Please find our Research on Bloomberg BRYG <GO>)

15th February 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	15973.84	+2.00%	-8.33%
S&P 500	1864.78	+1.95%	-8.77%
Nasdaq	4337.51	+1.66%	-13.38%
Nikkei	16022.58	+7.16%	-21.44%
Stoxx 600	312.412	+2.91%	-14.60%
CAC 40	3995.06	+2.52%	-13.84%
Oil /Gold			
Crude WTI	29.18	+8.96%	-21.56%
Gold (once)	1233.78	-1.14%	+16.13%
Currencies/Rates			
EUR/USD	1.1244	-0.88%	+3.51%
EUR/CHF	1.0984	-0.50%	+1.01%
German 10 years	0.264	+49.49%	-58.46%
French 10 years	0.643	+9.95%	-34.49%
Euribor	-0.183	+2.24%	+39.70%

Economic releases :

Date	
15th-Feb	JP - GDP 4Q (-1.4% A, -0.8%E) CN - Trade Balance Jan. (406.2b A, 389.01b E) EUZ - Trade Balance EUZ - Draghi's speaks in EU Parliament

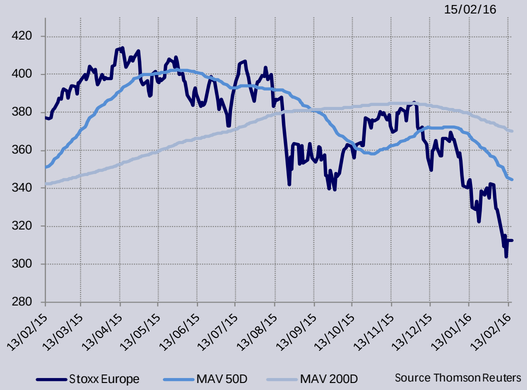
Upcoming BG events :

Date	
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)
23rd-Mar	EIFFAGE (BG Luxembourg with IR)

Recent reports :

Date	
11th-Feb	Pennon : At any price?
2nd-Feb	French toll roads: safe harbour in difficult times
1st-Feb	An aisle-end stock, but not a bargain
27th-Jan	Worldpay : An aisle-end stock, but not a bargain
25th-Jan	BioTechnology Last mark down on biotech!
20th-Jan	SAINT GOBAIN : France likely to be a positive catalyst in 2016

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



KORIAN — BUY vs. SELL, Fair Value EUR30 vs. EUR38 (+30%)

Don't throw the baby out with the bath water!

Following the decision by the Board of Directors last November to remove Yann Coléou with immediate effect, we decided to downgrade our recommendation from Buy to Sell, maintaining our numbers with no tangible factor likely to affect our estimates. Since this move, the share has underperformed its main competitor (-18% vs. Orpea and -23% in absolute term) with an acceleration following the 2015 profit warning due to results resetting (no cash impacts). Considering 1) the massive stock adjustment, 2) bad news that is in our view mostly behind us, 3) the upcoming action plan to restore performance (23rd March) and 4) strong sector fundamentals, we have upgraded our recommendation to Buy with a FV of EUR30 using a DCF with forecasts lower than the recently adjusted consensus.

L'ORÉAL — BUY, Fair Value EUR178 vs. EUR182 (+19%)

Confidence in 2016

Friday's analysts' meeting gave L'Oréal's management the opportunity to review 2015 figures and also discuss 2016 prospects. Although we are maintaining our 2016 organic sales growth figure (+4.2%), we have reduced our reported sales due to a 1.5% negative FX effect. Consequently, we have reduced our FV from EUR182 to EUR178. Buy maintained.

ILIAD — BUY, Fair Value EUR270 (+28%)

Orange and Bouygues close to an agreement

According to the Journal Du Dimanche, Orange and Bouygues Telecom are close to an agreement for the merger of the two companies. A project could be presented on Tuesday, together with Orange's annual results. Le Figaro is saying an agreement has been reached between all stakeholders for the dismanteling of assets, but negotitations are still difficult regarding a number of liliabilities. This latest news reinforces our belief that French market consolidation will happen, and Iliad will greatly benefit from it.

