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3rd February 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	16153.54	-1.80%	-9.37%
S&P 500	1903.03	-1.87%	-7.57%
Nasdaq	4516.95	-2.24%	-4.63%
Nikkei	17191.25	-3.15%	+1.72%
Stoxx 600	334.587	-2.06%	-2.32%
CAC 40	4283.99	-2.47%	+0.26%
Oil /Gold			
Crude WTI	29.98	-4.58%	-44.30%
Gold (once)	1126.97	+0.02%	-5.00%
Currencies/Rates			
EUR/USD	1.09005	+0.06%	-9.92%
EUR/CHF	1.11235	+0.34%	-7.49%
German 10 years	0.315	-12.09%	-41.78%
French 10 years	0.65	-4.35%	-22.39%
Euribor	-	+-%	+-%

Economic releases :

Date	
3rd-Feb	JP - PMI Services Jan. (52.4 A, 51.5 P) JP - PMI composit Jan (52.6 A, 52.2P) JP - Consumer confidence Index Jan. (42.5A , 42.5E) UK - Market Services PMI Jan (55.4E) UK - Composite PMI Jan. (55E) EUZ - Retail Sales dec. (+1.5%E y/y)

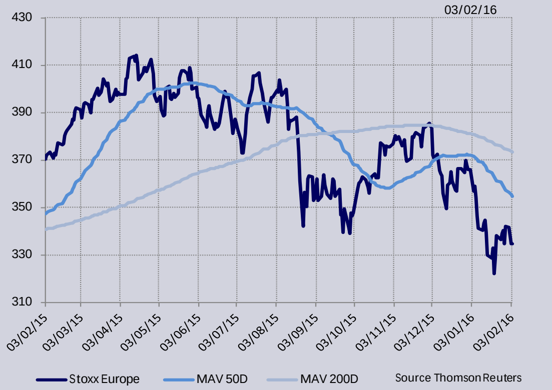
Upcoming BG events :

Date	
4th-Feb	QIAGEN (BG Paris With CFO, IR)
9th-Feb	Déjeuner Sectoriel Paiements (BG Paris Lunch)
18th-Feb	INNATE (BG Paris roadshow with CEO)
2nd-Mar	ALBIOMA (BG Paris Lunch CEO)
10th-Mar/ 11th-Mar	BG TMT Conference
15th-Mar	ABLYNX (BG Paris roadshow with CEO)

Recent reports :

Date	
1st-Feb	An aisle-end stock, but not a bargain
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

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



NOVO NORDISK — NEUTRAL, Fair Value DKK416 vs. DKK425 (+10%)

A "quiet" fourth quarter and no change to the 2016 guidance

2015 is very much in line with expectations. 2016 guidance is unchanged but we point out that consensus is at the top-end. Longer-term targets may appear soft. Let's see how 2016 develops.

INFINEON — BUY, Fair Value EUR15 (+21%)

FQ2 guidance is not alarming, we see room for good surprise

Yesterday, Infineon reported FQ1 in line with expectations with EPS at EUR0.17 vs. EUR0.16 expected by the Street, however concerns raised due to low operating margin guidance for FQ2. Following the conference call, we remain confident about Infineon capability to leverage on International Rectifier acquisition and achieve FY16 guidance of a current operating margin of 16%. Given that this FY16 guidance has been confirmed, management's cautiousness regarding Q2 anticipations (+3% sequential growth of sales and 13% margin) is positive in our view and gives room for good surprise. Overall, we see the long term story as unchanged. We reiterate our Buy recommendation.

LVMH — BUY, Fair Value EUR182 (+25%)

2015 sales and EBIT slightly above expectations. No slowdown at LV in Q4

LVMH has reported 2015 FY results slightly above consensus, up 6% in organic terms to EUR36.66bn (consensus: EUR35.55bn), implying no real slowdown in Q4 (+5% vs +6% over 9M). 2015 profitability was down slightly with a 20bp EBIT margin erosion to 18.5%. We remain at Buy on the stock with an unchanged FV of EUR182

QIAGEN — NEUTRAL, Fair Value EUR24 (+16%)

Q1 2016 outlook confirms bulk of investment, delaying earnings ramp

QIAGEN released full set of results consistent with preannounced FY2015 and outlook for 2016. As a reminder, 2015 numbers came short of estimates impacted by timing of milestones and weaker instrument sales from the molecular diagnostic division. Turning to 2016, FY guidance does not leave place for operational leverage and FX headwind should be slightly higher than previously communicated (300bp vs 200bp). Q1 2016 outlook confirms significant investments in H1, delaying to H2 2016 earnings ramp.

THE SWATCH GROUP — NEUTRAL, Fair Value CHF420 (+24%)

FY 2015 results below estimates, shares purchase programme

The Swatch Group has released FY 2015 results with sales (CHF8.45bn vs cs at CHF8.66bn) down 0.9% at same forex, including -5% in H2, and EBIT (CHF1.45bn vs cs at CHF1.57bn) down 17%, implying a margin narrowing 290bp to 17.2% (-380bp in H2). Positive growth in January, especially in MC.

In brief...

