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8th February 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	16204.97	-1.29%	-7.00%
S&P 500	1880.05	-1.85%	-8.02%
Nasdaq	4363.14	-3.25%	-12.87%
Nikkei	17004.3	+1.1%	-11.63%
Stoxx 600	325.901	-0.87%	-10.91%
CAC 40	4200.67	-0.66%	-9.41%
Oil /Gold			
Crude WTI	31	-2.27%	-16.67%
Gold (once)	1154.5	+0.04%	+8.67%
Currencies/Rates			
EUR/USD	1.11435	-0.24%	+2.58%
EUR/CHF	1.10675	-0.68%	+1.78%
German 10 years	0.3	-3.11%	-52.71%
French 10 years	0.643	+0.39%	-34.45%
Euribor	-0.167	+0.60%	+27.48%

Economic releases :

Date	
8th-Feb	JP - Eco Watchers survey outlook Jan (49.5A 48.4E) EUZ - sentix investor confidence Feb. (7.4 E) DE - Industrial prod. (0.5% E m/m, -0.6% E y/y)

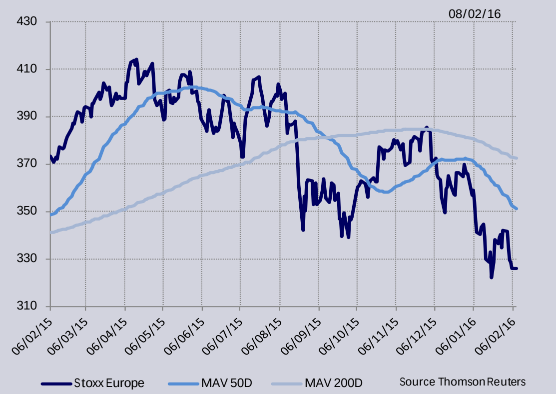
Upcoming BG events :

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



CASINO GUICHARD — BUY, Fair Value EUR54 (+30%)

Hoping that the rapid disposal of Casino's stake in Big C can favourably influence S&P!

Casino has announced the disposal of the 58.6% equity stake owned in its listed Thai susbsidiary Big C (700 stores including 125 hypermarkets with 2015 sales of EUR3.4bn) to the TCC group for EUR3.1bn excluding debt vs EUR2.8bn currently in our SOTP (impact of EUR2.8 per share).

GLAXOSMITHKLINE — BUY, Fair Value 1670p (+19%)

Strong confidence in reaching targets

From a meeting with management last Friday we are back with strong confidence in reaching 2016 targets for double-digit core EPS growth. Momentum is improving. GSK is a BUY for the start of 2016.

INGENICO GROUP — BUY, Fair Value EUR150 (+46%)

What to expect from the FY15 earnings release and the analysts' day?

Prior to upbeat newsflow in coming weeks (FY15 results and first 2016 targets on 18th February, followed by a strategic plan on 23rd March), we have set out our forecasts and are reiterating our investment case. Management's strategic plan should reassure the market and its initial guidance, both for 2016e and 2019/20e, should be understood as a worst-case scenario as usual. In the end, we expect the group to exceed its targets in view of its always-cautious financial communication, its excellent track-record in terms of execution and the constant change in the group's profile towards more recurring and better quality sales (notably thanks to its development in Payment Services). We advise investors to Buy the stock (FV of EUR150) to play the mid-term equity story.

INNATE PHARMA — BUY, Fair Value EUR19 (+64%)

Phase I evaluating monalizumab in combo with durvalumab in solid tumors: a first step towards a gradual rerating

Innate Pharma has announced the initiation of a Phase I evaluating monalizumab (anti-NKG2A) in combination with AZN's durvalumab (anti-PD-L1) in selected advanced solid tumors. Apart from the fact that this should lead to an increase in consensus estimates, we see this is as a first step towards collaboration with the big pharmas as 1/ we expect other trials testing monalizumab with other AZN compounds (like Lynparza and Tagrisso); 2/ we think a tripartite collaboration involving AZN, IPH and Celgene is very likely. BUY reiterated with a FV of EUR19.

VICAT — NEUTRAL, Fair Value EUR56 vs. EUR64 (+13%)

New forecasts. Stay Neutral for now.

