.3	+2.8%	-2.35%
Stoxx 600	334.886	-1.57%	-2.23%
CAC 40	4322.16	-1.33%	+1.16%
Oil /Gold			
Crude WTI	33.54	+5.34%	-37.68%
Gold (once)	1116.65	+0.06%	-5.87%
Currencies/Rates			
EUR/USD	1.09395	+0.63%	-9.59%
EUR/CHF	1.10905	+0.29%	-7.76%
German 10 years	0.334	-9.80%	-38.17%
French 10 years	0.731	-3.79%	-12.78%
Euribor	-	+-%	+-%

Economic releases :

Date	
29th-Jan	JP - National CPI dec. (0.2% A as exp.) FR - GDP Q4 (1.2% E) DE - GDP Q4 (1.2% E) CH - KOF leading indicators Jan. (96 E) EUZ - CPI (0.4% E) EUZ - CPI (0.9% E)

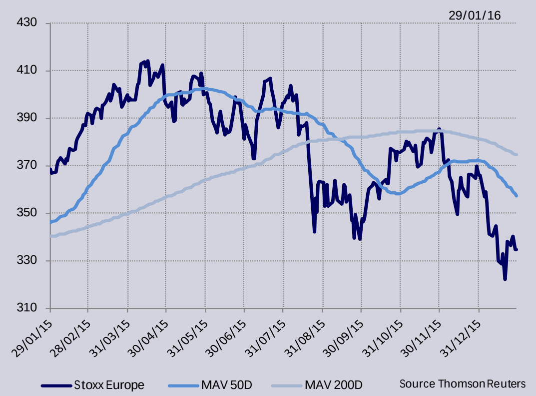
Upcoming BG events :

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	
27th-Jan	GSK : A balanced story with most risks now behind us
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)

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



ALTEN — SELL vs. NEUTRAL, Fair Value EUR46 vs. EUR48 (-10%)

Q4 2015 sales: some clouds in the sky hardly justify current valuation

We have downgraded our recommendation from Neutral to Sell and cut our DCF-derived Fair Value from EUR48 to EUR46, after reducing our 2016-18 adj. EPS ests by 2-3% (-EUR1/share) and our mid-term lfl sales growth assumption from 6% to 5.5% (-EUR1). Yesterday evening Alten reported Q4 2015 sales globally in line with our ests. and we do not consider our FY15 op. margin est. (9.8%) threatened. Negative signals (Oil & Gas, Telecoms) have appeared, and we now expect the 2016 lfl growth rate to be similar to the 2015 level (+3.4%, < our 4.7% previous est). In our view, the absence of strong upside potential for op. margin (max. 10.5-11% in our view, vs. c. 13% for Altran by 2020) does not justify such high EV/EBIT multiples.

DIAGEO — NEUTRAL, Fair Value 1790p vs. 1830p (-3%)

Improving fundamentals well factored into the share price

Although Diageo's H1 2015/16 results came out below market expectations, this was mainly related to FX/perimeter effects. Organic sales growth accelerated vs last year (+1.8% in H1) and confirmed the group's improved trajectory. Nevertheless, we have cut our EPS estimates by 2% on average for the next three years, not only to reflect yesterday's miss but also the unexpected increase in minority interests. We have reduced our Fair Value to 1790p (upside of 2%) and are maintaining our Neutral recommendation. We think that an improvement in the group's organic performance is already factored into the share price. At 18.5x EV/EBIT 2015/16e and 17.8x EV/EBIT 2016/17e, the stock is trading 8% and 11% above peer-group average.

ALTRAN TECHNOLOGIES — BUY, Fair Value EUR13 (+15%)

Q4 2015 conference call feedback: Germany and Nokia provide tailwinds for 2016

We reiterate our Buy rating following the conference call held yesterday: 1) The turnaround in Germany is on schedule and the country should be slightly profitable (c. 2%) in 2016 with lfl growth expected to return in Q2 2016 (helped by positive calendar effects); 2) The positive sales development does not call into question our op. margin ests., on track to deliver c. 13% in 2020; 3) Germany and the Nokia offshore deal provide tailwinds for lfl sales growth in 2016. As such, we are confident on a 5.3% lfl revenue growth scenario for 2016 (vs. +5% so far).

SALVATORE FERRAGAMO — BUY, Fair Value EUR26.5 (+32%)

FY sales above CS despite same-store deterioration in Q4 for retail

Salvatore Ferragamo's 2015 sales reached EUR1.43bn (consensus: EUR1.42bn) up 7.4%, of which +1.3% in organic growth (+2.1% in Q4 following +1.1% over 9M). The main information from this publication were i/ sales above expectations but of relatively poor quality, particularly in Q4 (momentum deterioration at same store) and ii/ a sales rebound in MC in Q4. We remain at Buy on the stock with an unchanged FV of EUR26.5.

GAMELOFT — BUY, Fair Value EUR6.7 (+30%)

A much more "compact" company

Q4 sales were ~6% below consensus and our expectations. However, net savings are now estimated at EUR25-27m/year (vs. EUR20m communicated before) due to the closures of two additional development studios. This figure is massive at Gameloft's level, so we still believe a ~12% current EBIT margin could be achieved in 2016e. (vs. cons. at 8.2%). Given the margin recovery story and the current speculation surrounding Gameloft (since Vivendi's entry into GFT's capital and the recent acquisition of King Digital by Activision Blizzard), our downward revision to adjusted EPS over 2016-17e should not really affect the share price at the end of the trading session. Buy rating – FV EUR6.7.

INTEGRATED UTILITIES

Provisions are key, but liquidity even more so

Yesterday morning we hosted a breakfast with the S&P Utilities team (Paris), who gave us an update on their credit view for the European sector as whole, while detailing their analysis of nuclear liabilities for utilities groups. General comments were reassuring on the potential conclusion expected from the German government on nuclear liabilities funding, to the profit of RWE and E.ON principally, although the risk of a cut in the haircut rate applied by S&P to their nuclear liabilities in its adjusted net debt calculation remained present, assuming a cash funding in the short term. For these two stocks, we assume that investors are already aware of the majority of unwelcome news, which is well priced in, thereby explaining our positive stance.

In brief...