ASK, ***Five new countries using ASK's eID technologies***

BAYER, ***A couple of things to say about the offer and results from Syngenta***

DIALOG SEMICONDUCTOR, ***Dialog enters in the Smart TVs and STBs markets with Power Management chips***

HANNOVER RE, ***Satisfactory January 2016 renewals in a challenging environment***

VINCI, ***A355 western Strasbourg bypass concession contract signed***

Healthcare

Novo Nordisk

Price DKK377.70

A "quiet" fourth quarter and no change to the 2016 guidance

Fair Value DKK416 vs. DKK425 (+10%) **NEUTRAL**

Bloomberg	NOVOB DC
Reuters	NOVOB.CO
12-month High / Low (DKK)	410.7 / 276.3
Market Cap (DKKm)	779,030
Ev (BG Estimates) (DKKm)	756,044
Avg. 6m daily volume (000)	2 665
3y EPS CAGR	19.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.6%	3.9%	-5.2%	-5.6%
Healthcare	-7.4%	-7.9%	-13.8%	-7.4%
DJ Stoxx 600	-8.5%	-11.2%	-15.6%	-8.5%

YEnd Dec. (DKKm)	2014	2015e	2016e	2017e
Sales	88,806	107,394	116,743	123,208
% change		*20.9%*	*8.7%*	*5.5%*
EBITDA	37,927	53,175	54,388	58,021
EBIT	34,492	49,175	50,288	54,221
% change		*42.6%*	*2.3%*	*7.8%*
Net income	26,481	34,860	38,700	42,124
% change		*31.6%*	*11.0%*	*8.8%*

	2014	2015e	2016e	2017e
Operating margin	38.8	45.8	43.1	44.0
Net margin	29.8	32.5	33.2	34.2
ROE	65.7	73.8	68.8	52.3
ROCE	64.6	96.7	90.0	112.9
Gearing	-37.8	-48.7	-50.7	-60.8

(DKK)	2014	2015e	2016e	2017e
EPS	10.07	13.56	15.45	16.99
% change	-	*34.7%*	*13.9%*	*9.9%*
P/E	37.5x	27.9x	24.4x	22.2x
FCF yield (%)	2.8%	3.4%	3.7%	4.1%
Dividends (DKK)	4.53	6.10	6.95	7.64
Div yield (%)	1.2%	1.6%	1.8%	2.0%
EV/Sales	8.6x	7.0x	6.4x	5.9x
EV/EBITDA	20.1x	14.2x	13.8x	12.6x
EV/EBIT	22.1x	15.4x	14.9x	13.5x

2015 is very much in line with expectations. 2016 guidance is unchanged but we point out that consensus is at the top-end. Longer-term targets may appear soft. Let's see how 2016 develops.

ANALYSIS

- Novo-Nordisk has reported this morning full-year 2015 results that are very much in line with consensus estimates with sales up 8% in local currencies to DKK107.9bn and EBIT of DKK49.444bn (vs DKK48.368bn for CS). So deviations are minimal and from one product to another, we would stress that NovoRapid and Levemir are somewhat above expectations, offset by Victoza (due to rebate adjustments) and NovoSeven that are slightly below. Again, nothing major here. To note also is that combined sales of Tresiba, Ryzodeg and Xultophy were DKK1,438m in 2015, which is DKK25m different from our estimate, so is in line although still quite modest but with no contribution from the US market. After a new round of negociations, Novo-Nordisk did not successfully agree with the German authorities and as a consequence announces that it has started removing Tresiba from Germany. Our understanding of efforts on price to favour penetration of Tresiba in Europe is not such to please German authorities and this illustrates Novo-Nordisk's intention to keep playing a premium strategy in the insulin segment, which is in line with the overall profile of its products but could sometimes prove difficult in some markets as pricing conditions are tough.
- Actually, more important is the outlook for 2016 and beyond and here, we would say that although there is no major surprise, if anything there may be some disappointment. Novo-Nordisk is reiterating its 2016 FY guidance, simply translating "mid-to-high single digit" growth into 5-9% for both sales and operating profit, the latest when excluding one-time gains from the comparison base (DKK2,825m in total). When considering consensus expectations for the current year, we see 8.4% growth in revenues and 9% growth in operating income i.e. levels at the top-end of the guided range. As Novo-Nordisk mentions that current exchanges rates would underpin 1% negative impact on sales and EBIT, then it appears that consensus is at the very high-end of the guidance. Of course, it is difficult to know what is exactly factored in by Novo-Nordisk but we think it would be reasonable to keep cautious as the company has several launches to execute in a touch and very competitive market environment.
- Actually the central point of this release is probably the issuance of new long-term targets that Novo-Nordisk is used to sharing on a 3-to-5-year frequency. The group is reducing the operating income growth from 15% to 10% for the opening period and is not establishing a new target for operating margins this time (40% last time) but suggesting that it could stabilise around 44% i.e. 2015 level when restated for one-offs as the group has to invest behind significant launches. This should not but could disappoint and even question the sustainability of Novo-Nordisk's premium over the sector should growth rates decline to around 10%. That said, with a slice of caution as usual and the leverage of the bottom part of the P&L (if only from share buy-backs), this means EPS should continue to grow comfortably in the double-digits.

VALUATION

- We have not made a lot of changes to our numbers. We have increased our tax rate by 1pp as Novo-Nordisk is suggesting 20-22% (vs 20%) and adjusted the financial result for deferred hedging losses by DKK1.3bn. Our mid-term estimates are already well in-line if not slightly below the new targets shared by Novo-Nordisk this morning so we feel comfortable.
- That said, 2016 will have to demonstrate ability to deliver on a premium strategy with Tresiba and Xultophy. In particular we are curious to see what can happen if Sanofi prices LixiLan well below what Novo-Nordisk intended to do with Xultophy in the US …

NEXT CATALYSTS

- Today 1pm: Conference Call

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Infineon

Price EUR12.44

FQ2 guidance is not alarming, we see room for good surprise

Fair Value EUR15 (+21%) **BUY**

Bloomberg	IFX GY
Reuters	IFXGn.DE
12-month High / Low (EUR)	14.0 / 8.7
Market Cap (EURm)	14,048
Ev (BG Estimates) (EURm)	13,426
Avg. 6m daily volume (000)	7,420
3y EPS CAGR	16.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.9%	11.1%	21.9%	-7.9%
Semiconductors	-3.3%	-1.9%	-6.5%	-3.3%
DJ Stoxx 600	-6.6%	-9.0%	-13.8%	-6.6%

