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5th February 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	16416.58	+0.49%	-5.79%
S&P 500	1915.45	+0.15%	-6.29%
Nasdaq	4509.56	+0.12%	-9.94%
Nikkei	16819.59	-1.32%	-10.45%
Stoxx 600	328.759	-0.20%	-10.13%
CAC 40	4228.53	+0.04%	-8.81%
Oil /Gold			
Crude WTI	31.72	-2.04%	-14.73%
Gold (once)	1153.99	+1.31%	+8.62%
Currencies/Rates			
EUR/USD	1.117	+1.09%	+2.83%
EUR/CHF	1.1143	+0.04%	+2.47%
German 10 years	0.31	+11.89%	-51.20%
French 10 years	0.641	+4.51%	-34.70%

Economic releases :

Date	
5th-Feb	JP - leading index Dec. (102A, 102.7E) DE - Factory orders dec. (-1.4% E y/y) US - Unemployment rate Jan . (5% E) US - Avg. Hourly earnings Jan. (2..2% E) US - Baker Hughes U.S. Rig Count

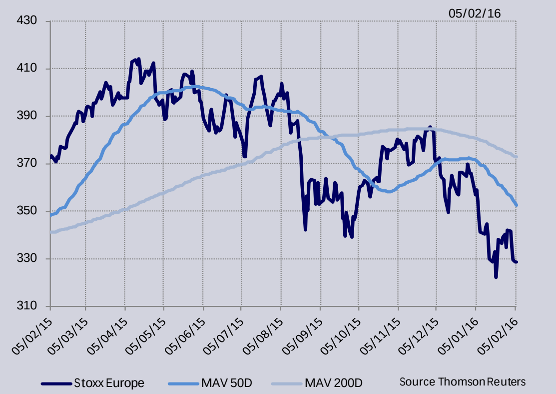
Upcoming BG events :

Date	
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)
18th-Mar	CNP (BG Paris roadshow with CEO, CFO)

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



DASSAULT SYSTÈMES — SELL, Fair Value EUR63 vs. EUR65 (-8%)

Analysts' meeting and conference call feedback: between confidence and doubt

We reiterate our Sell rating and cut our DCF-derived fair value to EUR63 from EUR65, as we have reduced our adj. EPS ests. by 2% for 2016 and 4% for 2017-18 in order to make our forecasts converging with FY 2016 company guidance (sales up 6-7% lfl and an op. margin of c. 31%). Although Dassault Systèmes has a history of exceeding quarterly guidance, we deem the outlook for 2016 is more at risk than for previous years – especially since company guidance is back-end loaded.

SAP — NEUTRAL, Fair Value EUR74 vs. EUR75 (+6%)

Feedback from Investors' Day: rolling out the model

We reiterate our Neutral rating following the Investors' Day held yesterday in New York, but have shaved our DCF-derived Fair Value to EUR74 from EUR75 on updated fx assumptions (adj. EPS: -2% for 2016, -3% for 2017-18). Financial targets have been reaffirmed, and concerns on growth and profitability have been addressed. Our main takeway is that S/4HANA provides an opportunity to reinvigorate licence sales on the core offering, and Cloud is likely to sustain 30% lfl growth. However, non-IFRS op. margin improvement seems unlikely before 2018 when the cloud reaches maturity.

ASTRAZENECA — BUY-Top Picks, Fair Value 5550p (+34%)

Billions of market cap for a 10-cent difference in 2016 core EPS?

The debate concerning core EPS at AstraZeneca over the 2015-2017 timeframe is overdone in our view although it says a lot about the current market psychology. It does place somewhat more pressure on AstraZeneca to deliver on R&D promises but since it is the basis of our call, we are sticking very much to it and firmly confirm our BUY recommendation with an unchanged FV.

ENGIE — BUY, Fair Value EUR19 (+34%)

Not that easy to let go

According to French newspaper "Les Echos", the French government has decided that Gerard Mestrallet should stay on as non-executive chairman at Engie, for two years after passing the role of chief executive to Isabelle Kocher. Kocher, currently Deputy CEO & COO, was confirmed in her position by Mestrallet, yet this move implies she will lose flexibility and direct decision impact, at least compared with what was firstly planned. Negative.

QIAGEN — NEUTRAL, Fair Value EUR24 (+24%)

Feedback from roadshow: Setting a solid base not to starve the topline

We hosted a QIAGEN roadshow in Paris yesterday with Roland Sackers (CFO) and John Gilardi (VP Cop. Com & IR). Although 2016 growth guidance of 6% at CER does not seem at risk, it also translates some weaknesses in MDx seen in H2 2015. Further operating expenses required to "not starve the topline" should mute leverage. Sequential improvement in operating margin all throughout 2016 should be back-end loaded leaving operating margin flat for the year (BGe -14bp). Too early in our view to play QIAGEN's long term growth prospects.

VICAT — NEUTRAL, Fair Value Under Review

Sales close to our estimates. 2015 EBITDA guidance 3% lower than our estimates.

2015 revenues were in line with our expectations, showing a 4.4% l-f-l decline to EUR2458m, with performances slightly better-than-expected in France, worse in Switzerland, steady in the US and mixed in emerging markets. Cement volumes fell 3.6%. Guidance for flat EBITDA in 2015 and no further guidance regarding 2016. We would remain cautious on a cement company with 70% of capacity exposed to EM, although performances in some countries like Turkey or India were satisfying. Fair Value under review, as a conference call is scheduled for 3.00pm today. Neutral reiterated.

VINCI — BUY, Fair Value EUR70 (+16%)

Strong 2015 results. Cautious 2016 outlook but margins expected to improve further.

2015 EBIT at EUR3.758bn, up 3.6% (excluding Vinci Park), 4% above our expectations, thanks in particular to a further strong improvement at Vinci Airports. Contracting EBIT 1% above our expectations at EUR1.100bn, despite a very difficult environement. The orderbook was solid, up 1.3% excluding SEA and represents 10 months of business. Order intake increased by 3% in 2015. Contracting revenues are expected to drop slightly in 2016. Toll roads top line should be similar to 2015, which means less dynamic traffic. Still a Buy.

LUXURY GOODS

Q3 2016 earnings: Ralph Lauren cuts FY 2016 outlook due to a challenging US market

Yesterday Ralph Lauren released Q3 2016 earnings (to end-December 2015). As a result of a weak holiday season in North America, Q3 net revenues fell short of CS forecast (USD1.95bn vs. USD2.03bn expected) prompting management to cut the FY 2016 and 2017 outlook and causing a 22% fall in the share price. This publication shows that the US has become a more volatile market for luxury players and puts into perspective the relatively disappointing performance of Hugo Boss in 2015.

In brief...