ABLYNX, *First bi-specific to reach the clinic in oncology*
GENMAB, *Daratumumab is becoming an increasingly critical asset for JNJ*
CONSTRUCTION-CONCESSIONS, *Potential infrastructure contracts with Iran*
SAINT GOBAIN, *Healthy existing home transactions in 2015*

TMT

Alten

Price EUR51.28

Q4 2015 sales: some clouds in the sky hardly justify current valuation

Fair Value EUR46 vs. EUR48 (-10%) **SELL vs. NEUTRAL**

Bloomberg	ATE FP
Reuters	LTEN.PA
12-month High / Low (EUR)	54.6 / 35.9
Market Cap (EURm)	1,726
Ev (BG Estimates) (EURm)	1,690
Avg. 6m daily volume (000)	43.20
3y EPS CAGR	9.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.2%	8.7%	16.1%	-4.0%
Softw.& Comp.	-3.9%	-0.3%	2.2%	-4.9%
DJ Stoxx 600	-8.1%	-10.9%	-14.1%	-8.5%

YEnd Dec. (€m)	2014	2015e	2016e	2017e
Sales	1,373	1,541	1,649	1,729
% change		*12.2%*	*7.0%*	*4.9%*
EBITDA	142	163	178	190
EBIT	118.0	149.0	166.0	177.0
% change		*26.3%*	*11.4%*	*6.6%*
Net income	89.0	102.0	109.0	118.0
% change		*14.6%*	*6.9%*	*8.3%*

	2014	2015e	2016e	2017e
Operating margin	9.6	9.8	10.0	10.3
Net margin	5.8	6.5	6.6	6.8
ROE	14.1	15.9	15.5	14.9
ROCE	17.1	17.3	18.3	19.5
Gearing	-5.0	-6.0	-14.0	-24.0

(€)	2014	2015e	2016e	2017e
EPS	2.65	3.03	3.25	3.49
% change	-	*14.3%*	*7.3%*	*7.4%*
P/E	19.4x	16.9x	15.8x	14.7x
FCF yield (%)	2.4%	5.3%	6.3%	7.1%
Dividends (€)	1.00	1.00	1.00	1.00
Div yield (%)	2.0%	2.0%	2.0%	2.0%
EV/Sales	1.2x	1.1x	1.0x	0.9x
EV/EBITDA	12.0x	10.4x	9.1x	8.1x
EV/EBIT	12.9x	11.1x	9.8x	8.7x

We have downgraded our recommendation from Neutral to Sell and cut our DCF-derived Fair Value from EUR48 to EUR46, after reducing our 2016-18 adj. EPS ests by 2-3% (-EUR1/share) and our mid-term lfl sales growth assumption from 6% to 5.5% (-EUR1). Yesterday evening Alten reported Q4 2015 sales globally in line with our ests. and we do not consider our FY15 op. margin est. (9.8%) threatened. Negative signals (Oil & Gas, Telecoms) have appeared, and we now expect the 2016 lfl growth rate to be similar to the 2015 level (+3.4%, < our 4.7% previous est). In our view, the absence of strong upside potential for op. margin (max. 10.5-11% in our view, vs. c. 13% for Altran by 2020) does not justify such high EV/EBIT multiples.

ANALYSIS

- **Q4 2015 lfl growth 0.9ppt below guidance**. Q4 2015 sales rose 12.2% to EUR401.1m (+3.1% lfl), in line with our est. (EUR399.3m) but slightly below the implied company guidance (+4%, based on a +4% lfl scenario for H2 2015, while Q3 was up 4% lfl). 2015 sales rose 12.2% to EUR1,540.9m (+3.4% lfl). Q4 sales in France rose 1% to EUR205.6m (BG est.: EUR206.6m), with +26% in automotive, -7% in energy, +6% in aerospace, -20% in telecoms, -5% in rail, +20% in life sciences, and +1% in banking. International operations were up 5.5% lfl to EUR195.5m (BG est.: EUR192.7m), with +4.7% lfl in Germany, -0.3% lfl in Scandinavia, -3.5% in North America, +16.9% in the UK, +16.8% in Spain, +8.8% in Italy, -0.5% lfl in Belgium, -0.8% in the Netherlands, and +12.8% for the Others region. By industry, full-year lfl sales were up 16% in automotive, 1% in energy & life sciences (energy -3% o/w -1.5% in Oil & Gas, Life Sciences >+20%), +6% in aerospace (% at Airbus at the high-end of expectations), -10% in rail, -10% in telecoms and +5% in banking.

- **No change in utilisation rates**. The Q4 utilisation rate stood at 92% (-0.4ppt vs. Q3 and +0.2ppt vs. Q4 2014). On 31st December 2015, headcount reached 20,400, o/w 18,000 engineers. Net staff hiring in Q4 amounted to 300, or slightly above the previous quarters (250-270). Feedback from the field has revealed no need to stop hiring at this stage, and managers continue to hire specific profiles ahead of projects.

- **Fighting against uncertainty**. Alten considers that if the economic environment remains unchanged, it should achieve positive lfl sales growth in 2016, despite signs of a slowdown in France/Benelux, but acknowledges the lack of visibility. Embedded sales growth for 2016 is at 1.7-1.8% (+1% for France), which is pretty consistent with the level observed one year ago (+1-3%), with no increase in the "bench" and no surge of staff back from projects in January. Management considers it feasible that 2016 lfl growth comes out similar to the 2015 level (+3.4%). Oil & Gas (c. 10% of sales) was down 5% in Q4, and a 5-10% fall is expected for 2016. Automotive is poised to maintain growth way above 10%, still driven by France. In Aerospace, the same growth level is expected for 2016 (+6%). In Telecoms, Orange and Bouygues account for 3.5% of sales in France.

- **Three new acquisitions**. The company announced three acquisitions, due to be consolidated from Jan. 2016: 1). One in Sweden specialised in life sciences (150 engineers, sales EUR7m, op. margin 5-7%); 2). One in Switzerland in engineering (50 engineers, sales EUR12m, op. margin >10%); 3). One in Italy (60 engineers, sales EUR8m, op. margin >10%). Several companies are in due diligence, particularly in Germany and the US, and some of them could be acquired before the end of Q1 2016. The acquisition multiples are those used by Alten, i.e. 6-7x EV/EBIT plus an earn-out.

VALUATION

- Alten's shares are trading at est. 9.8x 2016 and 8.7x 2017 EV/EBIT multiples.
- Net debt on 30th June 2015 was EUR18.1m (net gearing: 3%).

NEXT CATALYSTS

FY15 results on 23rd February after markets close.