YEnd Sept. (EURm)	09/15	09/16e	09/17e	09/18e
Sales	5,795	6,558	6,984	7,348
% change		*13.2%*	*6.5%*	*5.2%*
EBITDA	1,658	1,926	2,109	2,298
EBIT	898.0	1,074	1,201	1,343
% change		*19.6%*	*11.9%*	*11.8%*
Net income	680.0	857.5	964.1	1,080
% change		*26.1%*	*12.4%*	*12.0%*

	09/15	09/16e	09/17e	09/18e
Operating margin	15.5	16.4	17.2	18.3
Net margin	11.7	13.1	13.8	14.7
ROE	13.3	13.2	13.5	14.0
ROCE	18.5	15.6	17.3	19.3
Gearing	-4.7	-12.1	-19.8	-27.6

(EUR)	09/15	09/16e	09/17e	09/18e
EPS	0.60	0.76	0.86	0.96
% change	-	*26.1%*	*12.4%*	*12.0%*
P/E	20.6x	16.3x	14.5x	13.0x
FCF yield (%)	0.6%	4.5%	5.2%	6.1%
Dividends (EUR)	0.18	0.20	0.20	0.20
Div yield (%)	1.4%	1.6%	1.6%	1.6%
EV/Sales	2.4x	2.0x	1.9x	1.7x
EV/EBITDA	8.3x	7.0x	6.1x	5.4x
EV/EBIT	15.4x	12.5x	10.8x	9.2x

Yesterday, Infineon reported FQ1 in line with expectations with EPS at EUR0.17 vs. EUR0.16 expected by the Street, however concerns raised due to low operating margin guidance for FQ2. Following the conference call, we remain confident about Infineon capability to leverage on International Rectifier acquisition and achieve FY16 guidance of a current operating margin of 16%. Given that this FY16 guidance has been confirmed, management's cautiousness regarding Q2 anticipations (+3% sequential growth of sales and 13% margin) is positive in our view and gives room for good surprise. Overall, we see the long term story as unchanged. We reiterate our Buy recommendation.

ANALYSIS

- **FQ2 sequential growth of +3% seems conservative.** About sequential increase in sales for FQ2, we believe the group remains really prudent in its guidance. Indeed, the historical seasonality pattern points to a sequential increase of +9%. Yesterday, IFX guided for a +3% seq. growth which is seen as conservative also by the group and explained by the current uncertainties in some markets such as smartphone. Given that 1/ the automotive segment momentum improved recently, 2/ the IPC division is helped by a good traction in DC/DC converters for server and also in Power management products for RF modules, and 3/ the traction keeps high in the Chip Card and Security business, we believe the guidance is conservative. Additionally, the current booking situation with a Book to Bill ratio of about 1.1 is also a supportive argument.

- **Margin guidance for FQ2 is lower than Street expectations but it is not an issue as long as the FY16 current operating margin is not impacted.** Regarding the Q2 margin guidance which is lower than street's expectations and ours, we understand it will be impacted by 1/ the usual price decline passed on January 1st, and 2/ no significant volume increase at this point. We note that the price decline effect on margin was less significant in previous years because it was offset by a stronger rebound of FQ2 sales than anticipated this year. We recall that the 5y historical average growth from FQ1 to FQ2 is +9%, to be compared to a guidance of +3% partly due to a better than expected FQ1 (we also remind that FQ1 was above expectations and guidance by 340bp). In addition, we note that the group is still digesting International Rectifier business that usually shows lower volumes in FH1 and higher in FH2. Given that 1/ the anticipation for a low volume in FQ2 impacts the margin, 2/ we understand that the group is conservative in its FQ2 guidance that imply a stability of the current environment, and 3/ we observe recent improvements in the segments where Infineon operates especially in automotive (see above), we believe there is room for good surprise.

- **The group confirms its 16% margin guidance for FY16, which we believe is achievable.** We acknowledge this guidance requires high margin in H2 (about 18%) but we believe the group will be able to achieve this margin level thanks to 1/ higher volume in H2 vs. H1, 2/ no price reduction (all will be passed in H1), 3/ slow but continuous volume ramp of the 300mm fab (should be break-even in 2017) leading to a gradual improvement of loading and operating margin, 4/ further work on International Rectifier's margin enhancement, and 5/ usual continuous improvement on operating efficiencies that allowed Infineon to improve organic margin so far.

- **Model fine-tuned but no change on EPS.** We fine tune our model to change the sequential evolution of sales and margin increase over FY16e with stronger momentum in H2. Overall, there is no change in our EPS.

VALUATION

- **We reiterate our Buy recommendation.** We continue to favour Infineon business model vs. peers (especially STMicroelectronics). The model has proven its resilience, even in a tough environment, and continue to generate profitable growth.

- Infineon's shares are trading on 2016e P/E of 15.8x and 2016e PEG of 0.9x.

- We note that the current 2016e P/E valuation of Infineon is 8% lower than the current IDM average 2016e P/E ratio of 17.6x (based on 15 comparable IDMs, list available on demand).

NEXT CATALYSTS

- 18th February: Annual General Meeting

- 9th May: FQ2-16 results

New vs. Old BG FY estimates – No change in EPS

[EURm]	Old			New		
	2016e	2017e	2018e	2016e	2017e	2018e
Net revenue	**6558**	**6984**	**7348**	**6558**	**6984**	**7348**
% change	*13.2%*	*6.5%*	*5.2%*	*13.2%*	*6.5%*	*5.2%*
Adj. EBIT	1074	1201	1343	1057	1188	1324
Adj. operating margin	*16.4%*	*17.2%*	*18.3%*	*16.1%*	*17.0%*	*18.0%*
Adj. EPS	**0.76**	**0.86**	**0.96**	**0.76**	**0.86**	**0.96**

Source: Bryan, Garnier & Co ests.