ATOS, *No intention of acquiring Perot Systems*

NESTLÉ, *Nestlé offers to acquire the remaining stake in Israel's Osem*

TMT

Dassault Systèmes

Price EUR68.66

Analysts' meeting and conference call feedback: between confidence and doubt

Fair Value EUR63 vs. EUR65 (-8%) **SELL**

Bloomberg	DSY FP
Reuters	DAST.PA
12-month High / Low (EUR)	76.1 / 57.7
Market Cap (EURm)	17,627
Ev (BG Estimates) (EURm)	15,695
Avg. 6m daily volume (000)	302.3
3y EPS CAGR	12.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.0%	-5.8%	-1.7%	-6.9%
Softw.& Comp.	-3.3%	-4.1%	0.2%	-6.1%
DJ Stoxx 600	-7.8%	-13.5%	-17.6%	-10.1%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	2,840	3,089	3,379	3,705
% change		*8.8%*	*9.4%*	*9.6%*
EBITDA	900	1,024	1,142	1,286
EBIT	633.2	728.1	842.9	983.8
% change		*15.0%*	*15.8%*	*16.7%*
Net income	613.2	712.8	788.5	880.7
% change		*16.2%*	*10.6%*	*11.7%*

	2015	2016e	2017e	2018e
Operating margin	29.9	31.3	32.0	33.0
Net margin	14.2	15.6	16.5	17.6
ROE	11.5	12.5	13.1	13.7
ROCE	29.1	37.1	46.2	59.4
Gearing	-38.7	-50.2	-60.2	-68.9

(€)	2015	2016e	2017e	2018e
EPS	2.36	2.73	3.01	3.36
% change	-	*15.7%*	*10.5%*	*11.5%*
P/E	29.1x	25.2x	22.8x	20.4x
FCF yield (%)	3.3%	4.2%	4.6%	5.1%
Dividends (€)	0.43	0.47	0.55	0.64
Div yield (%)	0.6%	0.7%	0.8%	0.9%
EV/Sales	5.7x	5.1x	4.5x	3.9x
EV/EBITDA	18.1x	15.3x	13.2x	11.2x
EV/EBIT	19.2x	16.2x	13.9x	11.7x

We reiterate our Sell rating and cut our DCF-derived fair value to EUR63 from EUR65, as we have reduced our adj. EPS ests. by 2% for 2016 and 4% for 2017-18 in order to make our forecasts converging with FY 2016 company guidance (sales up 6-7% lfl and an op. margin of c. 31%). Although Dassault Systèmes has a history of exceeding quarterly guidance, we deem the outlook for 2016 is more at risk than for previous years – especially since company guidance is back-end loaded.

ANALYSIS

- **FY16 growth to be back-end loaded**. For Q1 2016, DS forecasts sales up 3-5% lfl, due to a strong base of comparison with new licence overperformance of c. EUR11m in Q1 15, and as the more volatile economic environment is pushing clients to spend the majority of their budget in H2. An acceleration is expected over the year, and for FY16, DS anticipates sales up 6-7% lfl – which denotes no acceleration compared to 2015 (+7% lfl). As for 2015, new licence sales are expected to rise in double-digits lfl (+11% lfl for 2015), while recurring revenues are likely to be in line with last year's trend (+7%) with a recovery expected for licence rentals in Aerospace & Defence while maintenance, which made strong progress during the last two years, especially on the SolidWorks side (the renewal rate rose to 92% from 85%), is likely to soften its growth rate. Services are likely to be flat lfl given DS' trend to hand over more implementation work to systems integrators with the 3DExperience platform. Services were up 3% lfl in Q415, while company guidance was -6%, thanks to a strong quarter for Quintiq and the completion of implementations.
- **Margins stalling in 2016: investing for growth acceleration in 2017 and beyond**. Dassault Systèmes is convinced product development is at the advent of a new era, which will radically change the way products are designed and manufactured. This will serve as a catalyst for selling more industry solutions. 80 customers went live in 2015 on the 3DExperience platform, and the V6 architecture accounted for 29% of new licence revenues (+5ppt) in 2015, with 36% in H2 15 (+16ppt vs. H1), and is likely to exceed 33% in 2016. As such, management has decided to accelerate investment in R&D and sales channels in order to underpin customer adoption. This justifies the stable non-IFRS operating margin guidance for 2016 at c. 31%, embedding a 0.5ppt increase excluding fx and a 0.5ppt headwind from fx. We understand that sales growth will accelerate from 2017, yet it is unclear if the 9% lfl CAGR expected for 2014-2019 will be done.
- **Update on cloud solutions**. Cloud solutions did not generate significant sales (c. EUR5m for 2015), and as opposed to Autodesk customers will not be forced to pay subscriptions instead of keeping the licence + maintenance model. On SolidWorks, the company launched Xdesign, a full SaaS product design offering based on the 3DExperience platform. A new pricing model will be based on a primary licence charge, then an annual subscription fee.
- **Acquisitions: eyes on the future, not on solutions from the past**. With gross cash of almost EUR2.4bn, DS has strong firepower to make acquisitions. However, it has no intention of acquiring market share or solutions from the past. As such, management denied it was in competition with Siemens for the acquisition of CD-adapco in CFD (computational fluid dynamics), for USD970m or 4.8x sales. Potential targets may be sizeable but will be focused on technologies or industries which are complementary with DS, provided that they match the 3DExperience strategy. One area that the company admits it is interested in is AEC (Architecture Engineering & Construction).

VALUATION

- Dassault Systèmes' shares are trading at est. 16.2x 2016 and 13.9x 2017 EV/EBIT multiples.
- Net cash position on 31st December 2015 was EUR1,351.3m (net gearing: -39%).

NEXT CATALYSTS

Q1 2016 results on 21st April before markets open.