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

Food & Beverages

Diageo

Price 1,842p

Bloomberg	DGE LN
Reuters	DGE.L
12-month High / Low (p)	2,023 / 1,640
Market Cap (GBP)	46,333
Ev (BG Estimates) (GBP)	54,756
Avg. 6m daily volume (000)	4,150
3y EPS CAGR	2.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.8%	-1.5%	1.2%	-0.8%
Food & Bev.	-2.8%	-3.2%	0.5%	-3.2%
DJ Stoxx 600	-8.1%	-10.9%	-14.1%	-8.5%

YEnd Jun. (GBPm)	06/15	06/16e	06/17e	06/18e
Sales	10,813	10,585	10,735	11,178
% change		*-2.1%*	*1.4%*	*4.1%*
EBITDA	3,390	3,282	3,422	3,653
EBIT	3,066	2,964	3,046	3,205
% change		*-3.3%*	*2.8%*	*5.2%*
Net income	2,225	2,143	2,219	2,371
% change		*-3.7%*	*3.6%*	*6.8%*

	06/15	06/16e	06/17e	06/18e
Operating margin	28.4	28.0	28.4	28.7
Net margin	23.8	22.8	22.8	22.5
ROE	24.0	20.4	20.0	20.0
ROCE	12.3	12.5	12.6	13.1
Gearing	102.9	80.3	72.2	63.3

(p)	06/15	06/16e	06/17e	06/18e
EPS	88.40	85.10	88.14	94.16
% change	-	*-3.7%*	*3.6%*	*6.8%*
P/E	20.8x	21.6x	20.9x	19.6x
FCF yield (%)	4.2%	3.4%	4.1%	4.6%
Dividends (p)	56.40	59.22	62.77	67.17
Div yield (%)	3.1%	3.2%	3.4%	3.6%
EV/Sales	5.2x	5.2x	5.1x	4.8x
EV/EBITDA	16.5x	16.7x	15.9x	14.7x
EV/EBIT	18.2x	18.5x	17.8x	16.8x

Improving fundamentals well factored into the share price

Fair Value 1790p vs. 1830p (-3%) **NEUTRAL**

Although Diageo's H1 2015/16 results came out below market expectations, this was mainly related to FX/perimeter effects. Organic sales growth accelerated vs last year (+1.8% in H1) and confirmed the group's improved trajectory. Nevertheless, we have cut our EPS estimates by 2% on average for the next three years, not only to reflect yesterday's miss but also the unexpected increase in minority interests. We have reduced our Fair Value to 1790p (upside of 2%) and are maintaining our Neutral recommendation. We think that an improvement in the group's organic performance is already factored into the share price. At 18.5x EV/EBIT 2015/16e and 17.8x EV/EBIT 2016/17e, the stock is trading 8% and 11% above peer-group average.

ANALYSIS

- **The organic performance should continue to improve over the second half of the year. North America was particularly weak in H1, with organic sales down 2% due to some innovation pipeline effects. However, the region should improve materially in H2 on the back of a favourable comparison base (-3.1% in H2 2014/15) and the launch of innovations (especially Ciroc Apple).** The underlying trend (even for Smirnoff and Captain Morgan) in the US was better during the period but the group continued to lose market shares. Despite some softness in Global Travel Retail and the Middle East, **Asia Pacific should accelerate in H2 thanks to the end of destocking in the South Eastern part and the renovation of the Mc Dowell's brand,** which is owned by USL. Notwithstanding a slowdown in Turkey related to an excise duty hike at the beginning of January**, the good trend in Europe should continue in H2 thanks to easy comps in Russia and an acceleration in the western spirits markets**. **The H2 performance in Africa should be broadly similar to H1. In the region, the business environment has deteriorated in a number of key markets (notably Angola…) and the group is now facing tough comps related to the launch of Orijin** in Nigeria. LAC should moderate over the remaining of the year in the absence of a positive technical effect in Brazil (excise duty hike), while Mexico and Colombia are expected to remain solid.

- **Estimates. We are forecasting organic sales growth of 2.8% in 2015/16 (+4.1% in H2)**, implying +2% in North America, +2.5% in Europe, +2.5% in Africa, +5.5% in LAC and +3.5% in Asia Pacific. **Diageo has reiterated its guidance for a slight organic increase in the full year EBIT margin but said that in H2 the EBIT margin should be broadly flat due to the intensification of marketing investments. Our estimate is for a 3.1% organic growth in EBIT in 2015/16 (+4.1% in H2).** This muted margin expansion in 2015/16 stems from the tough pricing environment, a negative market mix with the ramp-up in profitability in India, the necessary investments behind low end brands in the US and mainstream brands in Africa, and few savings (GBP59m expected in 2015/16 after GBP127m in 2014/15). We anticipate 2015/16 sales and EBIT of GBP10,585m and GBP2,964m, respectively, down 2.1% and 3.3%, as the FX and perimeter effects should remain penalising in H2. **We have adjusted our EPS estimates by 2% on average over the next three years to reflect yesterday's miss and higher than expected minority interests (EBIT growth at USL).**

VALUATION

- **We think that the improvement in the group's operating performance is already reflected into the share price. At 18.5x EV/EBIT 2015/16e and 17.8x EV/EBIT 2016/17e, the stock is trading 8% and 11% above the peers' average.** We maintain our Neutral recommendation. **Our DCF-derived Fair value is revised downwards to 1790p**

NEXT CATALYSTS

- Africa call on 3rd March
- LAC call on 12th May

Click here to download

Analyst :
Virginie Roumage
33(0) 1.56.68.75.22
vroumage@bryangarnier.com

Sector Team :
Nikolaas Faes
Loïc Morvan
Antoine Parison
Cédric Rossi

TMT

Altran Technologies

Price EUR11.30

Q4 2015 conference call feedback: Germany and Nokia provide tailwinds for 2016

Fair Value EUR13 (+15%) **BUY**

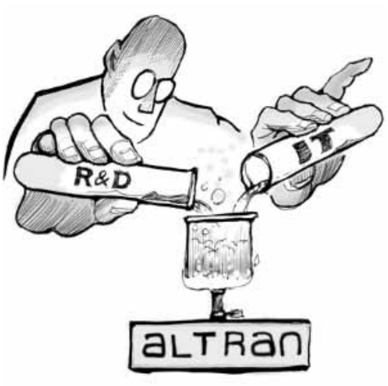
Bloomberg	ALT FP
Reuters	ALTR.PA
12-month High / Low (EUR)	12.6 / 7.6
Market Cap (EUR)	1,987
Ev (BG Estimates) (EUR)	2,110
Avg. 6m daily volume (000)	269.5
3y EPS CAGR	15.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.9%	1.3%	3.5%	-8.4%
Softw.& Comp.	-3.9%	-0.3%	2.2%	-4.9%
DJ Stoxx 600	-8.1%	-10.9%	-14.1%	-8.5%