Our detailed P&L

[EURm]	1Q16	2Q16e	3Q16e	4Q16e	FY16e	FY17e	FY18e
Total Group	**1556**	**1605**	**1686**	**1711**	**6558**	**6984**	**7348**
Y/Y growth	*15.4%*	*8.2%*	*6.3%*	*7.1%*	*13.2%*	*6.5%*	*5.2%*
Q/Q growth	*-2.6%*	*3.1%*	*5.1%*	*1.5%*	-	-	-
Cost of goods sold	-998	-1037	-1028	-977	-4040	-4218	-4409
Gross margin	**35.9%**	**35.4%**	**39.0%**	**42.9%**	**38.4%**	**39.6%**	**40.0%**
SG&A	-200	-194	-212	-239	-846	-894	-896
R&D	-198	-193	-204	-206	-800	-859	-882
Other operating income*	60	27	52	45	184	175	163
Adj. EBIT	**220**	**208**	**293**	**335**	**1057**	**1188**	**1324**
adj. operating margin	*14.1%*	*13.0%*	*17.4%*	*19.6%*	*16.1%*	*17.0%*	*18.0%*
EBIT	166	168	233	272	839	943	1087
operating margin	*10.7%*	*10.5%*	*13.8%*	*15.9%*	*12.8%*	*13.5%*	*14.8%*
Net financial result	-12	-13	-12	-4	-41	-40	-42
Income tax	-2	-23	-33	-61	-120	-135	-157
tax rate	*-1.3%*	*-15.0%*	*-15.0%*	*-22.9%*	*-15.0%*	*-15.0%*	*-15.0%*
Net income (loss)	153	132	188	206	679	767	889
Adj. Net income (loss)	205	166	239	255	863	976	1089
Adj. Dil. EPS	**0.17**	**0.15**	**0.21**	**0.23**	**0.76**	**0.86**	**0.96**

** includes reintegration of IRF acquisition related D&A and other income & expenses*

Source: Bryan, Garnier & Co ests.

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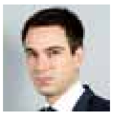

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Luxury & Consumer Goods

LVMH

Price EUR145.20

2015 sales and EBIT slightly above expectations. No slowdown at LV in Q4

Fair Value EUR182 (+25%) **BUY**

Bloomberg	MC FP
Reuters	LVMH.PA
12-month High / Low (EUR)	175.6 / 134.7
Market Cap (EUR)	73,780
Ev (BG Estimates) (EUR)	77,531
Avg. 6m daily volume (000)	973.5
3y EPS CAGR	14.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.2%	-13.5%	-14.9%	0.2%
Pers & H/H Gds	-1.2%	-5.2%	-6.1%	-1.2%
DJ Stoxx 600	-8.5%	-11.2%	-15.6%	-8.5%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	30,638	35,664	37,430	39,620
% change		*16.4%*	*5.0%*	*5.9%*
EBITDA	6,576	7,505	8,080	8,730
EBIT	5,716	6,605	7,130	7,730
% change		*15.6%*	*7.9%*	*8.4%*
Net income	2,972	3,573	4,329	4,472
% change		*20.2%*	*21.2%*	*3.3%*

	2014	2015e	2016e	2017e
Operating margin	18.7	18.5	19.0	19.5
Net margin	9.7	10.0	11.6	11.3
ROE	11.5	12.7	14.0	13.2
ROCE	10.3	10.1	10.8	10.7
Gearing	16.5	13.4	9.0	5.3

(EUR)	2014	2015e	2016e	2017e
EPS	5.92	7.11	8.62	8.90
% change	-	*20.2%*	*21.2%*	*3.3%*
P/E	24.5x	20.4x	16.8x	16.3x
FCF yield (%)	3.9%	3.1%	4.0%	4.2%
Dividends (EUR)	3.20	3.55	3.90	4.25
Div yield (%)	2.2%	2.4%	2.7%	2.9%
EV/Sales	2.5x	2.2x	2.0x	1.9x
EV/EBITDA	11.9x	10.3x	9.5x	8.7x
EV/EBIT	13.7x	11.7x	10.7x	9.8x

LVMH has reported 2015 FY results slightly above consensus, up 6% in organic terms to EUR36.66bn (consensus: EUR35.55bn), implying no real slowdown in Q4 (+5% vs +6% over 9M). 2015 profitability was down slightly with a 20bp EBIT margin erosion to 18.5%. We remain at Buy on the stock with an unchanged FV of EUR182

