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1st February 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	16466.3	+2.47%	-7.61%
S&P 500	1940.24	+2.48%	-5.76%
Nasdaq	4613.95	+2.38%	-2.58%
Nikkei	17865.23	+1.98%	+0.39%
Stoxx 600	342.273	+2.21%	-0.08%
CAC 40	4417.02	+2.19%	+3.38%
Oil /Gold			
Crude WTI	33.69	+0.45%	-37.40%
Gold (once)	1117.15	+0.04%	-5.83%
Currencies/Rates			
EUR/USD	1.08205	-1.09%	-10.58%
EUR/CHF	1.1087	-0.03%	-7.79%
German 10 years	0.266	-20.53%	-50.86%
French 10 years	0.655	-10.36%	-21.82%
Euribor	-0.162	+1.25%	-307.69%

Economic releases :

Date	
1st-Feb	CNY- PMI (49.4 A, 49.6 E) FR - Manuf PMI Jan. (50 E) GB - PMI Manuf. Jan (51.6 E) US - Personal consumption Exp. Core dec. (1.4% E y/y) US - ISM Manuf.JAN. (48.5 E) US - Construction Spending Dec. (0.6% E)

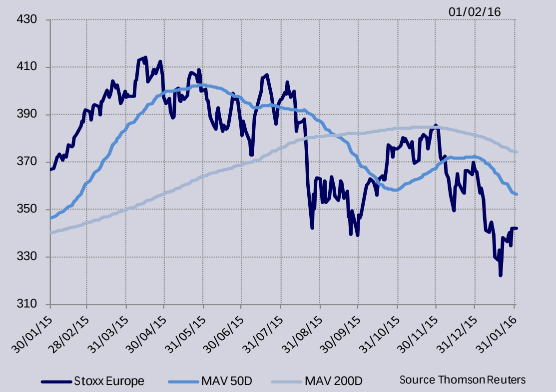
Upcoming BG events :

Date	
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



WORLDPAY — NEUTRAL Coverage initiated, Fair Value 290p (-7%)

An aisle-end stock, but not a bargain (full report out today)

We are initiating Worldpay with a Neutral recommendation and a FV of 290p (downside of 7%). While its offer corresponds well to current demand from merchants, we estimate its recurring sales, the rising share of e-commerce in the mix and potential to improve EBITDA are already priced in. After gaining +30% since its IPO on 13th October 2015, the share harbours no upside even when looking just at EV/sales and EV/EBITDA multiples until 2016e (namely until the end of the plan to invest in the platforms). The share is trading on an average premium relative to peers of 22% for 2016e. Research Report out today.

ACCORHOTELS — BUY-Top Picks, Fair Value EUR48 vs. EUR53 (+37%)

BUY-Top pick confirmed even in a "Stress" scenario

Despite very positive trends in tourism market expectations and a challenging short term environment, especially in two main geographies for AccorHotels i.e. France (29% of no. of rooms) and Brazil (over 7% of the offer) weighing on results, the current impact on valuation looks excessive in our view. ***slideshow presentation here***

LUXOTTICA — BUY, Fair Value EUR65 vs. EUR66 (+13%)

Q4 sales publication overshadowed by co-CEO for Markets' departure

Last Friday, Luxottica announced Q4 15 adj. sales of EUR2,059m (+8.9% as reported and +2.7% adj FX-n) which came shy of CS and our expectations by ~3% only because of a higher impact from the realignment of the retail calendar and the 53rd week last year (adj FX-n growth of 7.7% excl. those calendar effects) whose impact is on U.S retail only (-2.7% adj. FX-n / +7.7% excl. calendar effect). The breaking news was clearly the departure of co-CEO for Markets Mr Khan as Mr Del Vecchio and him acknowledged that LUX was not fully capturing the significant growth prospects because of this co-CEO structure. Therefore Mr Khan will be replaced by Mr Del Vecchio whilst Mr Vian remains CEO for Product & Operations. In our view this announcement will revive some issues about the governance, especially from those who were dubious about this co-CEO structure, we adopt the same stance than during the previous "governance crisis" (Sep-Nov 2014): the business model and strategy remain sound. All eyes are now be turned towards the ID on 2nd March! Our new FV of EUR65 reflects slight adjustments on our FY15-16 EBIT forecasts (-1%) but Buy recommendation reiterated.

LVMH — BUY, Fair Value EUR182 (+23%)

Sales growth slowdown expected in Q4 (inc at LV) and FY 50bp margin deline anticipated

LVMH will report its FY 15 results on Tuesday February 2nd (after market closure with analyst meeting to follow). We expect sales to reach EUR35.45bn (CS: 35.55bn) and to grow 5% organically (+3% in Q4 alone) and EBIT margin to be down 50bp to 18.2%. We reiterate our Buy recommendation with an unchanged EUR182 FV.

SAFILO — BUY, Fair Value EUR14 (+41%)

Safilo ended a difficult transition year, looking forward to seeing improvements in 2016!

Last Friday Safilo released an unexpected FY15 preliminary sales publication. FY sales came in at EUR1,279m (+8.5% as reported and flat FX-n) in line with our forecast (EUR1,280m) but below an overly-optimistic CS (EUR1,299m). However, the quality of top line growth in Q4 was lower we expected (-2.7% FX-n vs. +1.5%e) due to North America (retail, winter sport products) and Asia-Pacific (reset plan, H-K), despite a good acceleration in Europe. Although implementing the first initiatives to strengthen the organisation (loss of Kering's small licences, new distribution model in Asia-Pacific, etc.) proved to be more painful than initially thought, we are still optimistic for 2016 given sales and margin tailwinds.