YEnd Dec. (€m)	2014	2015e	2016e	2017e
Sales	1,756	1,945	2,095	2,213
% change		*10.8%*	*7.7%*	*5.6%*
EBITDA	183	204	237	269
EBIT	132.0	158.0	180.0	208.0
% change		*19.7%*	*13.9%*	*15.6%*
Net income	106.0	121.0	142.0	163.0
% change		*14.2%*	*17.4%*	*14.8%*

	2014	2015e	2016e	2017e
Operating margin	9.4	9.5	10.2	11.0
Net margin	4.7	5.2	5.5	6.1
ROE	11.7	12.9	13.6	14.6
ROCE	15.8	14.6	17.6	20.1
Gearing	6.0	16.0	4.0	-6.0

(€)	2014	2015e	2016e	2017e
EPS	0.60	0.69	0.81	0.93
% change	-	*15.0%*	*17.4%*	*14.8%*
P/E	18.8x	16.4x	14.0x	12.2x
FCF yield (%)	5.4%	4.5%	6.0%	7.2%
Dividends (€)	0.15	0.20	0.25	0.30
Div yield (%)	1.3%	1.8%	2.2%	2.7%
EV/Sales	1.2x	1.1x	1.0x	0.9x
EV/EBITDA	11.1x	10.3x	8.5x	7.2x
EV/EBIT	12.3x	11.5x	9.4x	7.9x



We reiterate our Buy rating following the conference call held yesterday: 1) The turnaround in Germany is on schedule and the country should be slightly profitable (c. 2%) in 2016 with lfl growth expected to return in Q2 2016 (helped by positive calendar effects); 2) The positive sales development does not call into question our op. margin ests., on track to deliver c. 13% in 2020; 3) Germany and the Nokia offshore deal provide tailwinds for lfl sales growth in 2016. As such, we are confident on a 5.3% lfl revenue growth scenario for 2016 (vs. +5% so far).

ANALYSIS

- **Germany: turnaround on schedule, a return to growth from Q2 2016**. Management confirmed that Germany broke even in Q4 2015 as expected, despite an 18% lfl decline in sales. We calculate the Q4 cost base was cut by EUR6m (-10%) vs. Q3 without a severance plan while Altran entered the second stage of the turnaround by transforming the organisation (100 staff left in Q4). For 2016, Altran expects flat sales in Germany in H1 2016 (down 7-8% for Q1 2016 with 2% less billable days, up 6-7% in Q2 2016 with 5% more billable days), then follow the Q2 trend for H2 2016, thanks to 3 drivers: new contracts in the automotive sector, a less severe decline with Airbus than est. -15%/-20% for 2015, and growth in telecoms and life sciences. It forecasts the country will post an op. margin of c. 2% for 2016 (c. 1% for H1 2016), or almost the level we expected (c. 3%).

- **Trends remain positive**. Q4 2015 was up "only" 3.1% lfl (vs. +5% in Q2 and +4.2% in Q3) due to EUR4m in one-off revenues in France in Q4 2014, which generated a 0.9ppt headwind to lfl growth. 2015 lfl sales growth excl. Germany (+7.8%) was way above the 4.5% CAGR Altran expects for 2015-20. After a blip in Q4 2015 (-13.6% lfl) due to Ericsson (furlough effect), Altran expects Scandinavia to return to growth in 2016. During the call, management stated that, based on "invoicing" rates (Spain, Italy, Portugal at 91-92% vs. an average 87.6% for the group), the op. margin excluding Germany should be at a high level in 2015. Taking into account Germany, we consider this consistent with the current operating margin consensus (9.5%) for FY 2015.

- **Further details on the Nokia deal**. Altran will manage Nokia's network operations offshore in India (Noida and Chennai). The deal was signed in late 2015 and concerns 506 staff end-2015 - essentially taken from Nokia and several contractors. The contract is still ramping up and is not generating significant revenue at this stage. Management estimates that, including hirings, c. 600 staff will work on the deal by end-2016. We understand that it would ramp-up to add 0.5ppt of lfl sales growth by end 2016 (not full-year). Despite the ramp-up phase, management does not expect the Nokia deal to generate headwinds for operating margin in H1 2016.

- **Top management team complete**. Altran announced several appointments at the management committee: Tim Bowe (ex-CEO North America and Foliage) becomes EVP America & Asia, Rob Vatter (ex-Atos) becomes CEO North America, Fabrice Boyer (ex-head of the US Medical Devices, Life Sciences & Automotive business unit) becomes CEO China (the joint-venture strategy in that country will be revisited in 2017), Keith Williams becomes Chief Technology Officer (CTO). All these appointments have been made to allow Altran to implement its "Altran 2020 Ignition" plan.

VALUATION

- Altran's shares are trading at est. 9.4x 2016 and 7.9x 2017 EV/EBIT multiples.
- Net debt on 30th June 2015 was EUR221.4m (net gearing: 30%).

NEXT CATALYSTS

FY 2015 results on 10th March before the markets open.

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

Luxury & Consumer Goods

Salvatore Ferragamo

Price EUR20.08

FY sales above CS despite same-store deterioration in Q4 for retail

Fair Value EUR26.5 (+32%) **BUY**

Bloomberg	SFER IM
Reuters	SFER MI
12-month High / Low (EUR)	31.9 / 19.8
Market Cap (EUR)	3,389
Ev (BG Estimates) (EUR)	3,348
Avg. 6m daily volume (000)	883.7
3y EPS CAGR	6.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.3%	-16.5%	-27.6%	-7.7%
Pers & H/H Gds	-2.9%	-8.1%	-5.5%	-3.6%
DJ Stoxx 600	-8.1%	-10.9%	-14.1%	-8.5%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	1,332	1,430	1,495	1,625
% change		*7.4%*	*4.5%*	*8.7%*
EBITDA	293	305	333	346
EBIT	245.5	255.0	283.0	306.0
% change		*3.9%*	*11.0%*	*8.1%*
Net income	157.5	161.5	179.5	189.5
% change		*2.5%*	*11.1%*	*5.6%*

	2014	2015e	2016e	2017e
Operating margin	18.4	17.8	18.9	18.8
Net margin	11.8	11.3	12.0	11.7
ROE	34.5	30.4	29.4	27.6
ROCE	31.7	30.6	31.0	29.7
Gearing	-3.1	-7.2	-9.5	-10.3