ANALYSIS

- **2015 LVMH sales reached EUR36.66bn (consensus: EUR35.55bn), up 16% and 6% organically (cs:+5%)**, implying 5% growth in Q4 (cs:+3%) following 7% in Q3 and 6% over 9M. FX had a 10% positive impact on 2015 sales, 8% of which in H2. Revenue momentum slowed slightly in Q4 compared to Q3 due to i/ Watches & jewellery (+3% vs +11%) with Bulgari affected by less traffic in Europe and above all ii/ Wines & Spirits (+4% vs +16% in Q3) as the Q3 performance was exceptional, particularly for **Hennessy** (+23%) in US and China. Note that the Fashion & Leather goods division (including **Louis Vuitton**) did not slow in Q4, with organic sales growth at 3% (cs:+1%), while others F&L brands, particularly **Céline** and **Fendi**, fared quite well. LV sales with Chinese clientele grew 6% with a better trend in MC while HK was down double digit. **Hennessy** volumes grew 8% in 2015 after 12% over 9M, implying a 6% increase in Q4 alone thanks to a better trend in China in H2. Selective Retail revenues were slightly affected by lower tourist flows in Asia but thanks to Sephora, delivered a 5% organic sales increase in Q4 in line with Q3.
- **By region**, note the still very strong performance in **Japan** (see table on following page) with a 13% sales increase, in line with the 9M performance, fuelled by both tourists (mainly Chinese) and local clients. On the other hand, **Asia-Pacific** (27% of sales) was poor showing a 5% sales decline in 2015 despite a less negative trend in Q4 (-2% vs -8% in Q3) with a better trend in MC. As feared, US and European sales growth slowed in Q4 vs Q3 to respectively 5% (+12% in Q3) and 6% (+12% in Q3). In the **US**, the 9m trend was exceptional since all other luxury players except LVMH recorded some slowdown in Q3, given less dynamic tourist flows (strong USD impact). In **Europe** (28% of sales), unsurprisingly, LVMH was affected by less traffic in its stores following the Paris terrorist attacks in November, such that sales grew only 6% in Q4 after +12% in Q3. In December, LV sales in France were down mid single digit.
- **FY 2015 EBIT reached EUR6.6bn (consensus: EUR6.50bn) up 16%.** FY EBIT margin narrowed 20bp to 18.5% (consensus: 18.3%) The profitability including +40bp in H2 alone after -70bp in H1. erosion was due to **i/** Fashion & Leather where the margin narrowed 100bp to 28.3% last year due to losses at Marc Jacobs and Donna Karan and lower profitability at Loro Piana, while LV's margin remained stable, and those at Fendi and Celine improved, **ii/** Selective Retail (-100bp to 8.3%), due to the clear decline in DFS' profitability. Welcome news came from the Wines & Spirits division where the margin gained 70bp to 29.6% particularly for Cognac (+120bp), thanks to a clear sales rebound in H2. The Perfumes & Cosmetics margin gained 100bp (11.6%) given a very dynamic sales performance and while the Watches & Jewelry margin widened by 290bp to 13.1%, notably thanks to Bulgari while Tag Heuer's profitability remained unchanged.
- At the end of 2015, **LVMH's net debt was EUR4.2bn (16% net gearing) vs EUR4.8bn (21% net gearing) at end 2014** and LVMH is to propose a EUR3.55 dividend (+10%) to be paid on 21st April. Furthermore, management is not ruling out the prospect of future shareholder returns (exceptional dividend or share buybacks) if net gearing continues to decline.
- **For 2016, we still expect LVMH sales to grow 5% organically** with a slight EBIT margin improvement (+50bp to 19%) in view of i/ the end to the negative hedging impact and ii/ higher profitability at the F&L division as losses at DK, Berluti and Marc Jacobs should be lower and LV's margin should remain unchanged.

VALUATION

- **The LVMH share price is stable on last month vs -3% for our luxury sample and has outperformed the DJ Stoxx by 9%**. The stock is trading on 2016 EV/EBIT of 10.7x, a 1% discount vs the peer average. Buy recommendation and EUR182 FV unchanged.

NEXT CATALYSTS

- Q1 2016 sales to be reported mid-April 2016

(continued next page)

Quarterly organic sales growth by division

in %	H1 15	Q3 15	9M 15	Q4 15	FY 15
Wines & Spirits	2	16	7	4	6
Fashion & Leather	5	3	5	3	4
Perfumes & Cosmetics	6	7	7	7	7
Watches & Jewelry	10	11	10	3	8
Selective Retail	5	5	5	5	5
Group	**6**	**7**	**6**	**5**	**6**

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

Quarterly organic sales growth by region

in %	Q1 15	Q2 15	H1 15	Q3 15	9M 15	Q4 15	2015
US	9	12	11	12	11	5	9
Japan	-10	34	8	24	13	12	13
Asia Pacific	-6	-5	-5	-8	-6	-2	-5
Europe	10	14	12	12	12	6	10
Group	**3**	**9**	**6**	**7**	**6**	**5**	**6**

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

EBIT margin by division

In %	2014	2015	chge (bp)
Wines & Spirits	28.9	29.6	70
Fashion & Leather	29.3	28.3	-100
Perfumes & Cosmetics	10.6	11.6	100
Watches & Jewelry	10.2	13.1	290
Selective Retail	9.3	8.3	-100
Group	**18.7**	**18.5**	**-20**

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

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Healthcare

QIAGEN

Price EUR20.64

Bloomberg	QIA GR
Reuters	QGEN.DE
12-month High / Low (EUR)	26.0 / 19.8
Market Cap (EURm)	4,946
Ev (BG Estimates) (EURm)	5,586
Avg. 6m daily volume (000)	382.9
3y EPS CAGR	6.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-17.8%	-10.0%	-19.2%	-17.8%
Healthcare	-7.4%	-7.9%	-13.8%	-7.4%
DJ Stoxx 600	-8.5%	-11.2%	-15.6%	-8.5%

YEnd Dec. (USDm)	2014	2015e	2016e	2017e
Sales	1,346	1,281	1,329	1,415
% change		*-4.8%*	*3.8%*	*6.5%*
EBITDA	431	434	448	480
EBIT	312.5	315.5	329.5	361.5
% change		*1.0%*	*4.4%*	*9.7%*
Net income	241.6	252.8	257.4	280.1
% change		*4.6%*	*1.8%*	*8.8%*

	2014	2015e	2016e	2017e
Operating margin	23.2	24.6	24.8	25.6
Net margin	17.9	19.7	19.4	19.8
ROE	4.4	4.2	4.1	4.6
ROCE	22.2	17.9	16.0	15.3
Gearing	37.1	22.6	15.7	9.7

(USD)	2014	2015e	2016e	2017e
EPS	1.00	1.06	1.09	1.19
% change	-	*6.7%*	*2.3%*	*9.3%*
P/E	22.5x	21.1x	20.7x	18.9x
FCF yield (%)	5.8%	7.9%	6.8%	6.5%
Dividends (USD)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	4.7x	4.8x	4.4x	4.0x
EV/EBITDA	14.8x	14.0x	13.2x	11.9x
EV/EBIT	20.4x	19.3x	17.9x	15.8x

Q1 2016 outlook confirms bulk of investment, delaying earnings ramp

Fair Value EUR24 (+16%) **NEUTRAL**

QIAGEN released full set of results consistent with preannounced FY2015 and outlook for 2016. As a reminder, 2015 numbers came short of estimates impacted by timing of milestones and weaker instrument sales from the molecular diagnostic division. Turning to 2016, FY guidance does not leave place for operational leverage and FX headwind should be slightly higher than previously communicated (300bp vs 200bp). Q1 2016 outlook confirms significant investments in H1, delaying to H2 2016 earnings ramp.