THE SWATCH GROUP — NEUTRAL, Fair Value CHF420 vs. CHF440 (+21%)

Deterioration expected in H2

The Swatch Group will release its FY 2015 sales and results during the current week (likely Thursday). Ahead of this publication, we have slightly adjusted our sales and EBIT 2015-2016 estimations following the recent poor Swiss watches exports publications. Our 2015-16 EBIT estimates have been trimmed by almot 5%. Consequently, we have reduced our FV to CHF420 from CHF440 and we remain Neutral on the stock, given still weak visibility on watches industry.

In brief...

LAFARGEHOLCIM, ***Current Chairman about to leave, according to the Press***

PERNOD RICARD, ***Acquisition of a majority stake in Monkey 47***

TMT

Worldpay

Price 313.00p

An aisle-end stock, but not a bargain (full report out today)

Fair Value 290p (-7%)

NEUTRAL Coverage initiated

Bloomberg	WPG LN
Reuters	WPG.L
12-month High / Low (p)	316.8 / 240.0
Market Cap (GBP)	6,260
Ev (BG Estimates) (GBP)	7,644
Avg. 6m daily volume (000)	10,147
3y EPS CAGR	33.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.0%	13.8%	ns	1.9%
Softw.& Comp.	-3.0%	1.8%	5.0%	-2.3%
DJ Stoxx 600	-7.4%	-8.9%	-13.1%	-6.4%

YEnd Dec. (GBPm)	2014	2015e	2016e	2017e
Sales	3,627	4,000	4,280	4,622
% change		*10.3%*	*7.0%*	*8.0%*
EBITDA	286	304	402	506
EBIT	296.3	335.0	376.6	422.5
% change		*13.1%*	*12.4%*	*12.2%*
Net income	91.7	126.1	233.8	273.9
% change		*37.5%*	*85.5%*	*17.1%*

	2014	2015e	2016e	2017e
Operating margin	8.2	8.4	8.8	9.1
Net margin	-1.4	-0.4	3.5	4.8
ROE	26.0	-2.2	17.8	21.7
ROCE	14.0	15.5	15.0	16.1
Gearing	-1,173	200.5	146.7	101.9

(p)	2014	2015e	2016e	2017e
EPS	5.71	6.30	11.69	13.70
% change	-	*10.3%*	*85.5%*	*17.1%*
P/E	54.8x	49.7x	26.8x	22.9x
FCF yield (%)	0.0%	NM	1.9%	3.7%
Dividends (p)	0.00	0.00	1.87	2.78
Div yield (%)	NM	NM	0.6%	0.9%
EV/Sales	2.3x	1.9x	1.8x	1.6x
EV/EBITDA	29.8x	25.1x	18.6x	14.4x
EV/EBIT	28.7x	22.8x	19.9x	17.3x

We are initiating Worldpay with a Neutral recommendation and a FV of 290p (downside of 7%). While its offer corresponds well to current demand from merchants, we estimate its recurring sales, the rising share of e-commerce in the mix and potential to improve EBITDA are already priced in. After gaining +30% since its IPO on 13th October 2015, the share harbours no upside even when looking just at EV/sales and EV/EBITDA multiples until 2016e (namely until the end of the plan to invest in the platforms). The share is trading on an average premium relative to peers of 22% for 2016e. *Research Report out today*.

ANALYSIS

- **Worldpay is a fintech**, namely a software company operating in the payments segment. **Former UK division of Royal Bank of Scotland** (sold in 2010 to Bain and Advent for EV of GBP2bn), the group's core business is **processing and acquiring payment transactions** (in-store in the UK and US, and e-commerce on a global scale). Its offering targets a wide range of merchants (from small/medium-sized merchants to large retailers).
- Based on the number of card transactions processed at merchants, **Worldpay is the no. 5 acquirer in the world** (market share of 5%e), the **no. 1 in Europe** (market share of 20%e, with uncontested leadership status in the UK, market share of 42%) **and no. 9 in the US** (market share of 3%e). **In e-commerce, we estimate it is the global leader** (market share of 6%e) **and the European no. 1** (market share of 20%e).
- **We believe Worldpay's offers and technologies respond well to current issues at merchants**, in both physical stores and in e-commerce. Indeed, merchants are looking for a multichannel solution enabling them to accept any payment type via any channel and in any currency and offering a secure and fluid purchasing experience. **However, it still has everything to prove** (current fundamentals are not impressive for the payments sector). **Despite our far from pessimistic estimates, the share is expensive** (even taking into account only EV/sales and EV/EBITDA multiples. We believe it will only be reliable to reason in PEG once investment in the platforms is complete, early 2017e. **The share is trading on an average premium** of 22% **vs. its peers in 2016e.**

VALUATION

- **We are initiating coverage of Worldpay** with a **Neutral rating** and **a Fair Value of 290p** (downside of 7%). **This latter is made up of an equi-weighted average between three valuation methods** (DCF at 317p, peer comparison at 285p, and sum of the parts at 268p).
- **We advise investors to rather play the payments and security theme via Wirecard** (Buy, FV EUR52, Q1 Top Pick), **Worldline** (Buy, FV of EUR29, Q1 Top Pick), **and Ingenico Group** (Buy, FV of EUR150).

NEXT CATALYSTS

- **Full-year 2015 earnings:** 8th March (before trading).