(EUR)	2014	2015e	2016e	2017e
EPS	0.94	0.96	1.07	1.13
% change	-	*2.5%*	*11.1%*	*5.6%*
P/E	21.5x	20.9x	18.8x	17.8x
FCF yield (%)	3.1%	2.8%	3.0%	3.1%
Dividends (EUR)	0.42	0.47	0.53	0.60
Div yield (%)	2.1%	2.3%	2.7%	3.0%
EV/Sales	2.5x	2.3x	2.2x	2.0x
EV/EBITDA	11.5x	11.0x	10.0x	9.6x
EV/EBIT	13.7x	13.1x	11.8x	10.8x

Salvatore Ferragamo's 2015 sales reached EUR1.43bn (consensus: EUR1.42bn) up 7.4%, of which +1.3% in organic growth (+2.1% in Q4 following +1.1% over 9M). The main information from this publication were i/ sales above expectations but of relatively poor quality, particularly in Q4 (momentum deterioration at same store) and ii/ a sales rebound in MC in Q4. We remain at Buy on the stock with an unchanged FV of EUR26.5.

ANALYSIS

- **Yesterday, Salvatore Ferragamo announced 2015 sales of EUR1.43bn (consensus: EUR1.42bn), up 7.4% and 1.3% in organic terms**. Full-year organic sales growth of 1.3% implied a 2.1% increase in Q4 alone following +1.1% over 9M and -0.6% in Q3. FY same-store retail sales fell 3% with a 4% decrease in Q4 vs -2% over 9m. By region, note that the best performer in 2015 was unsurprisingly Japan (9% of group sales) with a 15% increase (in line with 9M). On the other hand, the worst one was Asia-Pacific (36% of sales), which registered a 3.3% revenue decline over the year (-0.3% in Q4 following -4.5% on 9M), due to a plunge in sales in Hong Kong as for other luxury players. Retail in China grew 1% at same forex in Q4 vs -7% in Q3. SFER was not the only luxury group to highlight a better trend in Mainland China in Q4. The situation in Europe (26% of sales) was well oriented with sales up 6% over the year and 7.5% in Q4 alone, 2015 revenues in North America (23% of sales) were down 1.6% (-3% in Q4 alone after -0.9% over 9M).

Quarterly organic sales growth by geographical area

LFL chge (%)	H1 2015	Q3 2015	9M 2015	Q4 2015	2015
Europe	6.2	3.6	5.4	7.5	6.0
North America	3.2	-9.0	-0.9	-3.2	-1.6
Japan	11.3	25.3	15.6	13.2	15.0
Asia-Pacific	-4.1	-5.5	-4.5	-0.0	-3.3
Others	12.2	9.1	11.2	-3.3	8.5
Total	**2.0**	**-0.6**	**1.1**	**2.1**	**1.3**

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

- **2015 revenues were fuelled equally by retail (64% of sales) and wholesale with both showing a 1.2% organic sales increase. Nevertheless, in Q4, wholesale outperformed retail (respectively at +4% and +0.5%).** Furthermore wholesale activity rebounded vs 9M (+0.2%). On a same store basis, FY retail sales fell 3% implying some deterioration in Q4 (-4%) vs-2% over 9M. The group opened 18 DOS in 2015 to reach 391 stores. Wholesale sales grew 1.3% (+4% in Q4 alone). The distribution mix is likely to weigh on the margin in Q4. The wholesale channel included 271 third party stores versus 270 at end-2014. By business, we would highlight that in 2015, leather goods (37% of sales) outperformed footwear (42% of sales) rising 6.4% vs. a 0.9% decline, and this is positive for the product mix. This was even more true in Q4 (respectively +7.4% vs -1.4%).

- **For 2015, we still expect an EBIT margin at 17.8%** (EUR255m), implying a 60bp decline vs 2014 (18.4%), of which -60bp in Q4 alone after -60bp over 9M. Ahead of this publication, the consensus was expecting a FY 2015 EBIT margin at 17.9% (-50bp vs 2014).

VALUATION

- **The Salvatore Ferragamo share price has dropped 16% over the past three months** versus -11% for the sector average. SFER stock is trading at 11.8x on 2016 EV/EBIT, an 8% premium vs peer average. We remain at Buy on the stock with an unchanged EUR26.5 FV.

NEXT CATALYSTS

- FY 2015 SFER results should be reported on 17th March.

Click here to download

Analyst :
Loïc Morvan
33(0) 1 70 36 57 24
lmorvan@bryangarnier.com

Sector Team :
Nikolaas Faes
Antoine Parison
Cédric Rossi
Virginie Roumage

TMT

Gameloft

Price EUR5.16

A much more "compact" company

Fair Value EUR6.7 (+30%) **BUY**

Bloomberg	GFT FP
Reuters	GLFT.PA
12-month High / Low (EUR)	6.4 / 2.9
Market Cap (EUR)	439
Ev (BG Estimates) (EUR)	410
Avg. 6m daily volume (000)	311.0
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	-18.1%	-1.7%	17.3%	-14.9%
Softw.& Comp.	-3.9%	-0.3%	2.2%	-4.9%
DJ Stoxx 600	-8.1%	-10.9%	-14.1%	-8.5%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	227.3	256.2	269.0	287.8
% change		*12.7%*	*5.0%*	*7.0%*
EBITDA	13.7	7.8	46.4	56.8
EBIT	-4.2	-3.0	28.0	34.9
% change		*29.1%*	*NS*	*24.7%*
Net income	-5.9	-16.8	19.2	24.8
% change		*NS*	*NS*	*29.4%*

	2014	2015e	2016e	2017e
Operating margin	-1.8	-1.2	10.4	12.1
Net margin	-2.8	-8.9	6.6	8.6
ROE	-4.6	-19.7	13.4	15.7
ROCE	-3.5	-2.5	21.6	24.6
Gearing	-38.6	-25.1	-30.3	-36.0

(EUR)	2014	2015e	2016e	2017e
EPS	-0.07	-0.19	0.22	0.28
% change	*-*	*NS*	*NS*	*29.4%*
P/E	NS	NS	23.8x	18.4x
FCF yield (%)	NM	NM	4.1%	5.3%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	1.7x	1.6x	1.5x	1.3x
EV/EBITDA	28.1x	52.6x	8.6x	6.7x
EV/EBIT	NS	NS	14.2x	10.9x

Q4 sales were ~6% below consensus and our expectations. However, net savings are now estimated at EUR25-27m/year (vs. EUR20m communicated before) due to the closures of two additional development studios. This figure is massive at Gameloft's level, so we still believe a ~12% current EBIT margin could be achieved in 2016e. (vs. cons. at 8.2%). Given the margin recovery story and the current speculation surrounding Gameloft (since Vivendi's entry into GFT's capital and the recent acquisition of King Digital by Activision Blizzard), our downward revision to adjusted EPS over 2016-17e should not really affect the share price at the end of the trading session. Buy rating – FV EUR6.7.