TEMENOS GROUP — BUY, Fair Value CHF53 (+25%)

Feedback from Capital Markets Day: clearly outpacing competition

We reiterate our Buy rating following the Capital Markets Day held on Friday last week in London. The key takeaways of this event were that: 1) 2015 was a landmark year and the focus is now on how to raise the excellent momentum with tier-1/2 banks to the next level with partners, 2) Market drivers are structural while Cognizant's warning for Banking is related to discretionary IT spending, 3) the competition has been left behind, while Temenos has made the right strategic choices in our view.

In brief...

DBV TECHNOLOGIES, *DBV's FY 2015 cash position*

Healthcare

Korian

Price EUR23.17

Bloomberg	KORI FP
Reuters	KORI.PA
12-month High / Low (EUR)	36.3 / 23.2
Market Cap (EUR)	1,841
Ev (BG Estimates) (EUR)	3,388
Avg. 6m daily volume (000)	127.0
3y EPS CAGR	-0.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-24.7%	-34.7%	-27.7%	-31.2%
Healthcare	-10.3%	-14.3%	-18.0%	-15.3%
DJ Stoxx 600	-9.0%	-16.1%	-18.4%	-14.6%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	2,500	2,579	2,931	3,009
% change		*3.2%*	*13.6%*	*2.7%*
EBITDA	358	344	378	398
EBIT	235.6	231.0	255.2	274.9
% change		*-2.0%*	*10.5%*	*7.7%*
Net income	112.8	99.1	104.1	116.0
% change		*-12.1%*	*5.0%*	*11.4%*

	2014	2015e	2016e	2017e
Operating margin	9.4	9.0	8.7	9.1
Net margin	4.2	3.8	3.6	3.9
ROE	4.9	5.0	5.0	5.2
ROCE	3.0	2.9	3.0	3.1
Gearing	78.2	76.4	82.0	72.8

(EUR)	2014	2015e	2016e	2017e
EPS	1.42	1.23	1.28	1.41
% change	-	*-13.2%*	*3.8%*	*10.1%*
P/E	16.3x	18.8x	18.1x	16.5x
FCF yield (%)	9.3%	11.7%	12.9%	12.9%
Dividends (EUR)	0.60	0.60	0.60	0.60
Div yield (%)	2.6%	2.6%	2.6%	2.6%
EV/Sales	1.3x	1.3x	1.2x	1.2x
EV/EBITDA	9.3x	9.8x	9.5x	8.8x
EV/EBIT	14.1x	14.7x	14.1x	12.8x

Don't throw the baby out with the bath water!

Fair Value EUR30 vs. EUR38 (+30%) **BUY vs. SELL**

Following the decision by the Board of Directors last November to remove Yann Coléou with immediate effect, we decided to downgrade our recommendation from Buy to Sell, maintaining our numbers with no tangible factor likely to affect our estimates. Since this move, the share has underperformed its main competitor (-18% vs. Orpea and -23% in absolute term) with an acceleration following the 2015 profit warning due to results resetting (no cash impacts). Considering 1) the massive stock adjustment, 2) bad news that is in our view mostly behind us, 3) the upcoming action plan to restore performance (23rd March) and 4) strong sector fundamentals, we have upgraded our recommendation to Buy with a FV of EUR30 using a DCF with forecasts lower than the recently adjusted consensus.

ANALYSIS

- **Base results reset:** Following the FY 2015 revenue publication, the new management team lowered 2015 EBITDA margin by 100bps vs. last year (2014 EBITDA margin of 14.3%) compared with previous guidance for "a solid operating margin". Restatement was mainly due to **Germany** (2/3 of EBITDA adjustment) and **France,** both regions where new CFOs were appointed at the end of the year (respectively Philippe Misteli, former CFO of Kaufman & Braod and Laurence Branthomme, former CFO for American Express Voyages d'affaires in France). Remember that the restatement represents c. EUR30m o/w EUR21/22m due to the reclassification of personnel and IT expenses in Germany (EUR13/14m) and France (EUR7m), plus EUR7m linked to a lower than expected operating performance in H2 (60% stemming from Germany for bad check charges and 40% from France for social harmonisation between the former Medica and Korian employees.