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Hotels

AccorHotels

Price EUR35.00

BUY-Top pick confirmed even in a "Stress" scenario

Fair Value EUR48 vs. EUR53 (+37%) **BUY-Top Picks**

Bloomberg	AC FP
Reuters	ACCP.PA
12-month High / Low (EUR)	51.3 / 32.2
Market Cap (EURm)	8,237
Ev (BG Estimates) (EURm)	8,390
Avg. 6m daily volume (000)	1 305
3y EPS CAGR	4.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-13.1%	-24.0%	-23.1%	-12.5%
Travel&Leisure	-8.1%	-5.2%	-3.5%	-7.5%
DJ Stoxx 600	-7.4%	-8.9%	-13.1%	-6.4%

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	1,093	1,201
EBIT	602.0	667.2	741.5	837.0
% change		*10.8%*	*11.1%*	*12.9%*
Net income	386.0	442.3	470.1	536.7
% change		*14.6%*	*6.3%*	*14.2%*

	2014	2015e	2016e	2017e
Operating margin	11.0	11.8	12.7	13.8
Net margin	4.1	6.4	8.0	8.8
ROE	6.2	12.3	18.0	24.0
ROCE	12.4	15.6	19.4	25.2
Gearing	4.1	5.0	5.0	5.1

(€)	2014	2015e	2016e	2017e
EPS	1.68	1.92	1.70	1.94
% change	-	*14.6%*	*-11.6%*	*14.2%*
P/E	20.9x	18.2x	20.6x	18.1x
FCF yield (%)	7.5%	7.2%	7.4%	8.4%
Dividends (€)	0.95	1.00	1.10	1.25
Div yield (%)	2.7%	2.9%	3.1%	3.6%
EV/Sales	1.5x	1.5x	1.4x	1.4x
EV/EBITDA	9.1x	8.2x	7.7x	7.0x
EV/EBIT	13.9x	12.6x	11.3x	10.0x

Despite very positive trends in tourism market expectations and a challenging short term environment, especially in two main geographies for AccorHotels i.e. France (29% of no. of rooms) and Brazil (over 7% of the offer) weighing on results, the current impact on valuation looks excessive in our view.

AccorHotels is continuing to deploy its strategy, with the implementation of the digital plan, sustained growth in HotelServices and the transformation of HotelInvest. Moreover, AccorHotels has made major moves recently with the finalisation of the alliance with China Lodging and the agreement for the acquisition of FRHI.

After some RevPAR adjustments due to short term uncertainties for our "Base Case" scenario, we have reduced our FV to EUR48 based on a DCF model i.e. upside of c. 40%. Assuming that things could get worse, we have defined a "Stress" scenario taking into account no RevPAR rebound in France in 2016, a further deterioration in Brazil and a slowdown in other geographies compared to 2015. In this case, our FV would be EUR42 nevertheless representing upside of 20%. We are confirming our Buy recommendation (**slideshow presentation attached).**

ANALYSIS

- **A challenging short term environment weighing excessively on valuation in our view:** With **France** representing 29% of the total group offer in terms of the no. of rooms and **Brazil** over 7%, AccorHotels' earnings forecasts could come under pressure if we assume a slow recovery after 13th November terrorist attacks, hard competition from the sharing economy related to a lack of control and a worse deterioration in the economic situation especially in Brazil. However even in a such "Stress" scenario, the current valuation is difficult to justify.
- **Our "Stress" scenario:** Taking into account such an environment in 2016, <u>we have estimated RevPAR growth of 1.9% after 3.1% anticipated in 2015</u> with notably no rebound in France compared to 2015 (+1%) and higher negative RevPAR in the Americas due to Brazil (-6% after -5% in 2015). <u>Our EBIT would reach EUR700m after EUR667m in 2015</u>, up nearly 5% (group guidance for 2015 is between EUR655m and EUR675m). In all, based on a DCF, our FV would be EUR42 representing upside of 20%.
- **Our "Base Case" scenario:** In this case, we have taken into account <u>RevPAR growth of 4.5% in 2016</u> (vs. 4.8% previously). After a few difficult months following 13th November, we expect France to rebound and hotel activities to be sustained by major events i.e. the EURO 2016 football tournament in June and July or the motor show in Paris in October. In Brazil, the 2016 Summer Olympic Games should sustain RevPAR in a challenging economic environment. In all, <u>our EBIT reaches EUR741m (w/o FRHI) and our DCF valuation points to a FV of EUR48 vs. EUR53.</u>

VALUATION

- Our FV is based on a DCF valuation using our "Base Case" scenario forecasts. We use a WACC of 8.6% with a cost of capital of 8.7%, a growth to infinity of 2.5% with normal average EBIT margin of 15% as of 2025.
- At the current share price, the stock is trading at 2016e EV/EBITDA of 7.7x which compares with an average for European peers of 8.3x and 9.8x for US Hoteliers. Based on our FV, 2016e EV/EBITDA would stand at 10.5x and under our "Stress" scenario at 9.2x.

NEXT CATALYSTS

- FY 2015 results on 18th February

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Luxury & Consumer Goods

Luxottica

Price EUR57.55

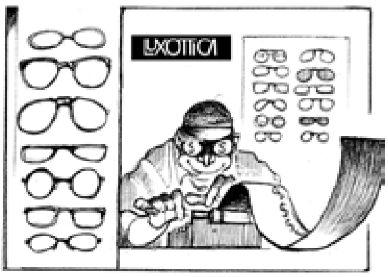
Bloomberg	LUX IM
Reuters	LUX.MI
12-month High / Low (EUR)	67.5 / 50.7
Market Cap (EURm)	27,834
Ev (BG Estimates) (EURm)	28,857
Avg. 6m daily volume (000)	744.2
3y EPS CAGR	15.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.0%	-10.1%	-13.5%	-4.7%
Consumer Gds	-4.5%	-5.3%	-4.7%	-3.4%
DJ Stoxx 600	-7.4%	-8.9%	-13.1%	-6.4%

YEnd Dec. (€m)	2014	2015e	2016e	2017e
Sales	7,652	8,837	9,550	10,209
% change		*15.5%*	*8.1%*	*6.9%*
EBITDA	1,542	1,891	2,113	2,303
Reported EBIT	1,158	1,421	1,580	1,734
% change		*22.7%*	*11.2%*	*9.7%*
Net income	642.6	843.7	967.9	1,078
% change		*31.3%*	*14.7%*	*11.4%*