ANALYSIS

- **Q4 performance: Gameloft's sales reached only EUR65.4m (+9%, +5% y/y at cc)**, i.e. 5.6% below our estimate and the consensus figure of EUR69.3m. However the back-catalogue (80% of its FY sales) was resilient and additional revenue from the internal advertising agency improved Q/Q (EUR2.3m in Q4, i.e. EUR5m over the FY). **As such, annual revenues came out at EUR256.2m (+13%, +6% at cc)** with 16 new games released (own franchises and brands accounted for two-thirds of sales), **and breaking down to** 30% from Asia-Pacific, 30% from EMEA, 25% from North America and 15% from Latin America. **The group does not expect any Y/Y growth in Q1 2016** due to an unfavourable comparison base and only one new game expected for this current quarter (*Disney Magic Kingdoms*).

- **Cost reductions accelerated:** the group finally **closed down 10 development studios** between Dec. 2014 and the end of Jan. 2016 (vs. 8 before), generating annualised gross savings of ~EUR35.0m (vs. ~EUR25m before) i.e. **net savings of ~EUR25-27m (vs. ~EUR20m before)**. As such, Gameloft's workforce has decreased by 10.7% (6,000 people at end-January). Despite a disappointing top line in H2 2015, **GFT's current EBIT before stock options should be nevertheless break even in FY15**. The full impact of savings should be felt in **2016** and should allow the **"margin to bounce back significantly", according to management.** We still believe the massive reduction in its cost base should enable the group **return to past profitability levels (10-13%) even with ~10 new games released** (BG est.: 11.5%e, close to 2013's level when the share price was in the EUR5.3-8.2 range).

- **Our FY forecasts:** with 2015 sales at EUR256.2m, we still believe current EBIT before stock options can break even. We now expect an EBIT loss of EUR11.7m (vs. -EUR10.5m before) after -EUR3m of SO (no change) and -EUR8.7m of restructuring costs (vs. -EUR7.5m). As a result, we expect a net loss of EUR22.7m (vs. -EUR21.5m), a rest. net loss of EUR16.8m (vs. -EUR16.5m) and net cash of EUR29m. In 2016, with top-line growth of 5%, GFT should reach a ~12% current EBIT margin before SO (BG est.: 11.5% vs. cons. at 8.2%), positive FCF (FCF/current EBIT of 67%) and net cash of EUR40m. **We have cut our 2016-17e EPS sequence by 5.8% on average.**

- **Speculation: Vivendi** owns 28% of the capital and 25% of the voting rights vs. **the Guillemot family** with 17% and 25% respectively (double voting rights), i.e. **both just under the mandatory bid threshold fixed by the regulator (30%)**. We believe Vivendi will make a **public tender offer on Gameloft in 2016e** (hostile or friendly, it will succeed: in mobile gaming a hostile takeover is possible as the success is not linked to a few key developers) to force Ubisoft to enter into discussions and convince the Guillemot family that there are synergies and they can be partners.

VALUATION

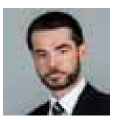
- **Beyond the current speculation**, as the stock market usually pays very close attention to GFT's profitability, **now is clearly a very good time to play the margin recovery.**

- **We are maintaining our Buy rating on GAMELOFT (FV of EUR6.7)**. Our FV reflects a minimum price in the case of a takeover bid.

NEXT CATALYSTS

- **FY15 earnings results**: 21st March, 2016 (after trading).

Click here to download



Analyst :
Richard-Maxime Beaudoux
33(0) 1.56.68.75.61
rmbeaudoux@bryangarnier.com

Sector Team :
Thomas Coudry
Gregory Ramirez
Dorian Terral

Sector View

Integrated Utilities

Provisions are key, but liquidity even more so

	1 M	3 M	6 M	31/12/15
Utilities	-2.2%	-4.5%	-6.4%	-2.3%
DJ Stoxx 600	-7.1%	-8.5%	-11.8%	-7.0%

*Stoxx Sector Indices

Companies covered

E.ON		**BUY**	**EUR10,2**
Last Price	EUR9,637	*Market Cap.*	EUR19,284m
EDF		**NEUTRAL**	**EUR18,5**
Last Price	EUR11,745	*Market Cap.*	*EUR22,552m*
ENGIE		**BUY**	**EUR19**
Last Price	EUR14,6	*Market Cap.*	*EUR35,555m*
RWE		**NEUTRAL**	**EUR9,8**
Last Price	EUR12,88	*Market Cap.*	*EUR7,803m*

Yesterday morning we hosted a breakfast with the S&P Utilities team (Paris), who gave us an update on their credit view for the European sector as whole, while detailing their analysis of nuclear liabilities for utilities groups. General comments were reassuring on the potential conclusion expected from the German government on nuclear liabilities funding, to the profit of RWE and E.ON principally, although the risk of a cut in the haircut rate applied by S&P to their nuclear liabilities in its adjusted net debt calculation remained present, assuming a cash funding in the short term. For these two stocks, we assume that investors are already aware of the majority of unwelcome news, which is well priced in, thereby explaining our positive stance.

ANALYSIS

- **Interesting indicators to retain from the slideshow: 1)** Out of a rated universe in Europe of **120** utilities, S&P has a "Stable" outlook on **68%**, a "Negative" outlook on **20%** and a "Positive" outlook on only **12%** since fundamentals remain negatively oriented, mainly for unregulated power and gas companies. Downgrade risks are lower for regulated firms. **2)** Since 2009, ratings have been increasingly moving into the **BBB category** with **BBB+** being the most representative category (*21% of the rated universe*) at end 2015 vs. **A-** at end 2009 (*20% of the rated universe*). Out of the **34** latest "Rating Actions", **16** were for "Sovereign" reasons and **10** for "Financial" reasons. **3/** Like us, S&P only expects an earnings rebound for major utilities in **2017 and not in 2016**, which combined with lower capex (*lower growth capex*), should prompt an increase in the FFO/debt ratio by 2017 and hence net debt reduction. **4/** As a whole (*out of the rated universe*), nuclear liabilities represent a **EUR100bn package**, which compares to a total of **EUR174bn** in gross financial debt reported by the groups. As a reminder, the main nuclear operators in Europe include **EDF, Engie, E.ON, EnBW, RWE, Vattenfall, Fortum** and **CEZ** with EDF, E.ON & RWE being the most exposed (*respectively EUR45.4bn, EUR19bn and EUR10bn*). In France and Germany, nuclear operators remain in charge of their nuclear liabilities (*the government could require a segregated fund in operators' books to secure financing*) while in Sweden, the UK, Finland and partially the Czech Republic, the government levies charges on nuclear liabilities and is responsible for them, with companies making payments to external funds.