- **In our view, 2016 should be a year of transition…:** Despite those adjustments with the arrival of Sophie Boissard the new CEO at the end of January, and Laurent Lemaire the new CFO on 26th February and the implementation of the action plan to be announced at the FY 2015 results meeting on 23rd March, 2016 could be another a year of transition. Taking into account this scenario, we estimate that lfl revenue growth should be at 2.7%, lower than guidance from management for 3%, with EBITDA margin under further pressure and down by 50bps at 12.9%. With such results, we are lower that the consensus by EUR20m on EBITDA at EUR378m vs. EUR398m (same situation for 2017e at EUR398m compared with consensus at EUR426m.

Main changes

	2015e			2016e			2017e		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
SALES	2 593	2 579	-0,5%	3 002	2 931	-2,4%	3 127	3 009	-3,8%
EBITDA	375	344	-8,1%	425	378	-11,0%	455	398	-12,6%
	14,4%	13,4%	-109 bp	14,2%	12,9%	-124 bp	14,6%	13,2%	-133 bp
EBIT	263	231	-12,2%	299	255	-14,6%	327	275	-16,0%
	10,1%	9,0%	-119 bp	10,0%	8,7%	-124 bp	10,5%	9,1%	-133 bp
EPS	1,47	1,23	-16,4%	1,69	1,28	-24,5%	1,94	1,41	-27,5%

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

- **….but valuation looks attractive even in such scenario:** Based on these estimates and using a DCF with a WACC at 6.3% taking into account a leverage beta of 1.2x and a long term growth of 2.5% with EBIT margin of 9.5% compared with 8.7% in 2016e (for Orpea our long term EBIT margin is 13%), our valuation reaches nearly EUR32. Our OpCo-PropCo moves to EUR27.5.

VALUATION

- At the current share price, the stock is trading on 2016e EV/EBITDA of 9.5x and 8.8x for 2017e compared with an EBITDA CAGR 2015-2018 of 7%.

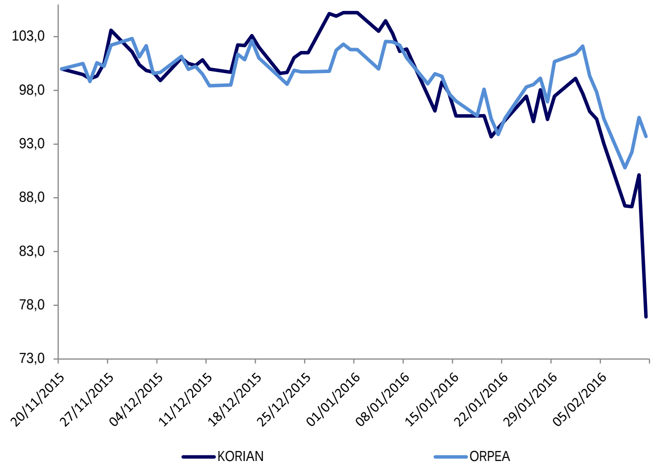
- We expect that restated financial leverage (Net debt - real estate debt)/ EBITDA -6,5% Real estate debts) should be at 3.4x for 2015e and 3.7x for 2016 including Casa Reha, compares with covenant of 4.5x. Remember that real estate historical valuation reached EUR860m at the end of H1 2015.

(to be continued next page)

NEXT CATALYSTS

- Laurent Lemaire, new CFO arrival on 26th February
- FY 2015 results on 23rd March (after market)

Comparative performance between Korian and Orpea since the removal of Yann Coléou on 20th November 2015



Click here to download

Analyst :
Bruno de La Rochebrochard
33(0) 1 56 68 75 88
bdelarochebrochard@bryangarnier.com

Luxury & Consumer Goods

L'Oréal

Price EUR150.15

Confidence in 2016

Fair Value EUR178 vs. EUR182 (+19%) BUY

Bloomberg	OR FP
Reuters	OREP.PA
12-month High / Low (EUR)	179.3 / 143.9
Market Cap (EURm)	84,084
Ev (BG Estimates) (EURm)	83,546
Avg. 6m daily volume (000)	779.5
3y EPS CAGR	7.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.0%	-10.5%	-8.8%	-3.3%
Pers & H/H Gds	-3.1%	-10.7%	-7.9%	-7.7%
DJ Stoxx 600	-9.0%	-16.1%	-18.4%	-14.6%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	22,532	25,257	26,030	27,332
% change		*12.1%*	*3.1%*	*5.0%*
EBITDA	4,730	5,248	5,490	5,782
EBIT	3,890	4,388	4,610	4,882
% change		*12.8%*	*5.1%*	*5.9%*
Net income	3,128	3,491	3,665	3,889
% change		*11.6%*	*5.0%*	*6.1%*