	2014	2015e	2016e	2017e
EBIT margin (rep.)	15.1	16.1	16.5	17.0
Net margin	8.4	9.5	10.1	10.6
ROE	13.1	16.7	17.6	18.0
ROCE	10.4	13.1	14.7	16.1
Gearing	20.6	20.2	10.4	1.6

(€)	2014	2015e	2016e	2017e
EPS	1.44	1.76	2.02	2.25
% change	-	*21.7%*	*14.7%*	*11.4%*
P/E	39.8x	32.7x	28.5x	25.6x
FCF yield (%)	2.6%	2.9%	3.7%	4.1%
Dividends (€)	0.72	0.92	1.05	1.20
Div yield (%)	1.3%	1.6%	1.8%	2.1%
EV/Sales	3.8x	3.3x	3.0x	2.7x
EV/EBITDA	18.7x	15.3x	13.4x	12.1x
EV/EBIT	24.9x	20.3x	18.0x	16.1x



Q4 sales publication overshadowed by co-CEO for Markets' departure

Fair Value EUR65 vs. EUR66 (+13%) **BUY**

Last Friday, Luxottica announced Q4 15 adj. sales of EUR2,059m (+8.9% as reported and +2.7% adj FX-n) which came shy of CS and our expectations by ~3% only because of a higher impact from the realignment of the retail calendar and the 53rd week last year (adj FX-n growth of 7.7% excl. those calendar effects) whose impact is on U.S retail only (-2.7% adj. FX-n / +7.7% excl. calendar effect). The breaking news was clearly the departure of co-CEO for Markets Mr Khan as Mr Del Vecchio and him acknowledged that LUX was not fully capturing the significant growth prospects because of this co-CEO structure. Therefore Mr Khan will be replaced by Mr Del Vecchio whilst Mr Vian remains CEO for Product & Operations. In our view this announcement will revive some issues about the governance, especially from those who were dubious about this co-CEO structure, we adopt the same stance than during the previous "governance crisis" (Sep-Nov 2014): the business model and strategy remain sound. All eyes are now be turned towards the ID on 2nd March! Our new FV of EUR65 reflects slight adjustments on our FY15-16 EBIT forecasts (-1%) but Buy recommendation reiterated.

ANALYSIS

- **Why Mr Khan resigned after just one year at the side of Massimo Vian?** According to LUX, this resignation is neither due to strategic disagreements with Chairman and Founder Mr Del Vecchio or Massimo Vian, nor by unsatisfactory results since LUX has achieved all its rule-of-thumbs and major initiatives such as the integration of Oakley's wholesale activities or the new pricing strategy in China were successfully implemented. It seems that Mr Del Vecchio and Mr Khan have both stated that this co-CEO structure model was hampering LUX's reactivity and "entrepreneurial spirit" by weighing down its decision-making process. Admittedly these arguments were emphasized by those who doubted about the effectiveness of this co-CEO model and they might consider that Mr Del Vecchio "backpedalled" on his decision to implement this new organisation. **This is why we think this announcement will again revive some concerns about the governance at the helm of Luxottica until, at least, the Investor Day (2nd March).**
- **Mr Del Vecchio was interviewed by Italian newspaper *Corriere della Sera* (29th Jan): 1/** he confirmed that Mr Khan's departure was only due to a structure reorganisation as the group must be quicker ("more digital and simplify the decision-making process"), **2/** LUX is **about to launch a vast plan to reorganise and simplify all the commercial, marketing and markets functions by 2017**, **3/ Mr Del Vecchio intends to give up executive role after the implementation of this plan**, he also specified that his successor should be chosen internally and would certainly not be one of his six children, confirming his previous commitment made in October 2014.
- **Why do we remain confident about the outlook despite this new episode? 1/** Like in 2014, we continue to think that this new reorganisation is only at LUX's top management and should not affect the group's senior management who is responsible for the "day-to-day" operations and is key for the good execution and the achievement of the MT/LT targets, **2/** although this co-CEO model was not as efficient as initially planned, LUX achieved all its FY15 rule-of-thumbs for the sixth consecutive year, highlighting the sound and proven business model and strategy, **3/** Mr Del Vecchio is replacing Mr Khan concerning the executive responsibilities for Markets to ensure a continuity both internally and externally.
- **Q4 Wholesale sales of EUR758m (+7.7% / +7.1% adj. FX-n).** Growth was driven by a robust performance of **Europe** (~+6%) where the group enjoyed favourable weather conditions and easy comps (-8% in Q4 14). As expected, the moderate growth in the **U.S** (+2.8% vs. +7% in Q3) is justified by: **(i)** a very tough comparison base (+19% FX-n in Q4 14) and **(ii)** the integration process for Oakley's wholesale activities which might have caused minor disruptions. LUX regained some traction **Asia-Pacific** (+7.4% vs. +1.8%), partly helped by a good rebound in China following the new pricing policy since October (-10-15% on average). Last but not least, the activity in **Latin America** remained robust (+15% FX-n) irrespective of the sluggish macro environment in Brazil.
- **Q4 adj. Retail sales of EUR1,301m (+9.6% / +0.1% adj. FX-n) affected by the U.S calendar effect.** Indeed the retail calendar was nine days shorter than in Q4 14 which also enjoyed a 53rd week. Based on our estimates, **this headwind amounted to a negative sales impact of ~EUR95m, or approx. 10.4 p.p. on the U.S retail adj. FX-n growth (=> +7.7% excl. the calendar effect instead of -2.7%).** Consequently **LensCrafters** achieved a SSSG of 1.2% (vs 3.8% in Q3) whilst **SGH** posted comps of 5.3% (vs. 6.8% in Q3). Sales at **OPSM** (Australia-NZ) declined by 1.3% same-store given the harsher competition, a price repositioning should be implemented this year.