We see some positive trends in Vicat's 2015 sales publication: France is likely to recover gradually, the US is still strong as is Turkey. But competition looks dense in West Africa, we are not that confortable with visibility in India so far, while Kazahkstan's currency devaluation will take a toll in 2016. In addition, we struggle to estimate Egypt margin rebound trends. Finally, Switzerland currently looks subdued. For the 2015-2017 period, we have downgraded our estimates by 3% on average for revenues and by 7% for EBITDA. New FV at EUR56 vs EUR64. The FY results release on 14th March might provide a better view on the 2016 outlook. In the meantime, we remain at Neutral.

Food retailing

Casino Guichard

Price EUR41.55

Hoping that the rapid disposal of Casino's stake in Big C can favourably influence S&P!

Fair Value EUR54 (+30%) **BUY**

Bloomberg	CO FP
Reuters	CASP.PA
12-month High / Low (EUR)	87.3 / 35.2
Market Cap (EURm)	4,703
Ev (BG Estimates) (EURm)	15,159
Avg. 6m daily volume (000)	739.2
3y EPS CAGR	-11.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.7%	-25.0%	-39.2%	-2.1%
Food Retailing	-0.1%	-10.3%	-12.7%	-2.4%
DJ Stoxx 600	-7.8%	-13.5%	-17.6%	-10.1%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	48,492	45,943	44,879	47,304
% change		*-5.3%*	*-2.3%*	*5.4%*
EBITDA	3,191	2,481	2,521	2,727
EBIT	1,737	1,587	1,518	1,609
% change		*-8.6%*	*-4.3%*	*6.0%*
Net income	556.0	319.6	362.7	402.1
% change		*-42.5%*	*13.5%*	*10.9%*

	2014	2015e	2016e	2017e
Operating margin	4.6	3.3	3.4	3.4
Net margin	1.1	0.7	0.8	0.9
ROE	NM	NM	NM	NM
ROCE	7.1	4.7	4.6	4.8
Gearing	37.3	38.6	40.7	40.5

(EUR)	2014	2015e	2016e	2017e
EPS	4.43	2.30	2.68	3.03
% change	-	*-48.2%*	*16.6%*	*13.0%*
P/E	9.4x	18.1x	15.5x	13.7x
FCF yield (%)	14.7%	0.0%	3.0%	11.0%
Dividends (EUR)	3.12	3.12	3.12	3.12
Div yield (%)	7.5%	7.5%	7.5%	7.5%
EV/Sales	0.4x	0.3x	0.3x	0.3x
EV/EBITDA	5.5x	6.1x	6.0x	5.6x
EV/EBIT	10.1x	9.6x	9.9x	9.6x

Casino has announced the disposal of the 58.6% equity stake owned in its listed Thai susbsidiary Big C (700 stores including 125 hypermarkets with 2015 sales of EUR3.4bn) to the TCC group for EUR3.1bn excluding debt vs EUR2.8bn currently in our SOTP (impact of EUR2.8 per share).

FIRST TAKE. This transaction values Big C at THB252.88 per share (i.e. a 28% premium to the undisturbed share price on 14th January). It implies a 2015 EV/sales multiple of ~1.65x (LTM EBITDA multiple as of end-September 2015 of c.16x). This compares favourably to recent transaction multiples as shown in the table below). The disposal should allow Casino to slash its debt by EUR3.3bn (i.e. EUR3.1bn proceed + deconsolidation of Big C's net debt). The transaction is not subject to any condition precedent and is expected to be completed by 31st March 2016.

Recent transaction multiples in Thailand and Vietnam

Year	Area	Nature of the deal	Transaction multiple
2011	Thailand	Carrefour's Thai BU sold to BIG C	1.2x EV/Sales
2013	Thailand	CP All increased its stake in Siam Makro	1.6x EV/Sales
2016	Vietnam	Loss-making Metro Vietnam sold to TCC	1.3x EV/Sales
2016	Thailand	Casino is to sell is 58.6% equity stake in Big C to TCC	1.7x EV/Sales

ANALYSIS

- Based on S&P's methodology, and according to our estimates, Casino's 2015 adjusted proportional net debt/EBITDA ratio should decrease from ~4.0x to around 2.7x following this disposal. As such, its credit situation should improve dramatically, even to beyond the level initially hoped for by S&P (3.3/3.6x estimated for 2016) when it reiterated its rating in December. As such, we hope this good news should influence S&P favourably when it makes its decision on a potential downgrade.
- If Casino were able to sell off its Vietnamese activities on such good conditions as Thailand (Vietnam could be worth around EUR760m based on recent transaction multiples), the retailer would come close to the EUR4bn target for asset disposals with its Asian assets only. So far, market noise has left very little room for investors to explore all the potential strategic options that Casino could consider in order to maintain the necessary conditions for long term growth.
- **We think investors could notably consider the following (non exhaustive):**

  1/ The transfer of the rest of its GPA voting shares to Exito (Casino would collect 100% of the proceeds, while S&P would retain 54.8% of the acquisition debt through Exito, thus improving the proportional credit ratio). This convoluted move would however simplify the structure and, *ceteris paribus*, have a favourable impact on the SOTP (the market traditionally using the spot price of less valuable non-voting preferred shares to compute Casino's equity stake in GPA).