QIA ($m ex. per share data)	FY16 guid	FY16 cs	Delta		
Revenue	1332	1335	-0,2%		
Adjusted Diluted EPS	1,07-1,08	1,11	-3,2%		
QIA ($m ex. per share data)	**Q1 2015**	**Q1 2016 guid**	**y/y**	**Q1 2016 cs**	**Delta**
Revenue	298	292,0	-2,0%	307,7	-5,1%
Adjusted Diluted EPS	0,22	0,18-0,19	-15,9%	0,23	-18,9%

Source : Company Data; Bloomberg consensus.

ANALYSIS

- FY2015 sales rose 3% CER (-5% reported) at USD1281.2m. As a reminder, the latter missed both guidance and consensus which were 4% CER growth and USD1291m respectively. It is worth mentioning that without US-HPV (-43%CER) which represented a 3pp headwinds to QIAGEN's CER sales growth, sales would have risen 6% CER. All divisions but the Molecular Diagnostic one contributed to the group's performance (Applied Testing +7%CER, Pharma +5%CER, Academia +5%CER). The MDx division has been negatively impacted by the US-HPV franchise all along 2016 (1%CER, 49% of sales) while Milestones from companion diagnostics as well as weaker instrument's sales further impacted the division's Q4 performance (see our comment here). 250 QIAsymphony have been placed and another 250 are expected to grow the installed base in 2016.
- Turning to 2016, major update come from FX headwinds now expected to be 300bp vs. 200bp previously. Hence, FY2016 are expected to grow 6% CER or 3% at actual rates while EPS are expected to be in the USD1.10-1.11 range at CER or USD1.07-1.08 at actual rates. Management mentioned that the negative contribution form the US-HPV division is expected to be marginal with ~3% of sales and a 1pp negative impact on sales growth (included in the guidance).
- As far as the first quarter is concerned, the outlook provided by QIAGEN confirms significant investments delaying to H2 2016 earning progressions. Sales are expected to rise 2% CER with EPS in the USD0.19-0.20 range at CER. 4pp FX headwinds should bring the group's growth to -2% and EPS in the USD0.18-0.19 range at actual rates vs USD0.23 as anticipated by the consensus. This confirms the thesis of front-end loaded investments to support QuantiFERON-TB sales (US and Europe), menu expansion alongside a slow constitution of a client base for GeneReader's, which is not expected to meaningfully contribute to sales in 2016.

VALUATION

- We would expect the share price to be under pressure today, reflecting adjustement in FX and delayed earnings ramp to H2.
- No changes to our estimates ahead of the conference call.

NEXT CATALYSTS

- Today 03.30pm CET: conference call on FY2015/2015Q4 results
- February 4th: Paris Roadshow

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Luxury & Consumer Goods

The Swatch Group

Price CHF338.90

FY 2015 results below estimates, shares purchase programme

Fair Value CHF420 (+24%) **NEUTRAL**

Bloomberg	UHR VX
Reuters	UHR.VX
12-month High / Low (CHF)	445.7 / 313.9
Market Cap (CHFm)	18,639
Ev (BG Estimates) (CHFm)	17,456
Avg. 6m daily volume (000)	245.0
3y EPS CAGR	1.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.2%	-11.4%	-18.6%	-3.2%
Pers & H/H Gds	-1.2%	-5.2%	-6.1%	-1.2%
DJ Stoxx 600	-8.5%	-11.2%	-15.6%	-8.5%

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	14.5x	17.2x	15.3x	14.1x
FCF yield (%)	3.5%	1.2%	2.0%	2.3%
Dividends (CHF)	7.50	7.88	8.27	8.68
Div yield (%)	2.2%	2.3%	2.4%	2.6%
EV/Sales	2.0x	2.0x	1.9x	1.8x
EV/EBITDA	8.4x	9.4x	8.7x	8.1x
EV/EBIT	9.8x	11.4x	10.4x	9.6x

The Swatch Group has released FY 2015 results with sales (CHF8.45bn vs cs at CHF8.66bn) down 0.9% at same forex, including -5% in H2, and EBIT (CHF1.45bn vs cs at CHF1.57bn) down 17%, implying a margin narrowing 290bp to 17.2% (-380bp in H2). Positive growth in January, especially in MC.

ANALYSIS

- This morning, **The Swatch Group** released its FY 2015 results with sales at CHF8.45bn (consensus: CHF8.66bn), down 3% of which -0.9% at same forex. This implies a 5% organic sales decline in H2 after a 3.6% increase in H1. FX impact was negative by 2.1% over the FY after -1.4% in H1. The H2 sales slowdown can be explained by the clearly negative industry trend as Swiss watch exports declined by 7% in H2 (+0.4%) in H1. Sales in the watches & jewelry division fell 0.8% at same forex including -0.9% in H2 alone (+3.4% in H1). Electronics sales were down 1.4%. Watches sales declined slightly in the Swiss market whereas in Europe (eurozone), sales grew double digit in local currency. While sales in HK were down, they were positive in Mainland China. The sales decline was particularly significant at wholesale while retail recorded strong growth.