Click here to download

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TMT

SAP

Price EUR69.90

Feedback from Investors' Day: rolling out the model

Fair Value EUR74 vs. EUR75 (+6%) **NEUTRAL**

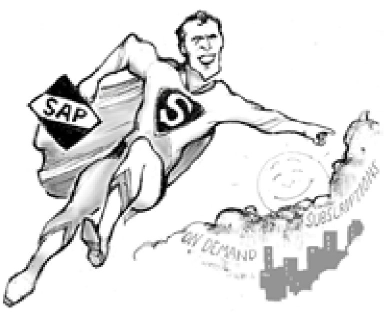
Bloomberg	SAP GR
Reuters	SAPG.DE
12-month High / Low (EUR)	74.9 / 55.9
Market Cap (EUR)	85,872
Ev (BG Estimates) (EUR)	88,713
Avg. 6m daily volume (000)	3 187
3y EPS CAGR	5.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.0%	-4.4%	6.0%	-4.7%
Softw.& Comp.	-3.3%	-4.1%	0.2%	-6.1%
DJ Stoxx 600	-7.8%	-13.5%	-17.6%	-10.1%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	20,798	21,448	22,794	24,345
% change		*3.1%*	*6.3%*	*6.8%*
EBITDA	6,884	6,975	7,318	7,918
EBIT	4,251	5,025	5,503	6,063
% change		*18.2%*	*9.5%*	*10.2%*
Net income	4,660	4,958	5,158	5,522
% change		*6.4%*	*4.0%*	*7.1%*

	2015	2016e	2017e	2018e
Operating margin	30.5	29.9	29.5	29.9
Net margin	14.8	17.7	18.0	18.4
ROE	13.2	14.9	14.6	14.5
ROCE	18.5	18.4	19.2	20.9
Gearing	24.7	11.1	-0.9	-11.6

(€)	2015	2016e	2017e	2018e
EPS	3.69	3.93	4.09	4.38
% change	-	*6.4%*	*4.0%*	*7.1%*
P/E	18.9x	17.8x	17.1x	16.0x
FCF yield (%)	3.5%	5.4%	5.7%	6.1%
Dividends (€)	1.20	1.30	1.40	1.50
Div yield (%)	1.7%	1.9%	2.0%	2.1%
EV/Sales	4.4x	4.1x	3.8x	3.4x
EV/EBITDA	13.3x	12.7x	11.7x	10.4x
EV/EBIT	14.5x	13.8x	12.7x	11.3x



We reiterate our Neutral rating following the Investors' Day held yesterday in New York, but have shaved our DCF-derived Fair Value to EUR74 from EUR75 on updated fx assumptions (adj. EPS: -2% for 2016, -3% for 2017-18). Financial targets have been reaffirmed, and concerns on growth and profitability have been addressed. Our main takeway is that S/4HANA provides an opportunity to reinvigorate licence sales on the core offering, and Cloud is likely to sustain 30% lfl growth. However, non-IFRS op. margin improvement seems unlikely before 2018 when the cloud reaches maturity.

ANALYSIS

- **Addressing concerns on growth**. 1). Licences sales remain solid, as SAP acts as one company for its whole business (on-premise/cloud), and S/4HANA is reinvigorating the Core while offering customers the chance to move their ERP to the cloud; 2). Maintenance was up 7% lfl in 2015 with a 97% renewal rate, with no major adverse impact from cloud conversion, offset anyway by large customers on self-delivered services (PSLE) - so modelling 5% growth for 2020 with a 96% renewal rate makes sense; 3). SAP believes 30% revenue growth in the cloud is sustainable as there are new drivers from 2017 (upscale infrastructure, international expansion of Concur, HANA Enterprise Cloud, S/4HANA Cloud Edition, Cloud for Analytics, HANA Cloud Platform, IoT).

- **Financial targets reaffirmed.** Non-IFRS operating profit is expected to rise from EUR6.3bn in 2015 to EUR6.4-6.7bn for 2016 and EUR6.7-7bn for 2017, then accelerate to EUR8-9bn for 2020. Hiring in 2016 is planned to be similar to 2015 (c. 2,600) to fuel the 'innovation engine' (R&D including the industry roadmap, sales, marketing, cloud infrastructure upgrade). SAP keeps targeting a 73% gross margin in the cloud for 2020 vs. 66% in 2015 (75% on Business Networks, 70% on public cloud, negative on private cloud) as there will be up to 80% of existing customers in the revenue mix (vs. 60%) and the margin of the private cloud is expected to tend to 40%. Finally, operating cash flow is projected to increase in line with operating profit from 2016, after two years of decline as a percentage of sales due to a vast restructuring program.

- **Update on S/4HANA**. The 15-11 version of S/4HANA launched in November 2015 provides a major update and the entire ERP is underway to fit in all industries in 2016 (80% of functionalities - the rest being addressed from 2017). The debate that has existed since the the launch of S/4HANA on the pricing model has been clarified: existing customers paying maintenance for the Business Suite moving to S/4HANA will not pay for the foundation licence after the end of the promotion period in December 2015. However, no negative impact is expected as more licence sales are expected on HANA and new users and apps. With 2,700 S/4HANA customers, the marketing roadmap for 2016 is about boosting adoption through workshops to understand value and readiness check.

- **Update on the Business Network**. It includes Concur (travel & expense), Ariba (network commerce) and Fieldglass (contingent workforce management). In 2015, all three solutions exceeded booking forecasts, with 5,000+ customers and 32m+ users for Concur, 2m connected companies on the Ariba Network, and 1.9m workers placed and 100+ new customer 'go-lives' on Fieldglass. Cross-selling is starting between Fieldglass and SuccessFactors (Total Workforce Solutions). Finally, the Business Network has strong potential inside and outside the SAP customer base.

VALUATION

- SAP's shares are trading on EV/EBIT multiples of 13.8x for 2016 and 12.7x for 2017.
- Net debt on 31st December 2015 was EUR5.752bn (net gearing: 25%).

NEXT CATALYSTS

- Investor program at CeBIT in Hannover (Germany) on 15th March from 12pm CET.
- Q1 2016 results on 20th April before markets open. *Click here to download*

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Healthcare

AstraZeneca

Price 4,143p

Billions of market cap for a 10-cent difference in 2016 core EPS?

Fair Value 5550p (+34%) **BUY-Top Picks**

Bloomberg	AZN LN
Reuters	AZN.L
12-month High / Low (p)	4,863 / 3,904
Market Cap (GBP)	52,374
Ev (BG Estimates) (GBP)	61,566
Avg. 6m daily volume (000)	2,305
3y EPS CAGR	-0.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.5%	0.4%	-5.5%	-10.3%
Healthcare	-10.4%	-12.8%	-18.6%	-12.0%
DJ Stoxx 600	-7.8%	-13.5%	-17.6%	-10.1%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	23,641	21,778	21,175	22,591
% change		*-7.9%*	*-2.8%*	*6.7%*
EBITDA	5,937	7,053	6,613	7,321
EBIT	4,114	5,523	5,381	5,786
% change		*34.2%*	*-2.6%*	*7.5%*
Net income	5,390	5,055	4,961	5,304
% change		*-6.2%*	*-1.9%*	*6.9%*

	2015	2016e	2017e	2018e
Operating margin	17.4	25.4	25.4	25.6
Net margin	6.8	12.0	11.2	13.2
ROE	8.6	14.6	14.0	18.6
ROCE	16.2	14.6	12.5	13.1
Gearing	47.7	76.1	86.8	99.7

(USD)	2015	2016e	2017e	2018e
EPS	4.26	4.00	3.93	4.20
% change	-	*-6.2%*	*-1.9%*	*6.9%*
P/E	14.2x	15.1x	15.4x	14.4x
FCF yield (%)	NM	NM	4.4%	3.6%
Dividends (USD)	2.80	2.80	2.80	2.80
Div yield (%)	4.6%	4.6%	4.6%	4.6%
EV/Sales	3.6x	4.1x	4.3x	4.1x
EV/EBITDA	14.3x	12.7x	13.7x	12.6x
EV/EBIT	20.7x	16.3x	16.8x	15.9x

The debate concerning core EPS at AstraZeneca over the 2015-2017 timeframe is overdone in our view although it says a lot about the current market psychology. It does place somewhat more pressure on AstraZeneca to deliver on R&D promises but since it is the basis of our call, we are sticking very much to it and firmly confirm our BUY recommendation with an unchanged FV.