  2/ From the start, the group's Achilles' heel has been the listing of all EM assets which worked well when GEM was driving growth but which is the cause of most evils today. Today JC Naouri may do what is generally expected from a portfolio manager: sell high at 1.65x sales and buy low at ~0.2x sales, which would involve buying out minorities in Latam (GPA and VV) and taking the said assets private.

  3/ Otherwise, any proceeds beyond the initial target could be used to buy back Casino shares and thereby increase Rallye's equity stake (50.01% currently). As the case may be, Casino would not only benefit from a major squeeze on short positions but, on unchanged dividend liabilities (i.e. EUR350m), Rallye would also benefit from an increased source of cash to help balance its financial equation that has been a source of concerns for years.

VALUATION

- The priced announced for Big C should have an impact of EUR2.8 on our spot SOTP currently standing at EUR39.6 (i.e. +7%). Our FV is the average between the current SOTP and a DCF.

NEXT CATALYSTS

- Disposal of Big C Vietnam

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Healthcare

GlaxoSmithKline

Price 1,401p

Strong confidence in reaching targets

Fair Value 1670p (+19%) **BUY**

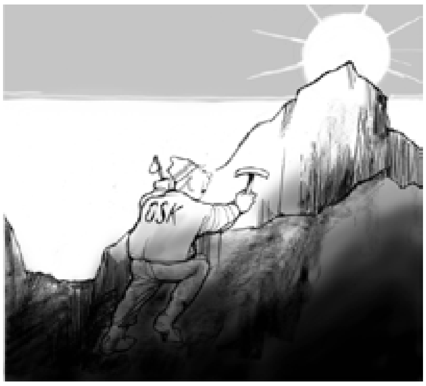
Bloomberg	GSK LN
Reuters	GSK.L
12-month High / Low (p)	1,642 / 1,238
Market Cap (GBPm)	68,230
Ev (BG Estimates) (GBPm)	93,401
Avg. 6m daily volume (000)	8 298
3y EPS CAGR	-0.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.1%	1.1%	-1.3%	2.0%
Healthcare	-12.7%	-14.3%	-20.3%	-12.9%
DJ Stoxx 600	-9.2%	-14.0%	-19.3%	-10.9%

YEnd Dec. (GBPm)	2014	2015e	2016e	2017e
Sales	23,006	23,923	25,060	25,712
% change		*4.0%*	*4.8%*	*2.6%*
EBITDA	8,294	7,429	8,435	9,114
EBIT	6,594	5,729	6,735	7,414
% change		*-13.1%*	*17.6%*	*10.1%*
Net income	4,584	3,658	4,181	4,656
% change		*-20.2%*	*14.3%*	*11.4%*

	2014	2015e	2016e	2017e
Operating margin	28.7	23.9	26.9	28.8
Net margin	19.9	15.3	16.7	18.1
ROE	81.4	78.0	86.9	94.4
ROCE	25.0	14.7	16.6	17.8
Gearing	264.9	118.9	131.8	107.7

(p)	2014	2015e	2016e	2017e
EPS	95.33	75.71	86.42	93.04
% change	-	*-20.6%*	*14.1%*	*7.7%*
P/E	14.7x	18.5x	16.2x	15.1x
FCF yield (%)	4.0%	2.8%	5.4%	6.5%
Dividends (p)	80.00	100.00	80.00	80.00
Div yield (%)	5.7%	7.1%	5.7%	5.7%
EV/Sales	3.5x	3.9x	3.8x	3.7x
EV/EBITDA	9.8x	12.6x	11.2x	10.3x
EV/EBIT	12.3x	16.3x	14.0x	12.7x



From a meeting with management last Friday we are back with strong confidence in reaching 2016 targets for double-digit core EPS growth. Momentum is improving. GSK is a BUY for the start of 2016.