- **What to retain from this intervention?** Overall comments were reassuring on the potential conclusion expected from the German government on nuclear liabilities funding, to the profit of RWE and E.ON principally. Most downside credit risk for both stocks nevertheless still concerns the potential cut in the **30%** haircut applied to nuclear liabilities on restated S&P debt (*discount applied to reflect the more conservative view adopted by German firms compared with other European peers*), assuming that the German government's report (*due to be published in coming weeks*) asks both utilities to fund an external fund directly in cash that will be directly managed by the government. Apart from this potential risk, we see very limited downside risk for the credit rating and share price. As for the other main utilities we cover, the rating view on EDF remains negative, with EDF's liabilities provisions risk concerning more the longer term than the shorter term (*short term risk is more linked to HP C project*), while stable on Engie as the group has sufficient financial flexibility to adjust its growth capex to protect its rating.

- **Conclusion**: **We remain positive on E.ON & RWE** (*Buy for E.ON and Neutral for RWE*) despite the negative short to mid-term risk of having to fund a portion of nuclear liabilities either by creating a segregated fund in operators' books or by payments into an external fund. The German government needs these operators to remain financially healthy at least over the dismantling period (*>30 years for dismantling and 100 years for storage*) and most importantly, needs these operators to assume the energy transition until the grid is well balanced between the new utilities world (*renewables*) and the old utilities world (*fossil fuels & nuclear*). We therefore assume that for all these reasons, the German government will reach a compromise that will not kill off the operators, while reassuring taxpayers that they will not have to pay for both renewables expansion and nuclear dismantling. Fundamentals on both stocks are likely to remain weak this year (*2016e EPS expected to drop 21% at E.ON and 12% at RWE*), although we believe 2017 should be the year of earnings recovery. With 2017e P/E at 12.4x and 11.9x for E.ON & RWE respectively on still under-stressed EPS, both stocks are not so expensive compared with other integrated utilities (13x).

To be continued next page

VALUATION

- At the current share price the integrated utilities sector is trading at 7x its 2017 EBITDA and at 13.1x its 2017 earnings.
- We are positive on **E.ON** (FV @ EUR10.2) & **Engie** (FV @ EUR19) but remain Neutral on **EDF** (FV @ EUR18) and **RWE** (FV @ EUR9.8)

NEXT CATALYSTS

- 16th February – EDF // 2015 earnings
- 25th February – Engie // 2015 earnings
- 8th March – RWE // 2015 earnings
- 9th March – E.ON // 2015 earnings

Click here to download

Analyst :
Xavier Caroen
33(0) 1.56.68.75.18
xcaroen@bryangarnier.com

Healthcare

Ablynx

Price EUR13.08

Bloomberg	ABLX BB
Reuters	ABLX.BR
12-month High / Low (EUR)	16.1 / 9.1
Market Cap (EURm)	717
Avg. 6m daily volume (000)	162.3

	1 M	3 M	6 M	31/12/15
Absolute perf.	-18.8%	8.1%	-5.6%	-17.8%
Healthcare	-7.7%	-9.3%	-13.2%	-8.5%
DJ Stoxx 600	-8.1%	-10.9%	-14.1%	-8.5%

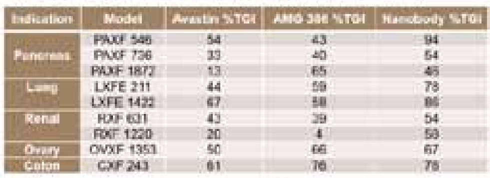
	2014	2015e	2016e	2017e
P/E	NS	NS	NS	NS
Div yield (%)	NM	NM	NM	NM

First bi-specific to reach the clinic in oncology

Fair Value EUR18 (+38%) **BUY**

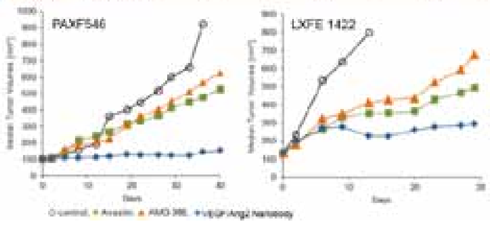
ANALYSIS

- The biotech has received EUR8m from partner Boehringer Ingelheim related to the administration of the first dose of a bi-specific as part of a phase I trial on patients suffering from advanced solid tumors. Boehringer Ingelheim should solely finance the development of the compound going forward.
- This compound for which no name has been disclosed yet is a combination of three nanobodies which blocks both **(i)** the vascular endothelial growth factor (VEGF), **(ii)** the angiopoietin-2 (Ang2) and **(iii)** also binds to serum albumin to extend half-life. Note that although it is composed of three nanobodies, the biotech refers to it as a bi-specific as it inhibits two active targets. The phase I study carried out in patients suffering from advanced solid tumors is a dose escalation study. With regards to preclinical results, we believe that patients included in this early stage trial are suffering from pancreatic and lung cancer, both of which are indications in which tumour growth inhibition (% TGI) has been the highest so far in *in-vivo* studies (see below). We would expect the study to readout in 2017. If the results are positive, the next milestone for Ablynx would be initiation of a phase II trial.



The VEGF/Ang2 Nanobody® shows superior *in vivo* efficacy

Indication	Model	Avastin %TGI	AMG 386 %TGI	Nanobody %TGI
Pancreas	PAXF 546	54	43	94
	PAXF 736	33	40	54
	PAXF 1872	13	65	46
Lung	LXFE 211	44	59	78
	LXFE 1422	67	58	86
Renal	RXF 631	43	39	54
	RXF 1220	20	4	58
Ovary	OVXF 1353	50	66	67
Colon	CXF 243	61	76	78



- Penned in 2007, we are pleased to see that the collaboration agreement between the two companies is beginning to bear fruit. The deal has a potential value that could total up to EUR1.3bn in development milestones for 10 targets excluding royalties.
- We would highlight that this trial is a significant step forward for Ablynx in the immune-oncology field as it is the first bi-specific to reach the clinic as well as a clear positive signal for the partnership with Merck & Co (17 targets). As a reminder, we are not ruling out an update from the big pharma on the partnership towards the year-end.