ANALYSIS

- I don't want to be wrong in the way I interpret what the market told us yesterday when it brought the AstraZeneca share price down by about 6%. But my understanding is that what matters is guidance for 2016 as it was more or less clear that AstraZeneca would keep its core EPS relatively flat over the transition period of 2015-2017 at around USD4.20 in CER terms. Last year landed at USD4.26 but guidance (low-to-mid-single digit decline at CER + 3% negative currency impact) suggests a reported 2016 number of about USD4.00-4.05. This was very much in line with what the consensus was expecting although some CS makers were slightly more bullish at around USD4.10-4.15. Moreover, some seem surprised to hear that the guidance factors in higher externalisation revenues than in 2015. This is not new. And why would we consider this line in a different way than others?
- So, what does a USD0.10-0.15 difference in 2016 core EPS means for the investment case? In our view, nothing, but this view is not shared by the market. A couple of years ago, as Pascal Soriot was implementing his strategy, the question that became a leitmotiv was: "what's the floor for 2015-2017?" (on top of the one about dividends, which no longer persists). We think the company has now embarked on its journey to return to growth and has delivered the first drugs (Lynparza, Tagrisso), good data (durva/treme, anifrolumab), has progressed with others and made well-perceived acquisitions (ZS Pharma, Acerta). By the way, it was clearly stated that some of the acquisitions would be EPS dilutive in year 1 i.e. in 2016. So, are we still at the point where a USD0.10 change in 2016 core EPS matters? With PT003 and ZS-9 approvals on the way, phase III data read-outs for durva in H&N or selumetinib in lung, the filings of benralizumab, acalabrutinib and SOCRATES all in 2016? Again our answer is "no".
- If AstraZeneca is successful in its bid to offset the negative currency impact on EPS (quote from P. Soriot during the call), then the final 2016 figure could be USD4.10 rather than USD4.00. Before yesterday , we were even lower than that, so the least we can say is that we are not worried at all. What does it mean for 2017 now? Four more months of Crestor in the US, some more in Europe and most of the profitable Seroquel XR will fly away but also much more of Tagrisso, Lynparza, but also hopefully of PT003, ZS-9, saxa-dapa and benralizumab if we are right with the use of the voucher will be in. So, again, we see it more or less flat vs 2016. Should more of the pipeline come through then more S&M costs would be incurred in 2017 and 2018, but this would also mean that the strategy is working and is a success.

VALUATION

- What happened yesterday is very illustrative of current market conditions, the nervousness around each publication and the interpretation of any specifics in it (see also how deep the reaction was for Novo-Nordisk!).
- Because AstraZeneca is very dependent on its pipeline delivery, the market is requiring a solid floor on which the growth phase can be built. Our belief is that keeping EPS in the USD4.00-4.20 range by 2017 is fine. But it reminds us that AstraZeneca has always committed itself to revenue targets and never to earnings guidance. And so probably, yesterday's small difference in 2016 EPS raised this question again … what is the profitability attached to the targeted revenues? Clearly this will also depend on how externalisation deals are structured.

NEXT CATALYSTS

- 29th April 2016: Q1 Results and AGM

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Utilities

Engie

Price EUR14.16

Not that easy to let go

Fair Value EUR19 (+34%) **BUY**

Bloomberg	GSZ FP
Reuters	GSZ.PA
12-month High / Low (EUR)	19.9 / 13.8
Market Cap (EURm)	34,471
Ev (BG Estimates) (EURm)	77,177
Avg. 6m daily volume (000)	6 117
3y EPS CAGR	0.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-10.0%	-12.4%	-19.3%	-13.3%
Utilities	-2.0%	-8.3%	-10.2%	-4.3%
DJ Stoxx 600	-7.8%	-13.5%	-17.6%	-10.1%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	74,686	80,241	80,118	80,047
% change		*7.4%*	*-0.2%*	*-0.1%*
EBITDA	12,358	11,515	11,810	11,918
EBIT	6,574	6,540	6,696	6,647
% change		*-0.5%*	*2.4%*	*-0.7%*
Net income	3,125	2,737	2,849	2,981
% change		*-12.4%*	*4.1%*	*4.6%*

	2014	2015e	2016e	2017e
Operating margin	8.8	8.2	8.4	8.3
Net margin	4.2	3.4	3.6	3.7
ROE	5.6	5.0	5.2	5.4
ROCE	4.5	4.2	4.2	4.1
Gearing	53.2	56.6	59.3	61.5

(EUR)	2014	2015e	2016e	2017e
EPS	1.11	1.02	1.09	1.13
% change	-	*-7.8%*	*6.3%*	*3.6%*
P/E	12.7x	13.8x	13.0x	12.6x
FCF yield (%)	8.9%	4.5%	3.7%	4.4%
Dividends (EUR)	1.00	1.00	1.00	1.00
Div yield (%)	7.1%	7.1%	7.1%	7.1%
EV/Sales	1.1x	1.0x	1.0x	1.0x
EV/EBITDA	6.7x	6.7x	6.6x	6.6x
EV/EBIT	12.6x	11.8x	11.6x	11.8x

According to French newspaper "Les Echos", the French government has decided that Gerard Mestrallet should stay on as non-executive chairman at Engie, for two years after passing the role of chief executive to Isabelle Kocher. Kocher, currently Deputy CEO & COO, was confirmed in her position by Mestrallet, yet this move implies she will lose flexibility and direct decision impact, at least compared with what was firstly planned. Negative.