ANALYSIS

- During a breakfast meeting with management, we addressed the following key topics:
- **CHC –** a significant part of the meeting was dedicated to this business. GSK is pleased with how the business is developing and is absolutely convinced it will achieve profitability at least in line with peers. It confirmed the target for 20% operating margin by the end of the decade (11.3% in 2015). A lot has been done to improve manufacturing efficiency both at former GSK and Novartis sites. Two minor disruptions remain and very good OTIF scores are now achieved (about 96%) since quality remediation team from Pharmaceuticals has taken care of CHC. Average quality has also been improved by switching one state-of-the-art facility from Pharma in Canada to the JV. A lot has also been done to reduce the complexity of the business and for instance the number of formulations of each brand whenever it was possible (Sensodyne brought down from about 50 to a handle). As to the question of whether the JV can achieve Reckitt's margins of 23-25%, Andrew Witty answered that at some point, it will have to decide whether to prioritise profit over revenue growth. When GSK reached its peak of 22%, top-line was growing only 2-3%. This balance is key mid-term.
- **ViiV –** GSK has seen no change in the dynamics of dolutegravir-based regimens since Gilead has launched Genvoya for HIV-1 infections and sequentially is expecting new data with dolutegravir vs active comparators and further triple combinations. Later on, ViiV hopes to deliver dual therapies (able to circumvent resistance), long-acting drugs (like cabotegravir) and then maturation inhibitors for new combinations. With recent acquisitions from BMS, GSK now believes it is back into this HIV business with solid assets and clear milestones over the next 3-4 years.
- **Respiratory –** Talking about respiratory was an opportunity for management which stressed how pricing has changed in recent years in the US. It has clearly become a key argument. GSK illustrated this statement by saying that its last six products launched in the US had had no premium over existing products. Breo's net price is currently lower than Advair's. The dynamics are good and since DTC campaign was launched to support the asthma indication last November, it has improved a lot. The focus in 2016 is to build share before generics come in. Concerning Nucala, GSK confirmed it does not expect any price issue as it has been priced on par with Xolair's average pricing based on patient weight.
- **Vaccines –** A word here to report that manufacturing issues in pediatric vaccines are not expected to resume fully before late 2016/early 2017 and have to do with an upgraded facility as well as with new facilities coming on stream. One objective with these new facilities is to reduce the number of reasons to stop production. Interestingly, GSK suggested it might benefit somewhat from Sanofi Pasteur's supply limitations in the US by prioritising some geographies over others.

VALUATION

- As everything looks well on track and maybe sometimes ahead of schedule, the question was then asked as to why double-digit growth in core EPS in 2016 would be limited to 10%. The answer was suggestive of some room to exceed this level. The two arguments supportive of guidance are: (i) confirmation of a recovery in emerging markets and if countries like India are doing well, it is still tough in Latin America and in the Middle East for macroeconomic reasons; (ii) see Advair's dynamic in the US where GSK said it would be reasonable to expect another 20% drop in sales but the group would like to be sure no competitor takes a desperate attitude during the course of 2016.
- After this meeting, we have taken a more aggressive view on CHC margins, to the expense of Pharma but with no change in net numbers, thus leaving the FV unchanged.

NEXT CATALYSTS

- 18th February 2016: ex-dividend trading date (GBP23 normal + GBP20 special)

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Ingenico Group

Price EUR102.55

What to expect from the FY15 earnings release and the analysts' day?

Fair Value EUR150 (+46%) **BUY**

Bloomberg	ING FP
Reuters	INGC.PA
12-month High / Low (EUR)	127.6 / 92.7
Market Cap (EUR)	6,255
Ev (BG Estimates) (EUR)	6,658
Avg. 6m daily volume (000)	320.5
3y EPS CAGR	22.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-9.6%	-6.9%	-15.2%	-12.0%
Softw.& Comp.	-5.9%	-6.6%	-3.0%	-8.0%
DJ Stoxx 600	-9.2%	-14.0%	-19.3%	-10.9%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	1,607	2,189	2,444	2,698
% change		*36.2%*	*11.7%*	*10.4%*
EBITDA	376	509	580	654
EBIT	323.5	443.3	507.2	573.3
% change		*37.0%*	*14.4%*	*13.0%*
Net income	207.3	277.7	327.9	381.8
% change		*34.0%*	*18.1%*	*16.4%*

	2014	2015e	2016e	2017e
Operating margin	20.1	20.3	20.8	21.3
Net margin	10.8	11.2	12.2	13.1
ROE	16.0	18.8	18.9	18.5
ROCE	11.8	17.5	20.4	23.5
Gearing	71.0	31.1	5.9	-14.0