VALUATION

- We reiterate our BUY rating and EUR18 Fair Value. No changes to our estimates.

NEXT CATALYSTS

- H1 2016: Phase IIa topline results for ALX-0171 in RSV

Click here to download

Hugo Solvet, hsolvet@bryangarnier.com

Healthcare

Genmab

Price DKK841.00

Daratumumab is becoming an increasingly critical asset for JNJ

Fair Value DKK1170 (+39%) **BUY-Top Picks**

Bloomberg	GEN DC
Reuters	GEN.CO
12-month High / Low (DKK)	954.0 / 425.0
Market Cap (DKKm)	49,890
Avg. 6m daily volume (000)	344.7

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.0%	26.1%	30.1%	-8.3%
Healthcare	-7.7%	-9.3%	-13.2%	-8.5%
DJ Stoxx 600	-8.1%	-10.9%	-14.1%	-8.5%

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

ANALYSIS

- Amgen and JNJ have published their full year results. We note that **JNJ's Velcade (bortezomib) lost substantial ground during Q4 (-14% y-o-y on an organic basis)** mainly because of the advent of second-generation proteasome inhibitors such as Amgen's Kyprolis (carfilzomib) and Takeda's Ninlaro (ixazomib); the first one being a more potent and safer approach, while the second one offers a patient-friendlier route of administration (oral vs intravenous and subcutaneous). Going forward, we think the loss of market share could be accentuated by the entry of generics as of this year.
- On the other hand, **Amgen's Kyprolis grew by 63% on a y-o-y basis**… and we think the recent label expansion in the US (the FDA has approved the compound for treatment of patients who have received 1-3 prior lines of therapy, and as part of a combination regimen) based on results from the ENDEAVOR study, will support this trend.
- This reinforces our view that **daratumumab (anti-CD38) should quickly become a key asset for JNJ and its Multiple Myeloma franchise** (all the more so since we have identified no other drug candidates within the big pharma's pipeline that would be as promising). We also think the upcoming Phase III results should reinforce its best-in-class status that led us to a peak sales estimate of EUR5.5Bn.

VALUATION

- **BUY reiterated with a FV of DKK1,170**, bearing in mind that our valuation could be lifted further to DKK1,500 if 1) the Phase III studies evaluating dara in less pre-treated patients prove to be positive, 2/ Roche's ocrelizumab receives a fairly broad label for the treatment of relapsing-remitting multiple sclerosis (like Novartis' Gilenya).

NEXT CATALYSTS

- Q2 2016: Phase III results for daratumumab (anti-CD38) for the treatment of relapsing/refractory patients with multiple myeloma who received more than one prior therapy.

Click here to download

Mickael Chane Du, mchanedu@bryangarnier.com

Sector View

Construction-Concessions

Potential infrastructure contracts with Iran

	1 M	3 M	6 M	31/12/15
Cons & Mat	-4.2%	-4.2%	-6.1%	-5.2%
DJ Stoxx 600	-8.1%	-10.9%	-14.1%	-8.5%

*Stoxx Sector Indices

Companies covered

EIFFAGE	BUY	EUR63
VINCI	NEUTRAL	EUR65

Vinci and ADP have both signed MoUs for the renovation, expansion and operation of airports in Iran. New projects are always positive news, especially regarding infrastructure in a country where economic growth is likely to be promising. However, the size of these projects is too small (so far) to impact share prices today. In addition, the final contracts have yet to be signed.

ANALYSIS

- Vinci has signed a memorandum of understanding for the expansion of two airports in Iran: one in Mashhad (#2 airport in the country with 8.2 million in annual passengers) and another one in Isfahan (#5 with 2.6 million pax). The project is to "renovate, expand and operate" the two assets. Masshad is a holy city and Isfahan a tourist one.
- Aéroports de Paris, with Bouygues, has signed a MoU for the renovation, expansion and operation of the Iman Khomeini International Airport in Teheran. The current capacity is 6.5 million pax and the aim is to increase this to 34 million pax by 2020.
- Depending on the outcome of the negotiations, final contracts could be finalised in 2016.

VALUATION

- Vinci and Eiffage Fair Values are derived from an SOTP.

NEXT CATALYSTS

- Vinci is to report 2015 results on 4th February post market and ADP on 16th February, post market

Click here to download

Eric Lemarié, elemarie@bryangarnier.com

Construction & Building Materials

Saint Gobain

Price EUR37.10

Bloomberg	SGO FP
Reuters	SGOB.PA
12-month High / Low (EUR)	44.5 / 35.5
Market Cap (EURm)	20,811
Avg. 6m daily volume (000)	2,174

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.1%	-5.9%	-11.5%	-6.9%
Cons & Mat	-4.2%	-4.2%	-6.1%	-5.2%
DJ Stoxx 600	-8.1%	-10.9%	-14.1%	-8.5%

	2014	2015e	2016e	2017e
P/E	18.8x	16.4x	13.9x	11.1x
Div yield (%)	3.3%	3.3%	3.5%	3.8%

Healthy existing home transactions in 2015

Fair Value EUR42 (+13%) **BUY**

ANALYSIS

- Existing home transactions in France were buoyant in 2015, with a 16% y/y increase.
- While early 2015 was subdued, the trend has picked up strongly since last summer, with a 0.7% increase on a 12 month basis in August, +4.1% in September, +7.1% in October and +12.5% in November.
- This is very likely to be positive for Saint-Gobain, as existing home transactions are usually linked to renovation. 13% of Saint-Gobain's consolidated sales are exposed to French residential renovation, according to our calculations.
- In addition, yesterday the French government released unsurprising figures for the new residential market at end December, with a further improvement in permits with a +1.8% y/y increase on a 12-month basis but still flattish housing starts figures at +0.3%. New residential, which represents 6% of Saint-Gobain sales, continued to improve then, even if this was very gradual.

VALUATION

- EUR42 FV, derived from the application of historical EBIT multiples to FY17 est., discounted back.

NEXT CATALYSTS

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

Click here to download

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 31.6% SELL ratings 8.3%

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