ANALYSIS

- **What is in the press today?** According to French newspaper "Les Echos", the French government has decided that **Gerard Mestrallet** should stay on as non-executive chairman at Engie, **for two years** after passing the role of chief executive to Isabelle Kocher. Kocher, currently Deputy CEO & COO, was confirmed in her position by Mestrallet, however, he did not say exactly what role she would have and whether he, who holds both the chief executive and the chairman role, would stay on. The news suggests Isabelle Kocher would only hold the chief executive role. A change in Engie's status will be needed to dissociate the functions of chairman and CEO and to extend the age limit for the chairman, currently fixed at 67 years. **These two changes will then be put to vote at the next board meeting (24th February) and validated at the next general assembly of shareholders which is scheduled on 3rd May. The French government, which still owns 33% of the group, will vote in favour of these changes.**
- **What to retain from this news?** As we just mentioned above, Kocher, currently Deputy CEO & COO was confirmed in her position by Mestrallet, yet this move implies she will lose flexibility and direct decision impact, at least compared with what was initially planned. Back in 2014, various rumours indicated that Gerard Mestrallet pushed for the nomination of Isabelle Kocher as next CEO to the detriment of Jean-François Cirelli, who was evicted from the group, to facilitate his extension as chairman of the group.
- **Conclusions:** Fully transforming the group in such conditions will be hard in our view, as the fresh blood, represented by Isabelle Kocher and the new CFO Judith Hartmann, will have their hands tied to pilot the group in such a difficult market environment. **Negative.**

VALUATION

- At the current share price, the stock is trading at 6.6x its 2016e EBITDA and offers a 7.1% yield
- Buy, FV @ EUR19

NEXT CATALYSTS

- 25th February 2016: 2015 earnings

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Healthcare

QIAGEN

Price EUR19.31

Feedback from roadshow: Setting a solid base not to starve the topline

Fair Value EUR24 (+24%) **NEUTRAL**

Bloomberg	QIA GR
Reuters	QGEN.DE
12-month High / Low (EUR)	26.0 / 19.3
Market Cap (EUR)	4,629
Ev (BG Estimates) (EUR)	5,518
Avg. 6m daily volume (000)	388.7
3y EPS CAGR	5.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-21.4%	-15.5%	-25.4%	-23.1%
Healthcare	-10.4%	-12.8%	-18.6%	-12.0%
DJ Stoxx 600	-7.8%	-13.5%	-17.6%	-10.1%

YEnd Dec. (USDm)	2014	2015e	2016e	2017e
Sales	1,346	1,281	1,323	1,403
% change		*-4.8%*	*3.3%*	*6.1%*
EBITDA	431	438	446	472
EBIT	312.5	314.5	322.5	349.2
% change		*0.6%*	*2.5%*	*8.3%*
Net income	241.6	249.3	258.4	276.7
% change		*3.2%*	*3.7%*	*7.1%*

	2014	2015e	2016e	2017e
Operating margin	23.2	24.6	24.4	24.9
Net margin	17.9	19.5	19.5	19.7
ROE	4.4	5.0	4.4	4.7
ROCE	22.2	23.0	20.4	18.7
Gearing	37.1	38.8	20.1	14.2

(USD)	2014	2015e	2016e	2017e
EPS	1.00	1.05	1.09	1.18
% change	*-*	*5.2%*	*4.1%*	*7.5%*
P/E	21.6x	20.5x	19.7x	18.3x
FCF yield (%)	6.0%	7.7%	7.7%	6.8%
Dividends (USD)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	4.6x	4.8x	4.4x	4.0x
EV/EBITDA	14.3x	14.1x	13.0x	11.9x
EV/EBIT	19.7x	19.6x	18.0x	16.1x

We hosted a QIAGEN roadshow in Paris yesterday with Roland Sackers (CFO) and John Gilardi (VP Cop. Com & IR). Although 2016 growth guidance of 6% at CER does not seem at risk, it also translates some weaknesses in MDx seen in H2 2015. Further operating expenses required to "not starve the topline" should mute leverage. Sequential improvement in operating margin all throughout 2016 should be back-end loaded leaving operating margin flat for the year (BGe -14bp). Too early in our view to play QIAGEN's long term growth prospects.

ANALYSIS

- From a topline perspective, Molecular Diagnostics (49% of sales) showed weaknesses in H2 2015 and Q1 guidance translates these issues, namely a lack of visibility on revenues recognised from companion diagnostics sales as well as a slowdown in instrument sales. As a reminder, management expects Q1 2016 revenues to grow 2%CER (-4pp FX headwinds) and EPS to be in the USD0.19-0.20 range (USD0.18-0.19 at actual rates). Growth prospects nevertheless look good for Life Sciences sales (51% of sales) with Academia (22% of sales) should benefit from the NIH budget raise. Note that 50% of Academia sales stem from the US where the NIH accounts for roughly 2/3rd of funding). QuantiFERON-TB test sales are likely to see an acceleration through 2016 underpinned by marketing investments as the company identified opportunities as being migrant inflow in Europe and the Middle East along with the increasing recognition of clinical value added of the, shortages of TST and the 4th generation launch in the US. While sales grew 20% at constant rates to USD115m, with market share of ~12%, we are not ruling out that growth might change speed i.e. to 25-30%. Note that growth in 2015 came from volumes and QIAGEN does not anticipate meaningful price pressure going forward as Oxford I.'s size does not allow the latter to slash prices.
- Turning to profitability, leverage should be muted in 2016 as management is willing to prepare a solid base for growth in 2017 and onwards. Front-end loaded investments in 2016 should focus on **(i)** the creation of a salesforce for the GeneReader with feedback at AMP exceeding expectations that might trigger higher commercialisation efforts than initially anticipated. Note that we expect sales from this workflow to be marginal in 2016 (BGe USD6m), reaching USD125m (7% of the group's turnover) towards 2020e (BGe) with stong upside potential in the mid-term coming from a higher than anticipated utilization rate (BGe base case: 500 insights generated per year/instrument). Once again, we see QIAGEN as well positioned in the space as 15 collaborations with pharma cies. should enable the company to better identify and hence launch panels that are well aligned with evolution of treatments paradigm. **(ii)** Push to QuantiFERON-TB opportunities (see above); **(iii)** Digital and e-commerce for a more direct marketing approach **(iv)** expansion in ME and SE Asia (Dubai, Thailand). We see adj. EBIT margin growing from 20-21% to 27-28% through 2016.
- In all, investments should be significant in H1 leaving little room for visibility. And would wait for increased visibility and first signs of successful execution in preparing solid base for 2017 before revisiting the QIAGEN growth story.

VALUATION

- Minor changes in our estimates do not prompt a change in Fair Value at EUR24. Going down the PnL for 2016, we have slightly increased our S&M expenses which are partially offset by a lower tax rate of 17% (as guided by the company) vs BGe 19% previously.
- We reiterate our NEUTRAL recommendation and EUR24 fair value.

NEXT CATALYSTS

- 27th April: Q1 2016 results

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Construction & Building Materials

Vicat

Price EUR48.10

Sales close to our estimates. 2015 EBITDA guidance 3% lower than our estimates.