(To be continued next page)

Adjusted FX-neutral growth by division (%):

Adj. FX-neutral growth *	Q3 15	9M 15	Q4 15	2015e
Wholesale division (~42% of sales)	6.8	6.9	7.1	6.9
Retail division (~58% of sales)	4.7	6.1	0.1 / 8.1 **	4.5 / 6.6 **
Group total	**5.5**	**6.4**	**2.7 / 7.7 ****	**5.5 / 6.8 ****

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

*** FX-n growth excluding the retail calendar effect*

- **FY15 adj. EBIT margin is set to widen 100bp to 16.3%.** Ahead of the FY15 results (1st March) we nudge down our FY15 & FY16 EBIT assumptions by 1% to reflect the lower-than-expected sales in 2015. However we leave our forecasts of margin improvement unchanged: we expect EBIT margin in the **Wholesale division** to increase 110bp (to 23.8%) while profitability in the **Retail division** should widen 90bp to 15.0%. The main margin enhancers are: **(i)** volume growth and mass scale effect, **(ii)** focus on store productivity (Retail) and **(iii)** efficiency gains at the group level. **LUX confirmed it would achieve its margin "rule-of-thumb" for the sixth consecutive year** (i.e. to grow EBIT 2x as fast as sales).

VALUATION

- **We anticipate a significant negative market reaction this morning**, which might equal the 9% drop achieved on 13th October when Mr Cavatorta resigned. As explained on the previous page, like in 2014, we maintain our positive stance since we believe than LUX will again convince investors that the business model and the growth prospects are still valid:

  (i) All eyes on the Investor Day on 2nd March... Naturally investors’ are looking forward to hearing the management’s explanations about this reorganisation of the organisational structure, which will be at the centre of the Investor Day. Management must reassure investors by confirming his commitment to stability and continuity at the helm of the group.

  (ii) ... and on fundamentals! 1/ We hope that the presentation of the "**multi-year plan**" during the ID will be convince enough to demonstrate that LUX’s capacity to capture growth opportunities within the eyewear market remains intact. Key topics should be on the growth catalysts (online channel, travel retail, etc.) and on the above-mentioned reorganisation and simplification plan, while other subjects might be of interest (i.e. emphasis on ROCE/ROI ratios?, a higher shareholder return policy?). **2/ LUX has plenty of growth opportunities for 2016**, especially in the Retail Division considering the implementation of the new store concept at LC, the partnership with Macy’s and the "re-set plan" at OPSM. 2016 will probably be a milestone year in the development of **smart eyewear** (Intel and Google partnerships). **3/ Helpful Q1 16 results** (29th April) will confirm that this new reorganisation has not affected the group’s operating performance, as highlighted by the pleasing first weeks of 2016.
- **In our view, these two milestones (i.e. ID and Q1 16 results) will be crucial to ease market’s concerns and prerequisites for a rebound in the share price like after the 2014 “governance crisis” when the stock rallied ~35% from 15th October 2014 until 15th January 2015.**
- We slightly adjust our FV to EUR65 vs. EUR66 to factor in minor adjustments on our FY15-16 EBIT assumptions following the negative calendar effect on the top line development.

NEXT CATALYSTS

- FY15 results to be released on 1st March // Investor Day on 2nd March.

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Luxury & Consumer Goods

LVMH

Price EUR148.20

Bloomberg	MC FP
Reuters	LVMH.PA
12-month High / Low (EUR)	175.6 / 134.7
Market Cap (EUR)	75,304
Ev (BG Estimates) (EUR)	78,831
Avg. 6m daily volume (000)	977.4
3y EPS CAGR	13.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.3%	-12.3%	-12.3%	2.3%
Pers & H/H Gds	-1.7%	-6.1%	-4.5%	-0.8%
DJ Stoxx 600	-7.4%	-8.9%	-13.1%	-6.4%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	30,638	35,450	37,400	39,620
% change		*15.7%*	*5.5%*	*5.9%*
EBITDA	6,576	7,365	8,000	8,730
EBIT	5,716	6,465	7,050	7,730
% change		*13.1%*	*9.0%*	*9.6%*
Net income	2,972	3,655	4,093	4,300
% change		*23.0%*	*12.0%*	*5.1%*

	2014	2015e	2016e	2017e
Operating margin	18.7	18.2	18.9	19.5
Net margin	9.7	10.3	10.9	10.9
ROE	11.5	12.9	13.2	12.6
ROCE	10.3	10.1	10.6	10.7
Gearing	16.5	12.5	8.5	4.9

(EUR)	2014	2015e	2016e	2017e
EPS	5.92	7.28	8.15	8.56
% change	-	*23.0%*	*12.0%*	*5.1%*
P/E	25.0x	20.4x	18.2x	17.3x
FCF yield (%)	3.8%	3.4%	3.8%	4.1%
Dividends (EUR)	3.20	3.60	3.90	4.25
Div yield (%)	2.2%	2.4%	2.6%	2.9%
EV/Sales	2.6x	2.2x	2.1x	1.9x
EV/EBITDA	12.1x	10.7x	9.7x	8.8x
EV/EBIT	13.9x	12.2x	11.1x	10.0x

Sales growth slowdown expected in Q4 (inc at LV) and FY 50bp margin deline anticipated

Fair Value EUR182 (+23%) **BUY**

LVMH will report its FY 15 results on Tuesday February 2nd (after market closure with analyst meeting to follow). We expect sales to reach EUR35.45bn (CS: 35.55bn) and to grow 5% organically (+3% in Q4 alone) and EBIT margin to be down 50bp to 18.2%. We reiterate our Buy recommendation with an unchanged EUR182 FV.