- **FY 2015 EBIT fell 17% to CHF1.45bn (consensus: CHF1.56bn), including -25% in H2 alone**. Group EBIT margin was therefore down 290bp to 17.2% (-380bp in H2 after –200bp in H1). The watches and jewelry division reported a 17.3% FY EBIT decline (-24.6% in H2 after -9% in H1), implying a margin down 330bp to 18.8%. The 2015 profitability erosion was due to **i/** slower sales momentum than expected by management particularly in H2, **ii/** a negative currency impact due to the strong CHF and **iii/** lower production capacity utilisation as it was probably not adapted to this revenue slowdown. Actually, Group CEO, Nick Hayek, has historically been very reluctant to significantly adapt costs to less buoyant situations only for short term profitability issues, as he has a long -erm view. Furthermore, prices were increased only very defensively to ensure volume growth as the main objective is to gain market share.

2014 and 2015 sales and EBIT

CHFm	2014	2015	chge %
Net sales	**8 709**	**8 450**	**-3.0**
o/w Watches & Prod	8 429	8 177	-3.0
Recurring EBIT	1 752	1 451	-17.1
o/w Watches & Prod	1 860	1 539	-17.3
EBIT margin (%)	*20.1*	*17.2*	*-290bp*
o/w Watches & Prod	*22.1*	*19.7*	*-330bp*

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

- Inventories grew 3.5% in 2015 accounting for 72% of sales vs 68% last year. The dividend remained unchanged at CHF7.5 per share.

- Management seems confident for 2016 and expects sales to grow over 5% at same forex. January was positive particularly in Mainland China (around 20% of Group sales). Furthermore, The Swatch Group intends to repurchase its own shares up to a maximum of CHF1bn for a later reduction of capital or other purposes. The repurchase of shares will start on 5th February and will last until 2019 at the latest.

VALUATION

- The share price has dropped 11% over the last three months, in line with peers average. The stock is trading at 10.5x 2016 EV/EBIT vs 10.9x for our luxury sample average. We remain at Neutral on the stock with an unchanged CHF440 FV.

NEXT CATALYSTS

- Conference call at 2pm.

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TMT

ASK

Price EUR1.25

Five new countries using ASK's eID technologies

Fair Value EUR2.4 (+92%) **CORPORATE**

Bloomberg	ASK FP
Reuters	ASK.PA
12-month High / Low (EUR)	4.3 / 1.2
Market Cap (EURk)	10,088
Avg. 6m daily volume (000)	56.10

	1 M	3 M	6 M	31/12/15
Absolute perf.	-26.9%	-32.1%	-40.5%	-26.9%
Industry	-8.5%	-11.2%	-15.6%	-8.5%
DJ Stoxx 600	-8.5%	-11.2%	-15.6%	-8.5%

	2014	2015e	2016e	2017e
P/E	NS	NS	17.3x	3.6x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- **Yesterday, ASK announced that five new countries are using ASK's eID technologies for biometric passports,** reflecting the fruit of efforts made in 2015. As a result, ASK provides secure contactless inlays for passports in 18 countries including France, the US, the UK and Israel. Note however that the names of the new countries have not been released, while the number of new contracts signed with governments does not allow us to estimate volumes since 1/ it depends on the size of the countries and 2/ passports involve several suppliers for one identical element (contactless inlay for ASK), and volumes are allocated and readjusted between suppliers on a regular basis by governments.
- **The group has set a target of 25 countries by the end of 2017.** Within the next two years, the group expects to sign new agreements with seven more countries. We recall that in mid-2014, the number of countries using ASK's technologies was 13. This division represents about one third of ASK total sales. Last year, it was affected by the loss of market share in UK passports but momentum has been recovering since H2 2015.

VALUATION

- ASK's share trade on a 2016e P/E ratio of 17.3x.

NEXT CATALYSTS

- 9th February 2016: FY15 revenues

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Healthcare

Bayer

Price EUR100.35

Bloomberg	BAY GY
Reuters	BAYG.F
12-month High / Low (EUR)	146.2 / 100.4
Market Cap (EURm)	82,984
Avg. 6m daily volume (000)	2 301

	1 M	3 M	6 M	31/12/15
Absolute perf.	-13.3%	-18.1%	-25.3%	-13.3%
Healthcare	-7.4%	-7.9%	-13.8%	-7.4%
DJ Stoxx 600	-8.5%	-11.2%	-15.6%	-8.5%

	2014	2015e	2016e	2017e
P/E	16.7x	15.0x	15.5x	14.1x
Div yield (%)	2.2%	2.3%	2.6%	2.7%

A couple of things to say about the offer and results from Syngenta

Fair Value EUR126 (+26%) **NEUTRAL**

ANALYSIS

- Yesterday Syngenta announced that ChemChina had made an offer to acquire the company for a total consideration of USD43bn. The Board recognised that the proposed transaction respected its shareholders' interests and as a consequence, unanimously recommended to tender shares to the offer. After the acquisition, Syngenta will remain primarily based in Switzerland and will be IPOed again. The price offered is equivalent to 3.2x sales and 23x EBIT based on FY 2015 results published today.
- Applying these multiples to Bayer CropSciences' estimates for 2015, this value's Bayer's division at between EUR30bn and EUR42bn. At the current price, this would then value the remaining part of the business, once Covestro is priced at its current level, i.e. the Healthcare business, at 2.8x sales and 13.5x EV/EBIT. This is lower than CropScience, which does not make a lot of sense. It would also be roughly in line or even marginally below (for sales) the average historical metrics for the whole group whereas here we are dealing with the most profitable and fastest-growing division.
- Independently, Syngenta has also published its full-year 2015 results which point to persistently tough market conditions, notably in Latin America where sales fell 22% in Q4 (group: -6%). As for 2016, Syngenta is cautiously commenting on "further improving profitability in challenging market conditions". No doubt Bayer will pretty much say the same.

VALUATION

- At EUR100, Bayer obviously looks undervalued and may react positively to the Syngenta acquisition. However, we are maintaining our NEUTRAL rating for the time being and favour UK names in the sector.