Fair Value Under Review **NEUTRAL**

Bloomberg	VCT FP
Reuters	VCT.PA
12-month High / Low (EUR)	68.4 / 46.6
Market Cap (EURm)	2,159
Ev (BG Estimates) (EURm)	3,333
Avg. 6m daily volume (000)	20.70
3y EPS CAGR	19.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-11.8%	-16.4%	-29.7%	-13.1%
Cons & Mat	-5.7%	-8.0%	-11.4%	-7.9%
DJ Stoxx 600	-7.8%	-13.5%	-17.6%	-10.1%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	2,423	2,475	2,527	2,694
% change		*2.1%*	*2.1%*	*6.6%*
EBITDA	442	454	489	570
EBIT	263.1	267.1	306.5	387.4
% change		*1.5%*	*14.8%*	*26.4%*
Net income	133.2	139.9	170.7	224.6
% change		*5.0%*	*22.0%*	*31.5%*

	2014	2015e	2016e	2017e
Operating margin	10.9	10.8	12.1	14.4
Net margin	5.9	6.3	7.5	9.3
ROE	6.1	6.3	7.3	9.1
ROCE	5.6	5.7	6.5	8.3
Gearing	41.6	37.9	32.4	24.9

(EUR)	2014	2015e	2016e	2017e
EPS	3.03	3.18	3.88	5.11
% change	-	*5.0%*	*22.0%*	*31.5%*
P/E	15.9x	15.1x	12.4x	9.4x
FCF yield (%)	7.0%	6.7%	8.8%	11.3%
Dividends (EUR)	1.50	1.50	1.50	1.50
Div yield (%)	3.1%	3.1%	3.1%	3.1%
EV/Sales	1.4x	1.3x	1.3x	1.1x
EV/EBITDA	7.6x	7.3x	6.6x	5.4x
EV/EBIT	12.8x	12.5x	10.6x	7.9x

2015 revenues were in line with our expectations, showing a 4.4% l-f-l decline to EUR2458m, with performances slightly better-than-expected in France, worse in Switzerland, steady in the US and mixed in emerging markets. Cement volumes fell 3.6%. Guidance for flat EBITDA in 2015 and no further guidance regarding 2016. We would remain cautious on a cement company with 70% of capacity exposed to EM, although performances in some countries like Turkey or India were satisfying. Fair Value under review, as a conference call is scheduled for 3.00pm today. Neutral reiterated.

Q4 trends in France were promising, with a 13% increase in cement volumes for Vicat suggesting that the French market trough might be behind us. Overall in 2015, France revenues fell 6.5% l-f-l however, to EUR777m. US sales were strong, as expected (+15.9% l-f-l at EUR342n), as were those in Turkey (+6.4% l-f-l at EUR234m). Switzerland's top line was down 9.4% l-f-l, while volumes suffered from the end to certain large projects, combined with competitive pressure. India was resilient (+2.3%), thanks notably to good pricing trends for Vicat following an efficient selective policy for prices. Sales in Egypt fell 18.5% l-f-l, penalised by a combination of lower volumes and lower prices (Q4 suffered from some negative one-off effects). Finally, West Africa (-15.6% l-f-l) was penalised by fiercer competition, which put pressure on volumes (-12% for Vicat) and prices.

In this very mixed environement, 2015 EBITDA should be flat, according to Vicat's guidance, vs a 3% increase on our estimates.

ANALYSIS

- Very mixed trends by country for Vicat in 2015. Performances were definitely good in the US and Turkey, and were promising in France. The Indian performance was surprisingly strong, despite 11% lower volumes, thanks to a successful pricing policy. However, uncertainties remain in Egypt (although the group will benefit in 2016 from the set up of two coal grinders, which should lower the production cost) and West Africa (we suspect competition versus Dangote can last in 2016).
- In addition, since 70% of cement capacities are located in EM, we suspect investors will be unlikely to buy the stock in the short term, but will wait to obtain better visibility on the rest of the year.
- On the contrary, with more than 45% of revenues exposed to France and the US, we do not consider downside risk as significant, especially as the outlook look fine. Hence our Neutral rating on the stock today.
- However, visibility on some geographical zones (i.e. Middle-East-Africa) remains low and we might get a better picture at the 3.00pm conference call today. Fair Value under review.

VALUATION

- FV under review. Previous FV of EUR64 derived from the application of historical multiples (7.5x EV/EBITDA) on our 2017 estimates, then discounted back.

NEXT CATALYSTS

- Conference call at 3.00pm today (+ 33 1 76 77 22 20).

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Construction & Building Materials

VINCI

Price EUR60.29

Strong 2015 results. Cautious 2016 outlook but margins expected to improve further.

Fair Value EUR70 (+16%) **BUY**

Bloomberg	DG FP
Reuters	SGEF.PA
12-month High / Low (EUR)	63.6 / 49.4
Market Cap (EURm)	35,531
Ev (BG Estimates) (EURm)	46,961
Avg. 6m daily volume (000)	1,807
3y EPS CAGR	10.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.4%	0.4%	1.7%	1.9%
Cons & Mat	-5.7%	-8.0%	-11.4%	-7.9%
DJ Stoxx 600	-7.8%	-13.5%	-17.6%	-10.1%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	38,703	38,518	38,955	40,287
% change		*-0.5%*	*1.1%*	*3.4%*
EBITDA	5,561	5,664	6,003	6,672
EBIT	3,642	3,758	3,991	4,427
% change		*3.2%*	*6.2%*	*10.9%*
Net income	1,906	1,992	2,236	2,538
% change		*4.5%*	*12.3%*	*13.5%*

	2014	2015e	2016e	2017e
Operating margin	9.4	9.8	10.2	11.0
Net margin	6.5	5.4	5.8	6.4
ROE	12.9	12.8	13.3	13.9
ROCE	7.4	7.7	8.3	9.4
Gearing	89.3	80.2	69.4	57.3

(EUR)	2014	2015e	2016e	2017e
EPS	3.23	3.39	3.80	4.32
% change	-	*4.9%*	*12.3%*	*13.5%*
P/E	18.7x	17.8x	15.8x	14.0x
FCF yield (%)	6.2%	6.3%	6.2%	7.5%
Dividends (EUR)	2.22	1.86	2.02	2.30
Div yield (%)	3.7%	3.1%	3.4%	3.8%
EV/Sales	1.2x	1.2x	1.2x	1.1x
EV/EBITDA	8.6x	8.3x	7.7x	6.7x
EV/EBIT	13.1x	12.5x	11.6x	10.1x

2015 EBIT at EUR3.758bn, up 3.6% (excluding Vinci Park), 4% above our expectations, thanks in particular to a further strong improvement at Vinci Airports. Contracting EBIT 1% above our expectations at EUR1.100bn, despite a very difficult environement. The orderbook was solid, up 1.3% excluding SEA and represents 10 months of business. Order intake increased by 3% in 2015. Contracting revenues are expected to drop slightly in 2016. Toll roads top line should be similar to 2015, which means less dynamic traffic. Airport volumes are also expected to be less buoyant. 2016 consolidated sales are set to fall slightly although operating and net results should increase – as well as the margin then. Still a Buy.