	2014	2015e	2016e	2017e
Operating margin	17.3	17.4	17.7	17.9
Net margin	13.9	13.8	14.1	14.2
ROE	15.4	13.7	14.2	0.0
ROCE	20.7	22.4	22.6	22.9
Gearing	3.3	-2.3	-6.7	-10.5

(EUR)	2014	2015e	2016e	2017e
EPS	5.59	6.18	6.49	6.88
% change	-	*10.6%*	*5.0%*	*6.1%*
P/E	26.9x	24.3x	23.1x	21.8x
FCF yield (%)	3.3%	3.5%	3.6%	3.8%
Dividends (EUR)	2.70	3.10	3.35	3.65
Div yield (%)	1.8%	2.1%	2.2%	2.4%
EV/Sales	3.8x	3.3x	3.2x	3.0x
EV/EBITDA	17.9x	15.9x	15.0x	14.1x
EV/EBIT	21.8x	19.0x	17.9x	16.7x

Friday's analysts' meeting gave L'Oréal's management the opportunity to review 2015 figures and also discuss 2016 prospects. Although we are maintaining our 2016 organic sales growth figure (+4.2%), we have reduced our reported sales due to a 1.5% negative FX effect. Consequently, we have reduced our FV from EUR182 to EUR178. Buy maintained.

ANALYSIS

- **In 2015, L'Oréal grew almost in line with the near 3.9% growth seen in the global cosmetics market** with no outperformance if we incude The Body Shop. Taking into account the cosmetics branch alone, L'Oréal outperformed the cosmetic market slightly (1.1x - see table below). This historically poor performance was due to one division, namely **consumer products** (48% of cosmetic sales) sales in which rose by only 2.5% while the market was up 4%, implying an acceleration by the market versus 2014 (+3.5%). This was the second consecutive year of underperformance for this division which was clearly The big disappointment of 2015. Fortunately, all the other divisions outperformed the market and particularly the **professional products** which grew 2.3x faster than the market (up only 1.5% vs +1% in 2014) where growth picked up slightly, particularly in the US. **The luxury products** division outperformed the very dynamic market (+5.5%) with a 6.1% increase (ie 1.1x faster). Lastly, the **active cosmetics** division was the best performer last year and grew 1.4x faster than the dermo cosmetics market.

- **As expected, 2015 EBIT margin increased slightly (+10bp to 17.4%)**. It is worth noting that gross margin increased 10bp to 71.2% despite a 80bp negative forex effect (both transaction and conversion effect) due to a weak euro against most other currencies. Nevertheless, this implied a 100bp improvement prompted by other factors (raw materials, production efficiency...).

- **For 2016, L'Oréal's management expects a market increase close to last year's level (between 3.5 and 4%)**. Management expects slightly better market momentum in North America and in Western Europe (excluding France where the pricing war between retailers is affecting market growth) while the situation in Brazil cannot be worse than in 2015. On the other hand, the environment in MC is not expected to improve in coming months.

- **The Group's CEO, Jean-Paul Agon, was very clear on the target to really outperform the market this year** and also very confident that this could be achieved especially thanks to a progressive outperformance by consumer products given the aggressive launch pipeline, particularly with the Garnier brand (in the hair care and skin care segments). We do not doubt that other divisions should also be able to outperform the market again. As such, we maintain our target for 4.2% organic sales growth, but remain cautious for Q1 as the 2016 launch phasing will be much more effective from Q2, while the comparison basis is also tough for Q1 (+4% in Q1 2015), particularly in LATAM (+10%). Nevertheless, we have lowered our reported 2016 sales since we have introduced into our model a 1.5% negative FX impact given some negative moves for emerging currencie,s particularly the NCY or the BRL.

- **Concerning EBIT, L'Oréal expects a profitability gain even if management preferred to neither "quantify nor qualify" this improvement**. We argue that EBIT margin could increase by 30bp to 17.7%. This gain should be driven by gross margin (+40bp to 71.6%) as FX should have no further negative impact and others factors (see above) should remain well oriented. L'Oréal will act also in order to improve its market share, implying perhaps some higher A&P as % of sales.