(EUR)	2014	2015e	2016e	2017e
EPS	3.41	4.54	5.34	6.22
% change	-	*33.2%*	*17.7%*	*16.4%*
P/E	30.1x	22.6x	19.2x	16.5x
FCF yield (%)	3.9%	4.9%	5.5%	6.4%
Dividends (EUR)	1.00	1.40	1.71	2.02
Div yield (%)	1.0%	1.4%	1.7%	2.0%
EV/Sales	4.4x	3.0x	2.6x	2.2x
EV/EBITDA	18.6x	13.1x	10.9x	9.2x
EV/EBIT	21.7x	15.0x	12.5x	10.4x

Prior to upbeat newsflow in coming weeks (FY15 results and first 2016 targets on 18th February, followed by a strategic plan on 23rd March), we have set out our forecasts and are reiterating our investment case. Management's strategic plan should reassure the market and its initial guidance, both for 2016e and 2019/20e, should be understood as a worst-case scenario as usual. In the end, we expect the group to exceed its targets in view of its always-cautious financial communication, its excellent track-record in terms of execution and the constant change in the group's profile towards more recurring and better quality sales (notably thanks to its development in Payment Services). We advise investors to Buy the stock (FV of EUR150) to play the mid-term equity story.

ANALYSIS

- **2016 is not a cliff for the US Payment Terminal business.** Around 50% of POS devices still need the EMV upgrade (at end-2015, 90% of large US retailers and 35% of US small merchants were already equipped). We believe SMBs will be forced to migrate within two years because they will be more subject to fraud (but they won't be able to support this cost on their own) and they generally want to accept mobile payments in their shops (so they need NFC-compliant devices, i.e. EMV terminals). Ingenico expects double digit growth in the US in FY16 (vs. only +5% for VeriFone) because it is still capturing market share and tackling new verticals (it only works with 15% of the biggest retailers). As the average duration of an EMV migration is about four years, we believe the group has good visibility on its Payment Terminals business until 2017e (potential installed base of EMV terminals: 13m in the US and 22m in China). Thereafter, we see its mid-term growth at +5/6%, i.e. if there is no other big geography moving to EMV and with an average replacement cycle of 4/5 years.

Ingenico's payment positioning in the last geographies to have migrated to EMV standards

2015e	US	China
Rank	#2	#1
Market share	~30%	~35%

Source: Bryan Garnier & Co. ests.

The partnership with Intel (integration of payment acceptance into connected devices) **will generate sales as of this year** (revenues from licences and fees).
The rollout of its Telium Tetra OS (secure platform open to business applications) **should generate high volumes and a positive impact on margins as of H1 2016** (i.e. above 1m terminals).
The integration of GlobalCollect and its combination with Ogone are on track to deliver satisfying growth in H2. Despite losing 80% of volumes coming from GlobalCollect's first e-payment client in Asia (in favour of Worldpay by a cut in price), Ingenico has kept the currency management part (the most profitable of this contract) and the quick appointment of Mr Vacheron (former CFO) at the head of the ePayment division has been a strong and appropriate response.

- **What are the catalysts beyond 2017? 1/ In Payment Terminals,** Japan could shift to EMV before the Olympic Games of 2020 in order to accept international cards and to deal with fraud (card schemes could impose a deadline which is what they did in the US; there are around 3m POS terminals in Japan), but also India and Indonesia in the medium term. And if so, Ingenico could reasonably reach a 40% market share (i.e. about its world prime position of 44%) through partnerships or acquisitions of local distributors. **2/ its Payments Services business could take over** if the group made two acquisitions of EUR300m in sales each (at end-2015e, it has a net debt/EBITDA of 0.8x vs. a covenant of 3x, and a FCF/current EBIT of 70%). As such, Ingenico could have a balanced sales mix between Payment Terminals and Payment Services over the medium term (vs. 70/30% currently) and therefore a more recurring sales profile (65%e vs. 45% currently) with the associated operating leverage (pooling of its proprietary platforms). As a reminder, we expect e-commerce to expand strongly as of this year in Europe and North America (as it did in South-East Asia up to now). So, Ingenico's payment services (processing and collecting) should directly benefit from this driver.

Ingenico's profile in FY15 (sales and gross margin)

2015e	Payment terminals	Payment services
Sales breakdown	70%	30% (10% in store / 20% online)
Gross margin	48%	40%

Source: Bryan Garnier & Co. ests.