2015 was a tough year for French contractors. Despite this difficult environnement, results were solid. Consolidated sales were flat (+0.2% excluding Vinci Park) at EUR38.518bn (in line), EBITDA rose 3.6% (excl. Vinci Park) to EUR5,664m (3% above our estimates) and EBIT was up 5.7% (excl. Vinci park) to EUR3.758m (4% above). Toll road traffic increased by 3.0%, with +3.3% in Q4 alone. ASF in particular, benefited from the Spanish macro recovery and reported 3.1% traffic growth last year, including 3.5% for Q4 only. Concessions EBITDA margins, both for toll roads and airports, continued to increase: +75bps to 72.2% and +255bps to 50.2%, respectively. Contracting EBIT margin was in line, at 3.4% in 2015, almost flat vs last year (3.5%), despite difficulties for the construction sub-division (UK contract in Notthingham, oil&gas-related woes). Consolidated EBIT margin improved by 60bps at 9.8% (some of this improvement being explained by lower toll roads depreciation related to concession life extensions). The orderbook was down 0.9% to EUR27.7bn at end December but up +1.3% excluding SEA.

The outlook is fine but not buoyant for the top line, which is not surprising. Toll roads sales growth is expected to be similar to 2015, i.e. around 3%, including a tariff effect that should be close to 1.5%. That means traffic might rise by 1.5% only in 2016, versus 3% last year. Vinci Airport growth is also set to slow but the 2015 growth was impressive. Margins will remain a priority, contrary to volumes. Hence, consolidated sales should be slightly down (due to contracting) while results should increase. EUR1.84 dividend announced vs EUR1.77 last year (excluding extra EUR0.44 dividend)

ANALYSIS

- 2015 performance is solid for all divisions, except Construction penalised by specific issues, as expected. We forecast margin improvement in 2016 (comparison basis for Contracting, further top line growth for Concessions).
- We are slightly disapointed by the toll roads traffic guidance for 2016, as we would have expected stronger figures. We see potential positive surprises here.
- The market reaction should be neutral this morning. It might even be positive depending on management's comments on outlook at the press conference at 8.30am and analysts' meeting at 11.00am.

VALUATION

- We have slightly adjusted our forecast. Mid-term toll road traffic unchanged (2017 onwards), 2016 traffic at 2% vs 2.5% previously, due to Vinci's guidance (we are still more optimistic). In contracting, we have lowered our forecast by 2.4% for sales in 2016 (-1.5% on consolidated basis), 2017 unchanged.
- This is fully offset by stronger EBIT margin for the Concessions division (+4% upgrade on EBIT in 2016 and 2017), while Contracting margins are unchanged. Consolidated 2016e and 2017e EBIT upgraded by 2.6% and 2.8%. SOTP virtually unchanged at EUR70.

NEXT CATALYSTS

- Analysts' meeting today at 11.00am.

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Sector View

Luxury Goods

Q3 2016 earnings: Ralph Lauren cuts FY 2016 outlook due to a challenging US market

	1 M	3 M	6 M	31/12/15
Pers & H/H Gds	-1.0%	-8.9%	-9.7%	-3.7%
DJ Stoxx 600	-7.8%	-13.5%	-17.6%	-10.1%

*Stoxx Sector Indices

Companies covered

CHRISTIAN DIOR		**BUY**	**EUR177**
Last Price	EUR162,05	*Market Cap.*	*EUR29,449m*
HERMES Intl		**BUY**	**EUR360**
Last Price	EUR317,55	*Market Cap.*	*EUR33,523m*
HUGO BOSS		**NEUTRAL**	**EUR103**
Last Price	EUR70,54	*Market Cap.*	*EUR4,966m*
KERING		**BUY**	**EUR180**
Last Price	EUR152,5	*Market Cap.*	*EUR19,256m*
LVMH		**BUY**	**EUR182**
Last Price	EUR152,8	*Market Cap.*	*EUR77,649m*
PRADA		**NEUTRAL**	**HKD41**
Last Price	EUR23,1	*Market Cap.*	*EUR59,109m*
RICHEMONT		**BUY**	**CHF90**
Last Price	CHF64,95	*Market Cap.*	*CHF36,372m*
SALVATORE FERRAGAMO		**BUY**	**EUR26,5**
Last Price	EUR20,64	*Market Cap.*	*EUR3,484m*
THE SWATCH GROUP		**NEUTRAL**	**CHF410**
Last Price	CHF341,4	*Market Cap.*	*CHF18,741m*
TOD'S GROUP		**NEUTRAL**	**EUR84**
Last Price	EUR72,65	*Market Cap.*	*EUR2,404m*

Yesterday Ralph Lauren released Q3 2016 earnings (to end-December 2015). As a result of a weak holiday season in North America, Q3 net revenues fell short of CS forecast (USD1.95bn vs. USD2.03bn expected) prompting management to cut the FY 2016 and 2017 outlook and causing a 22% fall in the share price. This publication shows that the US has become a more volatile market for luxury players and puts into perspective the relatively disappointing performance of Hugo Boss in 2015.