- **Lastly, we would highlight that after a year with a virtually stable pay-out ratio at 50.2% (50.6% in 2014)** but a 14.7% dividend increase, we expect a P/O increase in 2016 in order to achieve what is , in our view, the ultimate group management target which is to increase the dividend by at least 10% per year on average over a long period as was the case between 2007 and 2015 (+10.6%).

VALUATION

- The stock is trading at 17.9x on 2016 EV/EBIT. FV EUR178 vs EUR182 previously. Buy maintained.

(continued next page)

NEXT CATALYSTS

- Q1 2016 sales to be reported in Mid April.

Cosmetic market and L'Oréal performance in 2015

Lfl chge in %	Market	L'Oréal	dev (%)
Western Europe	1.0	2.3	2.3
North America	3.7	3.5	0.9
New markets	5.0	6.0	1.2
Professionnal Products	1.5	3.4	2.3
Consumer Products	4.0	2.5	0.6
Luxury Products	5.5	6.1	1.1
Active Cosmetics	5.5	7.8	1.4
Cosmetics branch	**3.8**	**4.1**	**1.1**

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

Click here to download

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

Sector Team :
Nikolaas Faes
Antoine Parison
Cédric Rossi
Virginie Roumage

TMT

Iliad

Price EUR210.15

Orange and Bouygues close to an agreement

Fair Value EUR270 (+28%) **BUY**

Bloomberg	ILD FP
Reuters	ILD.PA
12-month High / Low (EUR)	235.1 / 175.5
Market Cap (EURm)	12,332
Ev (BG Estimates) (EURm)	13,455
Avg. 6m daily volume (000)	98.20
3y EPS CAGR	27.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.8%	4.5%	-3.0%	-4.5%
Telecom	-9.5%	-16.0%	-19.4%	-12.4%
DJ Stoxx 600	-9.0%	-16.1%	-18.4%	-14.6%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	4,168	4,428	4,782	5,149
% change		*6.2%*	*8.0%*	*7.7%*
EBITDA	1,284	1,507	1,761	2,062
EBIT	0.0	0.0	0.0	0.0
% change		*NM*	*NM*	*NM*
Net income	278.4	350.2	426.8	582.6
% change		*25.8%*	*21.9%*	*36.5%*

	2014	2015e	2016e	2017e
Operating margin	13.7	15.6	17.0	20.9
Net margin	6.7	7.9	8.9	11.3
ROE	12.3	13.3	14.1	16.2
ROCE	9.7	10.5	10.3	12.1
Gearing	46.9	42.5	46.1	32.7

(EUR)	2014	2015e	2016e	2017e
EPS	4.73	5.85	7.13	9.73
% change	-	*23.7%*	*21.9%*	*36.4%*
P/E	44.4x	35.9x	29.5x	21.6x
FCF yield (%)	NM	0.5%	NM	2.8%
Dividends (EUR)	0.36	0.38	0.38	0.38
Div yield (%)	0.2%	0.2%	0.2%	0.2%
EV/Sales	3.2x	3.0x	2.9x	2.6x
EV/EBITDA	10.5x	8.9x	7.8x	6.6x
EV/EBIT	NS	NS	NS	NS

According to the Journal Du Dimanche, Orange and Bouygues Telecom are close to an agreement for the merger of the two companies. A project could be presented on Tuesday, together with Orange's annual results. Le Figaro is saying an agreement has been reached between all stakeholders for the dismanteling of assets, but negotitations are still difficult regarding a number of liliabilities. This latest news reinforces our belief that French market consolidation will happen, and Iliad will greatly benefit from it.