ANALYSIS

- The World Luxury Goods market leader will release its 2015 FY sales and results on Tuesday February 2nd after market closure (analyst meeting to follow). **We expect FY sales to reach EUR35.45bn (consensus:EUR35.55bn), up 15.5% and 5% organically**. This implies a 3% organic sales growth in Q4 alone following +7% in Q3 and +6% on 9M. The expected slowdown will come from Europe and US as we do not expect the same trend than on 9m (respectively +12% and +11%) given **i/** the Paris attacks on November 13th that have significantly reduced tourists flows in France (7% of LVMH sales) and **ii/** an environment less booming in US (lower tourists flows, consequence of a strong USD). Nevertheless, we do not anticipate further deterioration in Asia-Pacific after the 8% decline in Q3 given less demanding comparison basis in Q4 (-6% in Q4 14) and better trend in MC as already highlighted by most of luxury players. Lastly, we still expect a well oriented activity in Japan (7% of sales).

- By division, 2015 organic sales growth should be driven by Wine & Spirits (+6%) given better trend in Cognac (despite slowdown in Q4 after an exceptional Q3, and Watches & Jewely (+9%) thanks to Bulgari while we are more cautious for F&L (+3%) and particularly in Q4 with a moderate 1.5% sales increase following +5% on 9M as Louis Vuitton momentum should be affected by November Paris attacks even if in tough period, best known brands are historically more resilient.

Organic sales growth by business

in %	H1 15	Q3 15	9M 15	Q4 15e	FY 15e
Wine & Spirits	2	16	7	4	6
Fashion & Leather	5	3	5	2	4
Perfumes & Cosmetics	6	7	7	4	6
Watches & Jewelry	10	11	10	7	9
Selective Retail	5	5	5	2	4
Group	**6**	**7**	**6**	**3**	**5**

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

- **We expect LVMH 2015 EBIT to reach EUR6.46bn (CS: EUR6.52bn) up 13%, implying a 18.2% EBIT margin**, down -50bp vs 2014 of which -30bp in H2 following -70bp in H1. Consensus anticipates 2015 EBIT margin at 18.3%. 2015 EBIT margin decline is due to negative hedging impact even at a less extend in H2 vs H1. Nevertheless, we expect that H2 EBIT margin should be impacted by the poor anticipated sales momentum in Q4 which accounts for almost 30% of group sales.

VALUATION

- **LVMH share price has lost 12% on last three months in line with sector average** and is trading 11.1x on 2016 EV/EBIT, in line with peers average. We remain Buy on the stock with an unchanged EUR182 FV.

- **The clear positive catalysts at LVMH** (and the reasons of our Buy recommendation) are its i/ very well balanced geographical exposure, ii/ a clear diversified businesses exposure (W&S, F&L, W&J), LVMH is not a mono business company as some others in our luxury sample, iii/ unique brands (with pricing power) in each of its business and iii/ its attractive current valuation (see above).

NEXT CATALYSTS

- FY results to be reported on February 2nd.

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Luxury & Consumer Goods

Safilo

Price EUR9.93

Safilo ended a difficult transition year, looking forward to seeing improvements in 2016!

Fair Value EUR14 (+41%) **BUY**

Bloomberg	SFL IM
Reuters	SFLG.MI
12-month High / Low (EUR)	15.1 / 9.3
Market Cap (EUR)	622
Ev (BG Estimates) (EUR)	768
Avg. 6m daily volume (000)	143.1
3y EPS CAGR	10.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.9%	-10.3%	-13.1%	-7.3%
Consumer Gds	-4.5%	-5.3%	-4.7%	-3.4%
DJ Stoxx 600	-7.4%	-8.9%	-13.1%	-6.4%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	1,179	1,279	1,359	1,286
% change		*8.5%*	*6.2%*	*-5.3%*
EBITDA	111	109	138	134
EBIT	75.3	68.2	97.5	95.5
% change		*-9.3%*	*42.8%*	*-2.1%*
Net income	39.0	22.5	57.6	59.5
% change		*-42.3%*		*3.3%*

	2014	2015e	2016e	2017e
Operating margin	6.4	5.3	7.2	7.4
Net margin	3.3	1.8	4.2	4.6
ROE	4.0	2.2	5.5	5.4
ROCE	4.0	3.2	5.1	5.1
Gearing	16.8	14.4	11.7	5.6

(EUR)	2014	2015e	2016e	2017e
EPS	0.71	0.39	0.92	0.95
% change	-	*-46.0%*	*139.0%*	*3.3%*
P/E	13.9x	25.8x	10.8x	10.4x
FCF yield (%)	NM	NM	6.0%	12.6%
Dividends (EUR)	0.10	0.13	0.16	1.16
Div yield (%)	1.0%	1.3%	1.6%	11.7%
EV/Sales	0.7x	0.6x	0.5x	0.5x
EV/EBITDA	7.1x	7.0x	5.4x	5.1x
EV/EBIT	10.4x	11.3x	7.6x	7.2x

Last Friday Safilo released an unexpected FY15 preliminary sales publication. FY sales came in at EUR1,279m (+8.5% as reported and flat FX-n) in line with our forecast (EUR1,280m) but below an overly-optimistic CS (EUR1,299m). However, the quality of top line growth in Q4 was lower we expected (-2.7% FX-n vs. +1.5%e) due to North America (retail, winter sport products) and Asia-Pacific (reset plan, H-K), despite a good acceleration in Europe. Although implementing the first initiatives to strengthen the organisation (loss of Kering's small licences, new distribution model in Asia-Pacific, etc.) proved to be more painful than initially thought, we are still optimistic for 2016 given sales and margin tailwinds.