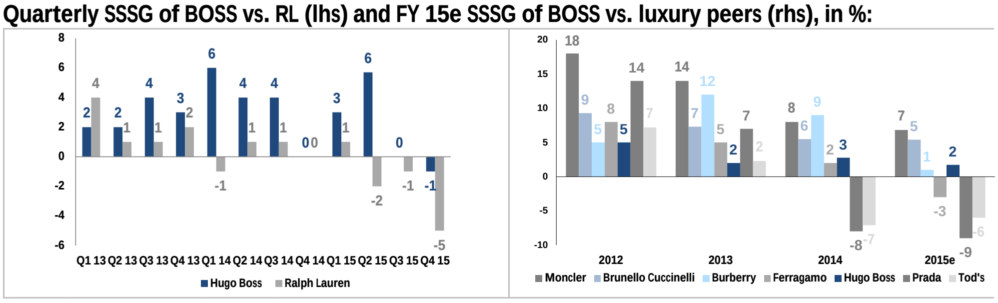
ANALYSIS

- **Q3 net revenues down 4% on a reported basis and 1% FX-n to USD1.95bn**, below the market's expectations at EUR2.03bn and the company's own guidance communicated last November (0-2% as reported). In Retail, consolidated same-store sales decreased by 5% on a constant currency basis, certainly caused by a mid to high single-digit decline in North America.
- **Weak quarter in North America (-4% in Q3).** This decline was due to the disappointing performance in North America, which accounts for ~63% of Ralph Lauren's net revenues. Ralph Lauren faced a **decline in foreign tourist traffic** (~20% of US sales) while the US brand was also sensitive to the **mild winter** across the US during the Fall and Holiday season like other apparel groups (i.e. Hugo Boss or Burberry), which will probably intensify promotions in this market. Last but not least, Ralph Lauren had to cope with **product assortment challenges,** which provoked some sales disruptions. The international net revenue increased 6% FX-n.
- **Better-than expected adj. operating margin and EPS were not enough…** Indeed, operating income excluding restructuring charges, amounted to USD266m (CS: USD270m), representing a margin contraction of "only" 180bp to 13.7%, better than the company's target (200 to 250bp decline) and consensus expectations (13.3%e) thanks to a resilient performance by the GM (-20bp to 56.8% vs. CS of 56%). EPS reached $2.27 and topped the CS forecast of $2.127.
- **Ralph Lauren cuts FY 2016 and 2017 outlook.** With a cautious sales outlook for Q4 (reported net revenues of -2%/0%, +1.5%/-0.5% FX-n), the group has revised down its FY 2016 targets: net revenues are only set to rise 1% FX-n vs. +3.5% previously. This lower top line growth prompts more significant operating deleverage, in addition to the FX headwind. Consequently, the FY 2016 operating margin is set to narrow 290-320bp vs. a 180-230 decline initially. At this point FY 2017 net revenues are expected to be down vs. 2016.

READ-ACROSS TO HUGO BOSS

- Hugo Boss already pre-announced its FY 2015 preliminary results on 15th Feb showing 5% FX-n sales growth in Q4, driven by a strong increase in Europe (+10% FX-n helped by higher rebates though) while Asia-Pacific and North America were down 7% FX-n and 1% FX-n respectively. Like RL, Hugo Boss also faced a challenging US apparel market (highly promotional), aggravated by the decline in tourist flows (~15% of US sales) and an excess inventory. However, the German group is far less exposed to the US market than RL (~18% of total sales vs. 63% for RL).
- Although Hugo Boss's 2015 SSSG (+2%) was below the LT guidance of mid single-digit, the two tables below show that the German group resisted quite well in comparison to its peers, with only Moncler and Brunello Cuccinelli, which are more high-end, posting higher SSSG rates in 2015.

Quarterly SSSG of BOSS vs. RL (lhs) and FY 15e SSSG of BOSS vs. luxury peers (rhs), in %:



Source: Company Data, BG ests, IBES

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TMT

Atos

Price EUR68.96

Bloomberg	ATO FP
Reuters	ATOS.PA
12-month High / Low (EUR)	79.3 / 61.7
Market Cap (EUR)	7,139
Avg. 6m daily volume (000)	369.5

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.4%	-12.9%	-1.7%	-11.0%
Softw.& Comp. SVS	-3.3%	-4.1%	0.2%	-6.1%
DJ Stoxx 600	-7.8%	-13.5%	-17.6%	-10.1%

	2014	2015e	2016e	2017e
P/E	16.0x	12.2x	10.0x	8.1x
Div yield (%)	1.2%	1.3%	1.6%	2.0%

No intention of acquiring Perot Systems

Fair Value EUR93 (+35%) **BUY-Top Picks**

ANALYSIS

- **Yesterday Atos issued a statement mentioning it had no intention of acquiring Perot Systems**. Management denies the press articles (Re/code, Economic Times…) published since mid-December 2015 reporting that Atos was involved in the sale process of Perot by Dell. In the statement, it reiterates that "when contemplating potential acquisitions, Atos sticks to its strong financial discipline and value creation criteria as disclosed and explained since 2010".
- **Nothing lost, nothing gained**. Our view is that, while we considered buying Perot would have made sense from a strategic standpoint (raising Atos' presence in the US and application management), we were sceptical on the price mentioned in the press, which Atos could only have shouldered by undertaking a rights issue - otherwise the net gearing ratio would have reached an est. 80-100%. Based on a scenario whereby Perot would generate c. USD3bn revenues and an op. margin close to 8%, paying USD4.2-4.3bn would mean an est. 18x EV/EBIT multiple that would have been excessive in our view. Anyway, even though Atos would have been ready to pay such a price, it would not have matched Dell's requirements for the disposal of Perot (USD5bn).

VALUATION

- Atos' shares are trading on 2016 and 2017 EV/EBIT multiples of 5.8x and 4.0x 2017.
- Net cash position on 30th June 2015 was EUR354m (net gearing: -9%).

NEXT CATALYSTS

FY15 results on 24th February before markets open.

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Food & Beverages

Nestlé

Price CHF74.40

Bloomberg	NESN VX
Reuters	NESZn.VX
12-month High / Low (CHF)	76.8 / 67.5
Market Cap (CHF)	237,217
Avg. 6m daily volume (000)	6 061

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.2%	-1.8%	0.9%	-0.2%
Food & Bev.	-1.9%	-4.9%	-1.4%	-3.3%
DJ Stoxx 600	-7.8%	-13.5%	-17.6%	-10.1%

	2014	2015e	2016e	2017e
P/E	21.7x	22.5x	21.7x	20.2x
Div yield (%)	3.0%	3.0%	3.1%	3.2%

Nestlé offers to acquire the remaining stake in Israel's Osem

Fair Value CHF76 (+2%) **NEUTRAL**

ANALYSIS

- Nestlé has announced its intention to buy the 36.3% of the capital it does not currently own in Israel's food company, Osem. The Swiss group has offered a price of ILS82.50 per share, implying a premium of 24.8% vs Wednesday's closing price. This would value the group at CHF840m.
- This transaction does not change our forecast for Nestlé's 2016e net debt/EBITDA ratio of 0.8x (0.9x in 2015e), a level at which an upgrade to AAA by S&P is possible. In our view, the group could well announce a share buyback programme at the full year results release on 18th February. If Nestlé were to repurchase shares for CHF15bn, its net debt/EBITDA ratio would increase to 1.2x in 2016, thereby enabling the group to avoid an upgrade to its rating. We calculate an EPS accretion of 1.0% in the first year and 4.5% in the second.

VALUATION

- At yesterday's share price, the stock is trading at 21.7x 2016e P/E vs 19.4x for Danone and 20.2x for Unilever.

NEXT CATALYSTS

- The group is due to release its full year results on 18th February
- The Annual General Meeting is scheduled for 7th April

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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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