- **In our view, Ingenico currently has the most attractive commercial offering for merchants.** It is capable of providing an omnichannel turn-key payments solution: payment terminals, security, and transaction services (30% of its sales: in-store 10% and online 20%).
- **FY15 earnings results (18th February, after trading).** We forecast +13.2%e in sales organic growth in FY15, i.e. +8.2%e in Q4. See below our forecasts compared to the consensus. Since VeriFone has released its Q4, we believe Ingenico is likely to post a Q4 performance over the consensus (>+8%).

Management's track record (initial guidance vs. reported figures)

EURm	Q4 2015		FY15e			FY16e	
	BG est	Cons.	BG est.	Cons.	Guidance	BG est.	Cons.
Revenue	583.1	584	2,189.2	2,190		2,444.2	2,412
Y/Y growth lfl	*8.2%*	*8%*	*13.2%*	*13%*	*12-13%*	*11.7%*	*11%*
EBITDA			509.0	506		580.5	562
Margin			*23.3%*	*23.1%*	*~23%*	*23.8%*	*23.3%*
Reported net income			243.6	251		297.2	290

Sources: Company consensus (22 analysts); Bryan Garnier & Co. ests.

During this FY release, the group should give its first 2016 guidance. We believe management could forecast double-digit organic sales growth (~+10%, despite the loss of volumes from GlobalCollect's 1st client that should weigh on topline growth until H1) with a traditionally cautious EBITDA margin target (>=21%). As usual, this should be understood as a worst-case scenario (at this stage of the year, Ingenico is always very/too cautious). In the end it should post a stronger organic sales growth (BG: +11.7%) and a still high level of EBITDA margin (BG: 23.8%).

Management's track record (initial guidance vs. reported figures)

Year	2012		2013		2014		2015e	
	Initial guidanc	Reported figure	Initial guidanc	Reported figure	Initial guidanc	Reported figure	Initial guidanc	BG est.
Revenue growth lfl	>=8%	14.5%	>=8%	13.5%	>=10%	19.1%	~10%	13.2%
EBITDA margin	>=18.3%	18.5%	>=18.5	20.4%	>=21%	23.4%	~21%	23.3%

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

- **Analysts' day in London (23rd March).** At the event, Ingenico is to present its strategic plan. We believe it should give its mid-term guidance (2019/20e). We see a minimum of EUR3.2bn in sales and EBITDA margin guidance of >24%. It could also give an EBITDA to FCF conversion ratio (>50%) and a payout ratio (35%). In the end, we expect the group to exceed its targets (BG: EUR3.3bn in sales and 25.1% in EBITDA margin) in view of its always-cautious financial communication, management's excellent track-record in execution and the constant change in the group's profile towards more recurring and better quality sales.

Last strategic plan announced (initial guidance 2016 vs. our estimates in 2015 and 2016)

2016	1st Guidance 2016: Strategic plan announced early 2013	BG est 2015e: Plan reached 1 year in advance	BG est. 2016
Revenue (EURbn)	>2.2	2.2	2.4
EBITDA margin	>20%	23.3%	23.8%

Sources: Bryan Garnier & Co. ests.

VALUATION

- We maintain our **Buy rating** and **Fair Value of EUR150.**
- Over a 12m rolling fwd period (3 months in 2015e and 9 months in 2016e) **earnings growth is +27%e vs. a P/E of 20x.** The group's profitable growth is therefore not priced in.

NEXT CATALYSTS

- **FY15 earnings results:** on 18th February (after markets).
- **Analyst day:** on 23rd March (in London). Click here to download

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Healthcare

Innate Pharma

Price EUR11.58

Phase I evaluating monalizumab in combo with durvalumab in solid tumors: a first step towards a gradual rerating

Fair Value EUR19 (+64%) **BUY**

Bloomberg	IPH FP
Reuters	IPH.PA
12-month High / Low (EUR)	16.4 / 8.0
Market Cap (EURm)	623
Ev (BG Estimates) (EURm)	364
Avg. 6m daily volume (000)	419.6
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	-15.3%	-20.1%	-16.7%	-14.5%
Healthcare	-12.7%	-14.3%	-20.3%	-12.9%
DJ Stoxx 600	-9.2%	-14.0%	-19.3%	-10.9%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	7.6	40.0	124.5	176.4
% change		*NM*	*NM*	*41.7%*
EBITDA	-17.7	9.3	86.7	132
EBIT	-20.0	7.3	85.0	130.4
% change		*NS*	*NM*	*53.5%*
Net income	-19.7	9.0	87.5	133.4
% change		*NS*	*NM*	*52.5%*

