



Please find our Research on Bloomberg BRYG <GO>

16th February 2016

## BG's Wake Up Call



	Last close	Daily chg (%)	Chg YTD (%)
<b>Indices</b>			
Dow Jones	15973.84	0.00	-8.33%
S&P 500	1864.78	0.00	-8.77%
Nasdaq	4337.51	0.00	-13.38%
Nikkei	16054.43	+0.2%	-15.82%
Stoxx 600	321.763	+2.99%	-12.04%
CAC 40	4115.25	+3.01%	-11.25%
<b>Oil /Gold</b>			
Crude WTI	29.76	+1.99%	-20.00%
Gold (once)	1205.38	-2.30%	+13.46%
<b>Currencies/Rates</b>			
EUR/USD	1.11445	-0.88%	+2.59%
EUR/CHF	1.1014	+0.27%	+1.29%
German 10 years	0.239	-9.30%	-62.32%
French 10 years	0.617	-3.98%	-37.10%
Euribor	-	+-%	+-%

### Economic releases :

Date	
16th-Feb	CN - New yuan Loans (2510b A, 1900B E) GB - CPI JaN; (0.3% E) GB - CPI core (1.3% E) DE- ZEW survey Current situation Feb. (55 E) DE - ZEW Eco Sentiment Feb. US - Empire Manuf. Feb. (-10.5 E)

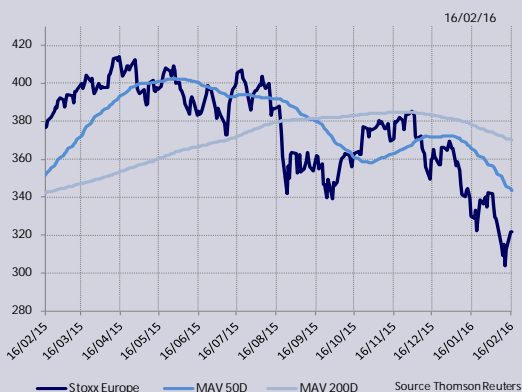
### Upcoming BG events :

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	Penon : 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



### EDF

**BUY, Fair Value EUR14,5 (+41%)**

*A new reality. 2015-earnings, first take.*

EDF has reported 2015 operating performance in line with expectations while showing a miss for its net income due to higher than expected exceptionals. The 2015 dividend cut was a surprise as the market was expecting a cut in 2016 and not this year (-). As for outlook, 2016 guidance is in line with market expectations (+) and 2018 guidance was confirmed (+) even if we struggle to see how EDF will deliver it given the extent of uncertainty on French power prices. At the current price we think most of the fears on EDF are already priced in. We remain positive.

### HEIDELBERGCEMENT

**BUY-Top Picks, Fair Value EUR86 (+30%)**

*Q4 2015 EBITDA 7% above consensus. Positive outlook in key zones. ITC deal on track.*

HeidelbergCement has published 2015 revenues at EUR13.465bn, in line with the consensus, up 6.7% (-0.2% I-F-I), with cement volumes almost flat (-0.9% o/w -0.3% in Q4). 2015 EBITDA stood at EUR2.613bn (2% above consensus but 7% above Q4 2015 estimates only), up 14.2% (8.2% I-F-I). Margin was 19.4%, up 130bp y/y. Positive outlook for key markets (US, Western Europe, Indonesia). EUR400m Italcementi deal synergies confirmed. Ongoing anti-trust discussions in the US and Europe.

### ILIAD

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

*Read across from Orange FY2015 publication*

This morning Orange SA published full year 2015 results. For the first time since the arrival of Free Mobile, EBITDA was up +0.1% yoy and revenues were virtually stable at -0.1%. Orange posted a very high commercial performance in very high speed landline. No major learnings for Iliad, although mobile performance should be quite good, since Orange only had a 20% market share on post paid net adds over the quarter. ARPUs are still under pressure, showing the intensity of promotions over the Christmas period. No news on the Orange – Bouygues merger, Stephane Richard reiterated his aim to strike a deal within a few weeks.

### LUXOTTICA

**BUY, Fair Value EUR65 (+27%)**

*New rumours of large transactions and governance changes...*

Yesterday morning Italian newspaper "Il Sole 24 Ore" mentioned that the current management shake-up could lead to the resurgence of market speculation over LUX being tempted by a merger with Essilor or by the acquisition of Carl Zeiss Vision Care. As for us, we continue to believe that large transactions within the optical industry are not likely in the ST, especially since Mr Del Vecchio has announced other priorities for LUX including (i) a group-wide simplification plan (not really compatible with a big deal...) and (ii) a succession plan which has crystallised most investor concerns recently. All eyes will be on the Investor Day on 2nd March!

### In brief...

**IPSEN, Some expected and some less-expected changes at the Corporate Governance level**

Utilities

**EDF**

Price EUR10.30

A new reality. 2015-earnings, first take.