ANALYSIS

- **Q4 sales of EUR319.2m up 2.6% as reported but down 2.7% FX-n.** While sales matched our expectations (EUR320m), they were of lower quality given a 2.7% FX-n sales decline as softer trends in North America and a further drop in sales in Asia-Pacific dragged down the group's performance. Last but not least, Safilo's top line was also negatively impacted by the loss of three small Kering brands with the "going-forward" portfolio (i.e. excl. all Kering licences) up 2% in Q4.

- By region, note the strong acceleration in **Europe** (+11.1% FX-n vs. +5.4% in Q3) driven by all the group's key markets and Germany where the group is strengthening its presence. On the other hand, sales contracted by 3.8% in **North America** due to: **(i)** a weak performance by Safilo's winter sport products (Smith brand mainly) following a mild winter across the region and **(ii)** ongoing sluggish trends at Solstice (BG: -15-20%e) since the chain closed a few stores (out of ~125 DOS initially). However underlying trends remained robust in this region and growth prospects remain very attractive for Safilo and the rest of the industry.

- **LatAm** is gradually recovering (-5.3%) after two difficult quarters, mainly driven by a strong sales development in Mexico. **Asia-Pacific** posted a worse-than-expected drop (-28.7%) as the "Reinvention Project" i.e. new commercial and distribution model) was more difficult to implement, all the more since market conditions were more challenging, especially in China (BG: ~40-45%e of Asian sales).

Safilo FX-n growth by region:

% change	Q1 15	Q2 15	Q3 15	Q4 15	2015
Europe	2.8	5.4	5.4	11.1	6.0
North America	5.3	0.8	1.5	-3.8	0.8
Latin America	23.4	-6.0	-8.1	-5.3	-1.1
Asia-Pacific	-22.9	-13.4	-15.5	-28.7	-20.5
ROW	16.0	41.3	32.3	-17.1	11.6
Total	**0.8**	**1.2**	**0.9**	**-2.7**	**0.0**

Source: Company Data

- **Showing improvements in 2016 will be crucial!** The launch of the 2020 Strategic Plan proved to be more costly and difficult than initially anticipated, particularly in Asia-Pacific (~-3 p.p. impact on group's FX-n growth) where the group also faced tough market conditions. In addition to a normalisation expected in this region for 2016, Safilo can also count on other catalysts: **(i)** favourable momentum in the "going-forward" PF (+4.3% FX-n in 2015), **(ii)** launch of the Havainas licence in H2 16 (mostly in Brazil and LatAm first) and **(iii)** a higher contribution from the proprietary brands (especially Carrera).

VALUATION

- Although sales were in line with our expectations, we expect a negative market reaction given the weak FX-n growth in Q4 and possible downward revisions by the CS which was too optimistic

- In our view, Safilo must succeed in showing better sales and earnings momentum throughout 2016 to help regain investors' confidence.

NEXT CATALYSTS

- Safilo is due to report its FY15 results on 14th March 2016.

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Luxury & Consumer Goods

The Swatch Group

Price CHF348.40

Deterioration expected in H2

Fair Value CHF420 vs. CHF440 (+21%) NEUTRAL

Bloomberg	UHR VX
Reuters	UHR.VX
12-month High / Low (CHF)	445.7 / 313.9
Market Cap (CHF)	19,161
Ev (BG Estimates) (CHF)	17,978
Avg. 6m daily volume (000)	243.5
3y EPS CAGR	1.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.5%	-9.3%	-15.0%	-0.5%
Pers & H/H Gds	-1.7%	-6.1%	-4.5%	-0.8%
DJ Stoxx 600	-7.4%	-8.9%	-13.1%	-6.4%

YEnd Dec. (CHFm)	2014	2015e	2016e	2017e
Sales	8,709	8,600	9,015	9,545
% change		*-1.3%*	*4.8%*	*5.9%*
EBITDA	2,062	1,850	2,015	2,170
EBIT	1,752	1,530	1,690	1,835
% change		*-12.7%*	*10.5%*	*8.6%*
Net income	1,385	1,165	1,310	1,425
% change		*-15.9%*	*12.4%*	*8.8%*

	2014	2015e	2016e	2017e
Operating margin	20.1	17.8	18.7	19.2
Net margin	15.9	13.5	14.5	14.9
ROE	13.3	10.4	10.9	10.8
ROCE	15.4	12.0	12.1	11.8
Gearing	-13.0	-10.2	-8.7	-7.4

(CHF)	2014	2015e	2016e	2017e
EPS	23.38	19.67	22.11	24.05
% change	-	*-15.9%*	*12.4%*	*8.8%*
P/E	14.9x	17.7x	15.8x	14.5x
FCF yield (%)	3.4%	1.2%	1.9%	2.3%
Dividends (CHF)	7.50	7.88	8.27	8.68
Div yield (%)	2.2%	2.3%	2.4%	2.5%
EV/Sales	2.0x	2.1x	2.0x	1.9x
EV/EBITDA	8.6x	9.7x	9.0x	8.4x
EV/EBIT	10.1x	11.8x	10.7x	9.9x

The Swatch Group will release its FY 2015 sales and results during the current week (likely Thursday). Ahead of this publication, we have slightly adjusted our sales and EBIT 2015-2016 estimations following the recent poor Swiss watches exports publications. Our 2015-16 EBIT estimates have been trimmed by almot 5%. Consequently, we have reduced our FV to CHF420 from CHF440 and we remain Neutral on the stock, given still weak visibility on watches industry.