ANALYSIS

- The JDD said on Sunday that Orange and Bouygues Telecom are very close to an agreement. Negotiations should conclude by the week-end, with an objective to announce a preliminary agreement together with Orange's annual results on Tuesday morning. Orange denied this, saying there will be no announcement on Tuesday.
- JDD reports that negotations were close to breaking up last week, but Iliad finally agreed to put more money into the deal in exchange for more lower frequencies. Someone familiar with the matter said an agreement was found on Thursday and Martin Bouygues and Stephane Richard met to record the terms of the agreement.
- Le Figaro reported on Saturday that Martin Bouygues accepted a stake of 10% in Orange's capital, and would be willing to sign a letter of intent to the AMF with a commitment to cap its stake. The French State would be willing to give one or two seats to Bouygues at the board.
- According to Le Figaro, Iliad will buy out EUR2bn worth of network assets and frequencies. This is a little more than we expected, mostly due to a greater number of frequencies. Low level frequencies could help Free recruit more valuable customer and we only partially included this in our calculations.
- According to Le Figaro, Iliad should also buy customers from Bouygues Telecom, at a price a little below 2x revenues, which seems like a good price to us. This effect is not yet included in our Fair Value calculation.
- According to Le Figaro, Iliad could also buy about 50 shops from Bouygues Telecom. This should help boost Free's sales and this is not included in our Fair Value.
- Le Figaro notes that there were still disagreements on a number of liabilities: fiscal impact of added value on assets sold by Orange and dismanteling costs of Bouygues Telecom (IT, premises…). These costs will need to be shared between the buyers.
- The value and nature of assets that will eventually be bought by Iliad should be looked at carefully. At this point, we are maintaining our Fair Value of EUR270, and reiterating our BUY recommendation.

VALUATION

- We are making no change to our estimates at this point and will wait for further details about the deal.

NEXT CATALYSTS

- Orange's annual results, 16th February.
- Iliad's annual results, 10th March.

Click here to download

Analyst :
Thomas Coudry
33(0) 1 70 36 57 04
tcoudry@bryangarnier.com

Sector Team :
Richard-Maxime Beaudoux
Gregory Ramirez
Dorian Terral

TMT

Temenos Group

Price CHF42.45

Feedback from Capital Markets Day: clearly outpacing competition

Fair Value CHF53 (+25%) **BUY**

Bloomberg	TEMN SW
Reuters	TEMN.SW
12-month High / Low (CHF)	52.0 / 29.3
Market Cap (CHFm)	2,828
Ev (BG Estimates) (CHFm)	2,961
Avg. 6m daily volume (000)	222.1
3y EPS CAGR	23.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-9.8%	-11.8%	20.9%	-18.3%
Softw.& Comp.	-10.9%	-11.1%	-3.1%	-12.7%
DJ Stoxx 600	-9.0%	-16.1%	-18.4%	-14.6%

YEnd Dec. (US$m)	2015	2016e	2017e	2018e
Sales	542.5	608.8	672.5	741.9
% change		*12.2%*	*10.5%*	*10.3%*
EBITDA	202	247	277	309
EBIT	96.8	144.5	175.6	205.8
% change		*49.4%*	*21.5%*	*17.2%*
Net income	115.7	153.4	179.6	207.0
% change		*32.6%*	*17.1%*	*15.3%*

	2015	2016e	2017e	2018e
Operating margin	28.9	32.4	33.5	34.5
Net margin	12.2	17.4	19.9	21.8
ROE	17.7	23.5	24.3	22.6
ROCE	22.3	29.4	36.6	46.3
Gearing	71.2	30.3	-3.2	-33.4

(US$)	2015	2016e	2017e	2018e
EPS	1.58	2.19	2.57	2.96
% change	-	*38.8%*	*17.1%*	*15.3%*
P/E	27.5x	19.8x	16.9x	14.7x
FCF yield (%)	5.1%	5.5%	6.5%	7.6%
Dividends (US$)	0.45	0.50	0.55	0.60
Div yield (%)	1.0%	1.2%	1.3%	1.4%
EV/Sales	5.8x	5.0x	4.3x	3.6x
EV/EBITDA	15.7x	12.3x	10.4x	8.6x
EV/EBIT	20.2x	15.3x	12.8x	10.4x

We reiterate our Buy rating following the Capital Markets Day held on Friday last week in London. The key takeaways of this event were that: 1) 2015 was a landmark year and the focus is now on how to raise the excellent momentum with tier-1/2 banks to the next level with partners, 2) Market drivers are structural while Cognizant's warning for Banking is related to discretionary IT spending, 3) the competition has been left behind, while Temenos has made the right strategic choices in our view.