	2014	2015e	2016e	2017e
Operating margin	-262.8	18.4	68.3	74.0
Net margin	-258.6	22.6	70.3	75.7
ROE	-26.4	10.8	51.1	43.8
ROCE	-184.4	-5.2	-79.1	-301.6
Gearing	-87.1	-310.4	-165.3	-114.9

(EUR)	2014	2015e	2016e	2017e
EPS	-0.37	0.17	1.65	2.52
% change	-	*NS*	*NM*	*52.5%*
P/E	NS	67.8x	7.0x	4.6x
FCF yield (%)	NM	31.7%	3.8%	10.9%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	73.3x	9.1x	2.7x	1.6x
EV/EBITDA	NS	38.9x	3.9x	2.1x
EV/EBIT	NS	49.5x	4.0x	2.1x

Innate Pharma has announced the initiation of a Phase I evaluating monalizumab (anti-NKG2A) in combination with AZN's durvalumab (anti-PD-L1) in selected advanced solid tumors. Apart from the fact that this should lead to an increase in consensus estimates, we see this is as a first step towards collaboration with the big pharmas as 1/ we expect other trials testing monalizumab with other AZN compounds (like Lynparza and Tagrisso); 2/ we think a tripartite collaboration involving AZN, IPH and Celgene is very likely. BUY reiterated with a FV of EUR19.

ANALYSIS

- **Innate Pharma has announced the initiation of a Phase I evaluating monalizumab (an anti-NKG2A) in combination with AstraZeneca's durvalumab (anti-PD-L1)** in different selected advanced solid tumors. Without repeating details of the rationale behind this development, we would point out that 1/ we see strong synergies between these two candidates, and 2/ this is worth mentioning since it is so rare: the combo is thought to involve two response markers (please find more details here).
- In more practical terms, **we think the consensus will gradually increase its sales estimates in coming months to take into account this new development** (as seen a few years ago with BMS's nivolumab and IPH's lirilumab); several markets of interest being currently overlooked: NSCLC, colorectal cancer, multiple myeloma, etc.
- **We don't think the collaboration between the two companies will stop there**. In fact, we think other trials will be initiated in the next few months, the objective being to test monalizumab with other AZN's compounds like 1/ Lynparza (a PARP inhibitor) in ovarian cancer, or 2/ Tagrisso (an EGFR inhibitor) in a specific type of non-small cell lung cancer. And this is certainly why IPH's CMO said that "concurrently, we are working on expanding the program to further explore the potential of monalizumab".
- As a reminder, **we also think that a tripartite deal involving IPH, AZN and Celgene is very likely**; the objective being to test 1/ monalizumab/durvalumab in several haematological malignancies, and 2/ monalizumab with some of Celgene's products (ex: Revlimid, Juno's CAR-T cells, etc.). Again, we won't review all the rationale, as we've already discussed it here.

VALUATION

- **BUY reiterated with a FV of EUR19**, bearing in mind that our valuation does not take into account this expansion of the portfolio (at least for now). As a reminder, the vast majority of the consensus is just discounting an old development plan 1/ that was announced before the licensing deal with AZN, and 2/ involves combinations with more traditional agents (like cetuximab in head and neck cancer, and chemotherapy-based regimens), ibrutinib in chronic lymphocytic leukemia being the sole exception.

NEXT CATALYSTS

- Q2 16: Phase II results for lirilumab (anti-KIR) as a monotherapy for the maintenance treatment of elderly patiens with acute myeloid leukemia (AML).
- Q2 16: Phase Ib results for lirilumab in combination with nivolumab in different solid tumors.
- H2 16: Phase Ib results for lirilumab in combination with nivolumab in different blood cancers.

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Vicat

Price EUR49.61

New forecasts. Stay Neutral for now.