NEXT CATALYSTS

- 25th February 2016 : FY 2015 results

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TMT

Dialog Semiconductor

Price EUR27.63

Dialog enters in the Smart TVs and STBs markets with Power Management chips

Fair Value EUR38 (+38%) **NEUTRAL**

Bloomberg	DLG GR
Reuters	DLGS.DE
12-month High / Low (EUR)	53.3 / 26.0
Market Cap (EURm)	2,151
Avg. 6m daily volume (000)	17.30

	1 M	3 M	6 M	31/12/15
Absolute perf.	-11.5%	-20.9%	-39.0%	-11.5%
Semiconductors	-6.5%	-6.4%	-9.6%	-6.5%
DJ Stoxx 600	-8.5%	-11.2%	-15.6%	-8.5%

	2014	2015e	2016e	2017e
P/E	12.2x	10.1x	9.2x	7.3x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- **Today, Dialog announces that the group expand its offering of Power Management chips (PMIC) to Smart TVs and Set-Top Boxes.** The interests in adopting PMICs in Smart TVs and STBs is in the ease of manufacturing and space gain for electronic board. Indeed, one dialog PMIC replace about 130 discrete components typically found in a TV today. In addition, we note that 4K connected TV uses high performance SoCs, similar to Smartphone and Tablet SoCs, requiring high efficiency and high quality energy supply and management.
- **Smart TVs and STBs PMICs are similar to Smartphone and Tablet ones.** We remind that this is not really the first time Dialog is designing PMICs for Set-top Box, indeed the group produces Power Management chip for the Apple TV. However, we note that Apple TV uses a similar SoC than iPhone and iPad. According to the group, these new PMICs have been developed in partnership with TV System-on-Chip (SoC) vendors which means that the group keeps its business model implying a strong collaboration with customers when developing products. Today, largest producers of SoCs for Smart TVs and STBs are Broadcom, STMicroelectronics (which has recently announced a drop of this business), Ali, MStar and Entopic.

VALUATION

- Dialog shares trade at a 2016e P/E ratio of 9.2x.

NEXT CATALYSTS

- March 8th, 2016: FY15 results.

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Insurance

Hannover Re

Price EUR96.27

Satisfactory January 2016 renewals in a challenging environment

Fair Value EUR107 (+11%) **SELL**

Bloomberg	HNR1 GY
Reuters	HNRGn.DE
12-month High / Low (EUR)	111.5 / 80.6
Market Cap (EURm)	11,610
Avg. 6m daily volume (000)	189.0

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.9%	-8.5%	-0.3%	-8.9%
Insurance	-10.2%	-9.3%	-10.5%	-10.2%
DJ Stoxx 600	-6.6%	-9.0%	-13.8%	-6.6%

	2014	2015e	2016e	2017e
P/E	11.8x	11.4x	12.0x	11.5x
Div yield (%)	4.4%	4.7%	4.4%	4.4%

ANALYSIS

- January 2016 renewals (65% of FY P&C premiums) ended up with a 1.5% decrease in premium volume to EUR4.355bn (at unchanged exchange rates). The price impact was not quantified overall but the company has confirmed the overall price erosion, with a "considerable" price decline in some markets (including aviation and marine) and "pleasing outcomes in US business and in the German market".
- This 1.5% decrease was mainly due to price pressure on the non-proportional business (-4.8%), which represents 30% of business. However, this compares well to Partner Re, which just reported a 5% decrease from the renewable premium base.
- In a challenging interest rate environment, the company continues to be very strict with underwriting terms and conditions in order to keep underwriting profitability under control. Its leading position in Germany is a positive here. As a consequence, overall underwriting profitability is expected to remain largely stable relative to 2015 (combined ratio below 96%), which is good news.
- For the full year 2016, the company confirms its previous guidance: EUR950m in net income, including a EUR825m natcat budget (vs. EUR690m budgeted for 2015) and a 2.9% ROI (vs. 3.0% budgeted for 2015).

VALUATION

- Based on our current 2016 estimates, the SOTP valuation is EUR107.

NEXT CATALYSTS

- Q4/FY 2015 numbers will be reported on 10th March 2016.

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Construction & Building Materials

VINCI

Price EUR62.84

Bloomberg	DG FP
Reuters	SGEF.PA
12-month High / Low (EUR)	63.6 / 48.2
Market Cap (EUR)	37,024
Avg. 6m daily volume (000)	1,807

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.3%	2.2%	7.6%	6.3%
Cons & Mat	-5.5%	-5.5%	-8.7%	-5.5%
DJ Stoxx 600	-8.5%	-11.2%	-15.6%	-8.5%

	2014	2015e	2016e	2017e
P/E	19.5x	19.1x	17.4x	15.3x
Div yield (%)	3.5%	2.8%	3.1%	3.5%

A355 western Strasbourg bypass concession contract signed

Fair Value EUR70 (+11%) **BUY**

ANALYSIS

- Vinci has signed the 54-year concession contract of the 2x2-lane 24-km Strasbourg bypass. This is not a surprise, as the construction group had been named preferred bidder last October.
- This is a large project and an expensive one: works are expected to be close to EUR500m (EUR480m according to Le Moniteur) and should start at the end of 2017 (according to the press). The cost per kilometre (EUR20 per km vs EUR8 for a toll road like the A19 of Vinci) is presumably explained by the location.
- Vinci will finance 100% of the project. No subsidies are required here. Like any usual concession, tolls will be set up in order to remunerate the concession company. The bypass is supposed to decongest the A35 around Strasbourg, which is apparently a very busy section.
- This is an attractive project, although the 24 km is modest compared with the 4,386 km of Vinci Autoroutes as a whole in France. As such, we do not expect any impact on valuation here. But this is positive for the market sentiment.

VALUATION

- EUR70 FV derived from a SOTP.

NEXT CATALYSTS

- FY 2015 results to be published Thursday 4th February after trading.

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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 61.2% NEUTRAL ratings 29.9% SELL ratings 9%

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