Fair Value EUR14,5 (+41%)

**BUY**

Bloomberg	EDF.FP
Reuters	EDF.PA
12-month High / Low (EUR)	23.8 / 10.2
Market Cap (EURm)	19,777
Ev (BG Estimates) (EURm)	81,500
Avg. 6m daily volume (000)	2 506
3y EPS CAGR	-23.0%

EDF has reported 2015 operating performance in line with expectations while showing a miss for its net income due to higher than expected exceptionals. The 2015 dividend cut was a surprise as the market was expecting a cut in 2016 and not this year (-). As for outlook, 2016 guidance is in line with market expectations (+) and 2018 guidance was confirmed (+) even if we struggle to see how EDF will deliver it given the extent of uncertainty on French power prices. At the current price we think most of the fears on EDF are already priced in. We remain positive.

**ANALYSIS**

- Main 2016 metrics:** EBITDA came out at **EUR17.6bn**, up 1.9% compared with last year and up 3.9% when excluding the 2012 tariff catch-up effect. Consensus was at **EUR17.45bn**, in line with our expectations (*EUR17.4bn*). Most of this solid operating performance came from 1/ solid nuclear generation (*production target exceeded*), 2/ the continued development of the group in renewables, 3/ the successful finalisation of the Libyan gas contract arbitration with a 2015 EBITDA positive impact of **EUR855m** and 4/ the 1.4% opex decrease (first opex decrease in 5 years). EBIT after exceptionals (EUR3.6bn due to impairments on thermal assets, to increase in CIGEO provisions and to RAG adjustment) came out at **EUR4.28bn**, down 46.4% compared with last year, while net income (group-share) declined by 68% to **EUR1.2bn** whereas we were expecting **EUR1.4bn**. Excluding exceptionals, net income was flat at **EUR4.8bn**. Net financial debt increased by **EUR3.2bn to EUR37.4bn**, in line with expectations. The 2015 dividend has been cut from **EUR1.25 to EUR1.1** with an option for payment in shares for the final dividend (the French government will take this option, allowing the group to save a further EUR900m). **Consensus was still at EUR1.25/share for 2015.**

- What to retain from this publication?** 1/ initial 2015 guidance was beaten, at the EBITDA level (+), 2/ the underperformance in the group's net income performance compared with both consensus and BG estimates was due to the higher level of exceptionals and not to a poorer operating performance, 3/ 2016 guidance (EBITDA between EUR16.3 & EUR16.8bn) is in line with market expectations, implying very limited negative earnings adjustments to expect (+), 4/ with the 2015 first opex reduction, and with the higher level of annual departure, it is fair to assume cost reductions will continue over the 2016-18 period (+), 5/ the dividend cut is clearly a negative signal (-), and reflects the difficult financial equation the group had and has to work with (lower margin combined with still important investments), yet with an implied yield >12% it is fair to assume this cut was expected by the market. 6/ risks linked to Hinkley Point remain high. Only a cancellation of this project could avoid a capital increase (-).

- Conclusion:** It is important to note that 2015 operating performances were good, especially compared with other European integrated utilities. The group's financial equation remains clearly under pressure, especially with the far lower French power prices, yet we see the cut in dividend, and in capex, combined with further opex reductions as positive levers that will allow the group to further optimise its balance sheet. **We stick to our EUR14.5 FV, which still implies 41% upside.**

**VALUATION**

- At the current share price, EDF trades at 5.2x its 2016e EBITDA and offers a 10.1% yield
- Buy, FV @ EUR14.5

**NEXT CATALYSTS**

- Conference call @ 08.45am CET (+33(0)1 76 77 22 22)

[Click here to download](#)



**Analyst :**  
 Xavier Caroen  
 33(0) 1.56.68.75.18  
[xcaroen@bryangarnier.com](mailto:xcaroen@bryangarnier.com)

Construction & Building Materials

**Heidelbergcement**

Price EUR66.26

Q4 2015 EBITDA 7% above consensus. Positive outlook in key zones. ITC deal on track.

Fair Value EUR86 (+30%)

BUY-Top Picks

Bloomberg	HEI.GY
Reuters	HEIG.F
12-month High / Low (EUR)	77.0 / 60.1
Market Cap (EURm)	12,451
Ev (BG Estimates) (EURm)	19,304
Avg. 6m daily volume (000)	671.9
3y EPS CAGR	38.3%

HeidelbergCement has published 2015 revenues at EUR13.465bn, in line with the consensus, up 6.7% (-0.2% I-f-I), with cement volumes almost flat (-0.9% o/w -0.3% in Q4). 2015 EBITDA stood at EUR2.613bn (2% above consensus but 7% above Q4 2015 estimates only), up 14.2% (8.2% I-f-I). Margin was 19.4%, up 130bp y/y. Positive outlook for key markets (US, Western Europe, Indonesia). EUR400m Italcementi deal synergies confirmed. Ongoing anti-trust discussions in the US and Europe.