ANALYSIS

- **2015 was a landmark year for Temenos in many regards**. First, it signed all the largest deals in the market, with Nordea in Core Banking (Temenos' largest deal ever) and Julius Bär in Wealth Management (in that area Temenos had a 100% win rate), increased scale in the US with the signing of a top 25 bank and USD25m of qualified pipeline built over the past six months, significant progress in Digital (front office, real time campaigns, embedded analytics), the signing of Temenos' first regulated bank on the Microsoft Azure cloud platform, and better traction from partners (Accenture, Capgemini...). The acquisition of Multifonds provides access to fund services and asset management with significant new and installed base opportunities. As such, many competitors like Oracle FSS, FIS, Misys, Infosys and TCS have been left behind in Temenos' core markets.
- **Market drivers are structural**. Temenos estimates its addressable market will rise in the medium-term to USD11bn from USD8bn (+8% p.a.) while the penetration rate of third-party software vendors is still low (18%). Segments with the highest potential are Payments (+11%), Fund administration (+10%), Business intelligence (+9%), Wealth management (+7%), Channels (+6%) and Core banking (+5%). Growth drivers remain unchanged and structural, i.e. changing competition, technology, regulation and customer for banks. Core banking renewal with solutions like those of Temenos provide banks with a productised, scalable and open core with an integrated front and back office with real time processing and embedded analytics. In addition, a modern core is a prerequisite for Digital. As such, renovating the core remains strategic for banks in order to stay in the race and improve their ROE which remains 6ppt below historical levels.
- **Medium-term targets and growth strategy**. Shareholder value drivers are unchanged, i.e. substantial revenue growth (medium-term target of +10% p.a., o/w +15% p.a. on licensing, SaaS & subscriptions, significant recurring sales growth), margin expansion (+1ppt/+1.5ppt p.a., EPS medium-term target of +15% p.a.), significant free cash flow (100%+ of EBITDA, driven by DSOs down 10-15 days p.a. over the medium-term), and disciplined capital allocation. Temenos' medium-term revenue growth is expected to be driven by: 1) Total licensing revenues with tier-1/2 banks engaged in progressive renovation (1.5-2x the USD105m reported for 2015) as they buy an average of USD3-5m additional new license p.a, 2) The maximisation of the installed base (+15%/+20% p.a. on multi-product penetration, progressive renovation and relicensing), 3) North America (+35% CAGR in order to reach 25%+ of sales vs. 17% in 2015); 4) SaaS and subscriptions (+20% CAGR in order to reach 20% of sales vs. 15% in Q4 15).
- **Financial flexibility for acquisitions**. With end-2015 leverage of 1.3x EBITDA and USD725m in available financing (average rate of 3.7% for a maturity of 2.6 years), Temenos is flexible to pursue acquisitions up to 2x EBITDA in accordance to its M&A strategy (focus on key markets and segment, gaining scale in specific areas or countries, and complementary products).

VALUATION

- Temenos' shares are trading at est. 15.3x 2016 and 12.8x 2017 EV/EBIT multiples.
- Net debt on 31st December 2015 was USD267.2m (net gearing: 71%).

NEXT CATALYSTS

Q1 2016 results on 19th April after markets close.

Analyst :
Gregory Ramirez
33(0) 1 56 68 75 91
gramirez@bryangarnier.com

Sector Team :
Richard-Maxime Beaudoux
Thomas Coudry
Dorian Terral

Healthcare

DBV Technologies

Price EUR41.00

Bloomberg	DBV FP
Reuters	DBV.PA
12-month High / Low (EUR)	81.0 / 37.8
Market Cap (EURm)	988
Avg. 6m daily volume (000)	49.60

	1 M	3 M	6 M	31/12/15
Absolute perf.	-29.2%	-37.4%	-41.7%	-38.3%
Healthcare	-10.3%	-14.3%	-18.0%	-15.3%
DJ Stoxx 600	-9.0%	-16.1%	-18.4%	-14.6%

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

DBV's FY 2015 cash position

Fair Value EUR92 (+124%) **BUY**

ANALYSIS

- DBV has published FY 2015 cash & cash equivalents standing at EUR324m, which should provide the company a bridge until commercialisation of Viaskin in peanut allergy towards late 2018. We would expect roughly EUR120m to finance the ongoing PEPITES phase III trial and studies at an earlier development phase while 1) around EUR100m should be used to build a sales force in the US and 2) the remainder should be used to finance structural costs. As a reminder, expenses to ramp-up production should be marginal in our view as four production lines needed to meet anticipated demand at peak should represent investments of less than EUR10m.
- Results from the CoFAR6 phase II study led by the NIH should be presented at the AAAAI on 4th March. While results should provide an increased understanding of the EPIT's mechanism of action, we would not expect results to be statistically significant as the study was not powered to.