ANALYSIS

- **Swatch Group is expected to release its FY 2015 sales and results in the following da**ys (likely on wednesday or Thursday this week). Following Swiss watches exports figures that have been released last week (-3.3% including -7% in H2), we prefer to be cautious ahead of this publication and we revise down our sales expectations by close to 2%. FY sales should reach CHF8.60bn (consensus: CHF8.66bn) and be down 1.5% on reported including -4.3% in H2 (despite easier comparison basis). **At same forex, FY 15 sales should be almost stable (+0.5%), implying 2.3% decline in H2 alone after +3.6% in H1**. FX impact should be negative close to 2.3% on FY implying around -3% in H2 (-1.4% in H1).
- Concerning watches and jewelry division, we expect FY sales to be down 1.1% to CHF8.34bn with a 0.5% increase organically implying a 2.6% decline in H2 alone (+3.4% in H1). The Swatch Group Watches & Jewelry division sales performance should nevertheless imply some market share gains vs industry trend which can be explained by the group's brands strength and in all price segments and by Harry Winston jewellery.
- **Consequently, we revise down our FY 2015 EBIT by almost 4.5% and FY Group EBIT should therefore be down 13% to CHF 1.53bn** (consensus: CHF1.58bn), including -16% in H2 after -8% in H1. This implies a 230bp EBIT margin decline to 17.8% (previously expected 18.5%), after -440 reported in 2014. Our FY 15 EBIT estimates imply a profitability deterioration in H2 with a 250bp decline following -200bp in H1, consequence of weaker sales momentum in H2 than in H1 and some deleverage effect, as we see likely that the Group did not take any measures to adapt its production capacity to lower sales momentum.

Sales and EBIT adjustements

CHFm	2015 prev	2015 curr	dev %
Net sales	8 710	8 600	-1.3
o/w Watches & Prod	8 440	8 310	-1.7
Recurring EBIT	1 620	1 530	-4.5
o/w Watches & Prod	1 730	1 630	-5.5
EBIT margin (%)	18.5	17.8	-60bp
o/w Watches & Prod	20.5	19.6	-80bp

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

VALUATION

- **Following our downwards 2015 and 2016 sales and EBIT estimates, we adjust our Fair Value from CHF440 to CHF420**. We remain Neutral on the stock, despite some upside on our FV, as the visibility on the watches industry is too weak in our view and the high exposure to Greater China (35% of sales) is one of the highest in our luxury groups sample, even if we have recently seen some stabilisation or slight imporovement in Mainland China. The sales momentum will still remain under pressure on coming weeks in our view. The stock is trading with a 2% discount vs peers average.

NEXT CATALYSTS

- FY 2015 results to be reported on February 3rd or 4th.

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Construction & Building Materials

LafargeHolcim

Price CHF42.92

Current Chairman about to leave, according to the Press

Fair Value CHF60 (+40%) **SELL**

Bloomberg	HOLN VX
Reuters	HOLZn.VX
12-month High / Low (CHF)	72.9 / 40.7
Market Cap (CHFm)	26,049
Avg. 6m daily volume (000)	1,810

	1 M	3 M	6 M	31/12/15
Absolute perf.	-14.4%	-22.5%	-33.3%	-14.7%
Cons & Mat	-3.7%	-1.8%	-4.5%	-3.4%
DJ Stoxx 600	-7.4%	-8.9%	-13.1%	-6.4%

	2014	2015e	2016e	2017e
P/E	20.8x	20.8x	13.1x	9.4x
Div yield (%)	3.0%	3.0%	3.0%	3.0%

ANALYSIS

- According to Street account, "*Chairman Wolfgang Reitzle is aiming to leave his post and replace the head of Linde's supervisory board. (SonntagsZeitung reported*)".
- Wolfgang Reitzle became Chairman of Holcim in 2014, approximately at the same moment the merger with Lafarge was announced. He was then co-chairman of LafargeHolcim. He was elected to the Board of Directors in 2012.
- This need to be confirmed, but it would be not a positive piece of news for LafargeHolcim. After all, CEO has been changed last year too, as well as the CFO.
- On the other hand, it will simplify the governance of LafargeHolcim, as Bruno Lafont, who was the other co-chairman, might become the only chairman (although a vice-chairman remains too).

VALUATION

- CHF60 derived from the application of historical multiples to our 2017 estimates, discounted back

NEXT CATALYSTS

- 2015 FY results on 17 March 2016

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Food & Beverages

Pernod Ricard

Price EUR107.95

Bloomberg	RI FP
Reuters	PERP.PA
12-month High / Low (EUR)	117.3 / 88.3
Market Cap (EURm)	28,652
Avg. 6m daily volume (000)	565.3

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.6%	0.1%	0.0%	2.6%
Food & Bev.	-1.9%	-1.5%	1.7%	-0.7%
DJ Stoxx 600	-7.4%	-8.9%	-13.1%	-6.4%

	06/15	06/16e	06/17e	06/18e
P/E	21.6x	19.4x	18.2x	16.9x
Div yield (%)	1.7%	1.9%	2.0%	2.1%

Acquisition of a majority stake in Monkey 47

Fair Value EUR122 (+13%) **BUY-Top Picks**

ANALYSIS

- Last Friday, Pernod Ricard announced the purchase of a majority stake in Monkey 47's owner, Black Forest Distillers GmbH. This craft gin which is produced in the Black Forest region in Germany using 47 botanicals has gained a global following since its launch in 2010, and is now available in 50 countries across four continents. The price of the takeover has not been disclosed.
- This acquisition is no surprise since Pernod Ricard has always said that it is looking very closely at acquiring a craft spirit brand. It will extend the group's footprint in the super-premium gin category which is outpacing overall category growth. Monkey 47 is priced at around EUR50, higher than Pernod Ricard's current gin labels ie Beefeater, Plymouth and Seagram. The group said that it wants to expand the brand globally.

VALUATION

- At Friday's share price, the stock is trading at 15.8x EV/EBIT 2015/16e and 15x EV/EBIT 2016/17e, 12% and 11% below the peers' average.

NEXT CATALYSTS

- H1 2015/16 results due on February 11th

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Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

Stock rating

BUY	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
NEUTRAL	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
SELL	Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 60.2% NEUTRAL ratings 30.8% SELL ratings 9%

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