Fair Value EUR56 vs. EUR64 (+13%)

NEUTRAL

Bloomberg	VCT FP
Reuters	VCT.PA
12-month High / Low (EUR)	68.4 / 46.6
Market Cap (EUR)	2,227
Ev (BG Estimates) (EUR)	3,406
Avg. 6m daily volume (000)	20.80
3y EPS CAGR	13.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.8%	-13.3%	-26.1%	-10.4%
Cons & Mat	-6.3%	-8.6%	-12.7%	-8.3%
DJ Stoxx 600	-9.2%	-14.0%	-19.3%	-10.9%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	2,423	2,458	2,457	2,595
% change		*1.4%*	*0.0%*	*5.6%*
EBITDA	442	442	456	519
EBIT	263.1	255.3	275.3	338.2
% change		*-3.0%*	*7.8%*	*22.9%*
Net income	133.2	132.5	151.1	193.6
% change		*-0.5%*	*14.0%*	*28.1%*

	2014	2015e	2016e	2017e
Operating margin	10.9	10.4	11.2	13.0
Net margin	5.9	6.0	6.9	8.3
ROE	6.1	5.9	6.6	8.0
ROCE	5.6	5.4	5.9	7.2
Gearing	41.6	38.2	33.4	27.0

(EUR)	2014	2015e	2016e	2017e
EPS	3.03	3.01	3.44	4.40
% change	-	*-0.5%*	*14.0%*	*28.1%*
P/E	16.4x	16.5x	14.4x	11.3x
FCF yield (%)	6.8%	6.3%	8.0%	9.7%
Dividends (EUR)	1.50	1.50	1.50	1.50
Div yield (%)	3.0%	3.0%	3.0%	3.0%
EV/Sales	1.4x	1.4x	1.4x	1.2x
EV/EBITDA	7.8x	7.7x	7.3x	6.2x
EV/EBIT	13.1x	13.3x	12.1x	9.4x

We see some positive trends in Vicat's 2015 sales publication: France is likely to recover gradually, the US is still strong as is Turkey. But competition looks dense in West Africa, we are not that confortable with visibility in India so far, while Kazahkstan's currency devaluation will take a toll in 2016. In addition, we struggle to estimate Egypt margin rebound trends. Finally, Switzerland currently looks subdued. For the 2015-2017 period, we have downgraded our estimates by 3% on average for revenues and by 7% for EBITDA. New FV at EUR56 vs EUR64. The FY results release on 14th March might provide a better view on the 2016 outlook. In the meantime, we remain at Neutral.

Admittedly, we see some promising trends in some countries for Vicat in 2016. French cement volumes are likely to be flat or up and prices stables, as volumes and prices should be positive in the US and strong in Turkey. But visibility looks pretty low in some other markets, in particular EM. Pressure from Dangote in Senegal will not disappear in 2016, the Egypt margin recovery is likely but the extent of it is very difficult to predict, in our view. Finally, visibility is not strong in India, although we believe it is a promising mid-and-long term country for cement consumption.

We have mostly adjusted revenue figures for Egypt, which was below our expectations in 2015 and Kasahkstan, due to a negative currency effect (a negative CHF effect is also on the cards for 2016). We have lowered our EBITDA estimates for West Africa, due to lower price increase assumptions.

We estimate flat revenues for 2016 but a 5.6% increase in 2017 while our EBITDA margin improvement remains steady. In particularly, in Egypt, the two colas grinders will be fully operational in 2016 and should underpin the profitability.

New forecasts vs previous

EURm	New			vs previous %		
REVENUES	**2015**	**2016**	**2017**	**2015**	**2016**	**2017**
France	777	785	817	2	3	3
Europe (Italy, Swiss)	425	409	411	-2	-5	-7
US	342	371	398	0	0	0
Turkey, India &	568	543	590	-1	-5	-7
Africa & Middle-East	346	350	379	-5	-10	-11
Total	2458	**2457**	**2595**	**-1**	**-3**	**-4**

EURm	New			vs previous (%)		
EBITDA	**2015**	**2016**	**2017**	**2015**	**2016**	**2017**
France	109	110	126	2	5	4
Europe (Italy, Swiss)	105	101	102	-6	-10	-14
US	46	63	77	0	0	0
Turkey, India &	135	130	146	-1	-6	-9
Africa & Middle-East	48	53	69	-11	-26	-27
Total	442	**456**	**519**	**-3**	**-7**	**-9**

Source : Vicat, Bryan, Garnier & co

ANALYSIS

- Vicat is due to publish FY 2015 results on 14th March and we have decided to remain cautious in the meantime. Our new forecasts reflect our cautious view, especially as we think investors might be reluctant to invest in a cyclical exposed to EM today.
- Note that while more than 60% of revenues stem from mature countries, 70% of cement capacities are located in EM, the first one being India, which houses a quarter of them.

VALUATION

- Our new FV stands at EUR55. 7.5x historical EV/EBITDA applied to our 2017 estimates, disc. back.

NEXT CATALYSTS

- 2015 FY results on 14th March, post market. *Click here to download*

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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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