VALUATION

- We reiterate our BUY rating and EUR92 Fair Value.
- The current share price of EUR41 does not take into account Viaskin Peanut's potential in the US which we estimate at EUR53 per share. Cash amounts to EUR10 per share of our fair value.

NEXT CATALYSTS

- 4th – 7th March: American Academy of Allergy, Asthma and Immunology
- 7th April: FY2015 results

Click here to download

Hugo Solvet, hsolvet@bryangarnier.com

Bryan Garnier stock rating system

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

Stock rating

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

Distribution of stock ratings

BUY ratings 61.9% NEUTRAL ratings 28.4% SELL ratings 9.7%

Bryan Garnier Research Team

Healthcare Team	Pharmaceuticals	Eric Le Berrigaud *(Head of Equities)*	33 (0) 1 56 68 75 33	eleberrigaud@bryangarnier.com
	Biotech/Medtech	Mickael Chane-Du	33 (0) 1 70 36 57 45	mchanedu@bryangarnier.com
	Medtech/Biotech	Hugo Solvet	33 (0) 1 56 68 75 57	hsolvet@bryangarnier.com
Consumer Team	Luxury/Consumer Goods	Loïc Morvan	33 (0) 1 70 36 57 24	lmorvan@bryangarnier.com
	Beverages	Nikolaas Faes	33 (0) 1 56 68 75 72	nfaes@bryangarnier.com
	Retailing	Antoine Parison	33 (0) 1 70 36 57 03	aparison@bryangarnier.com
	Luxury /Consumer Goods	Cedric Rossi	33 (0) 1 70 36 57 25	crossi@bryangarnier.com
	Food & Beverages	Virginie Roumage	33 (0) 1 56 68 75 22	vroumage@bryangarnier.com
TMT	Video Games / Payments	Richard-Maxime Beaudoux	33 (0) 1 56 68 75 61	rmbeaudoux@bryangarnier.com
	Telecom	Thomas Coudry	33(0) 1 70 36 57 04	tcoudry@bryangarnier.com
	Software & IT Services	Gregory Ramirez	33 (0) 1 56 68 75 91	gramirez@bryangarnier.com
	Semiconductor	Dorian Terral	33 (0) 1 56 68 75 92	dterral@bryangarnier.com
Utilities		Xavier Caroen	33 (0) 1 56 68 75 18	xcaroen@bryangarnier.com
Insurance		Olivier Pauchaut *(Head of Research)*	33 (0) 1 56 68 75 49	opauchaut@bryangarnier.com
Hotels/Business Services		Bruno de La Rochebrochard	33 (0) 1 56 68 75 88	bdelarochebrochard@bryangarnier.com
Construction/ Infrastructures Building Materials		Eric Lemarié	33 (0) 1 70 36 57 17	elemarie@bryangarnier.com
Marketing		Sophie Braincourt	33(0) 1 56 68 75 36	sbraincourt@bryangarnier.com
Market Data & Information Systems Manager		Eric Monnier	33(0) 1 56 68 75 63	emonnier@bryangarnier.com

A copy of the Bryan Garnier & Co Limited conflicts policy in relation to the production of research is available at www.bryangarnier.com

London
Beaufort House
15 St Botolph Street
London EC3A 7BB
Tel: +44 (0) 207 332 2500
Fax: +44 (0) 207 332 2559
Authorised and regulated by the Financial Conduct Authority (FCA)

Paris
26 Avenue des Champs Elysées
75008 Paris
Tel: +33 (0) 1 56 68 75 00
Fax: +33 (0) 1 56 68 75 01
Regulated by the Financial Conduct Authority (FCA) and l Autorité de Contrôle prudential et de resolution (ACPR)

New York
750 Lexington Avenue
New York, NY 10022
Tel: +1 (0) 212 337 7000
Fax: +1 (0) 212 337 7002
FINRA and SIPC member

Geneva
rue de Grenus 7
CP 2113
Genève 1, CH 1211
Tel +4122 731 3263
Fax+4122731 3243
Regulated by the FINMA

New Delhi
The Imperial Hotel
Janpath
New Delhi 110 001
Tel +91 11 4132 6062
+91 98 1111 5119
Fax +91 11 2621 9062

BRYAN, GARNIER & CO