**ANALYSIS**

- Most of the geographical zones were in line with or slightly above expectations, except Asia-Pacific (27% of EBITDA), where revenues were down 5.6% I-f-I and EBITDA margin down 50bps at 25.9%.
- North America (31% of EBITDA) remained very strong, with good momentum in Q4. Revenues increased by 6.7% for the FY and by 9.6% in Q4, with ongoing EBITDA margin improvement (+210bps for the FY). Cement volumes were healthy with a 4.6% increase in Q4 and 1.9% for the FY).
- Europe was resilient, both in western Europe (thanks positive trends in the UK) and in eastern Europe thanks to Poland, Czech Republic and Romania, whereas Russia and Ukraine were difficult. EBITDA margin improved by 200bps to 16% in western Europe whereas it fell by 60bp to 18.9% in eastern Europe. However, eastern European EBITDA only accounts for 8% of consolidated EBITDA, vs 25% for western Europe.
- Outlook: North America is expected to perform well in 2016, thanks to dynamism in the construction sector. Positive comments concerned western Europe as well, thanks to a solid UK sector in particular. Eastern Europe countries are set to benefit from the EU infra programme. Heidelberg expects good trends in Indonesia thanks to higher infrastructure investments.

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.2%	-6.5%	-5.6%	-12.4%
Cons & Mat	-0.6%	-8.9%	-11.9%	-10.1%
DJ Stoxx 600	-2.4%	-12.9%	-16.7%	-12.0%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	12,614	13,373	17,703	19,110
% change		6.0%	32.4%	8.0%
EBITDA	2,117	2,371	3,356	3,884
EBIT	1,424	1,621	2,206	2,734
% change		13.9%	36.1%	23.9%
Net income	498.4	689.8	960.2	1,392
% change		38.4%	39.2%	45.0%

	2014	2015e	2016e	2017e
Operating margin	11.3	12.1	12.5	14.3
Net margin	5.5	6.9	6.5	8.6
ROE	3.8	5.1	6.5	8.9
ROCE	6.4	5.3	5.9	7.4
Gearing	48.6	35.2	51.9	43.7

(EUR)	2014	2015e	2016e	2017e
EPS	2.66	3.68	4.85	7.03
% change	-	38.4%	31.8%	45.0%
P/E	24.9x	18.0x	13.7x	9.4x
FCF yield (%)	5.3%	5.8%	9.4%	10.2%
Dividends (EUR)	0.75	1.10	1.50	2.80
Div yield (%)	1.1%	1.7%	2.3%	4.2%
EV/Sales	1.7x	1.4x	1.3x	1.2x
EV/EBITDA	10.1x	8.1x	6.9x	5.7x
EV/EBIT	15.0x	11.9x	10.5x	8.1x

**Preliminary figures**

EURm	Q4 15	FY 15	I-f-I % Q4 15	I-f-I % FY 15
<b>Revenues</b>				
Western & Northern Europe	1074	4196	-0.6	0.1
Eastern Europe-Central Asia	248	1097	1.8	1.1
North America	943	3746	9.6	6.7
Asia-Pacific	716	2775	-8.9	-5.6
Africa-Mediterranean Basin	244	1008	5.6	11.4
Group Services	270	1060	-	-
Reconciliation	-106	-417	-	-
<b>Total</b>	<b>3389</b>	<b>13465</b>	<b>-2.0</b>	<b>-0.2</b>
<b>EBITDA</b>	<b>Q4 15</b>	<b>FY 15</b>	<b>Q4 15</b>	<b>FY 15</b>
Western & Northern Europe	192	672	25.8	17.3
Eastern Europe-Central Asia	49	207	25.9	-4.4
North America	214	829	25.0	19.5
Asia-Pacific	188	719	-16.1	-8.1
Africa-Mediterranean Basin	68	260	29.9	23.9
Group Services	7	25	-	-
Eliminations	-22	-99	-	-
<b>Total</b>	<b>696</b>	<b>2613</b>	<b>10.5</b>	<b>8.2</b>

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

**VALUATION**

- EUR86 FV derived from the application of historical multiples to our 2017 figures.

**NEXT CATALYSTS**

- Conference call at 1.30pm today
- Complete consolidated results to be published on 17th March 2016.

[Click here to download](#)

**Analyst :**

Eric Lemarié  
33(0) 1.70.36.57.17  
elemarie@bryangarnier.com



TMT

**Iliad**

Price EUR210.15

Read across from Orange FY2015 publication

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%

This morning Orange SA published full year 2015 results. For the first time since the arrival of Free Mobile, EBITDA was up +0.1% yoy and revenues were virtually stable at -0.1%. Orange posted a very high commercial performance in very high speed landline. No major learnings for Iliad, although mobile performance should be quite good, since Orange only had a 20% market share on post paid net adds over the quarter. ARPUs are still under pressure, showing the intensity of promotions over the Christmas period. No news on the Orange – Bouygues merger, Stéphane Richard reiterated his aim to strike a deal within a few weeks.

**ANALYSIS**

- **Overall results: Q4 revenues came out at EUR10,395bn, up +0.1% yoy** (vs consensus: EUR10,415bn with +0.3% yoy), compared with +0.5% yoy in Q3. France revenues were down -0.1% yoy vs consensus -0.9%, compared with -0.6% in Q3, showing a good trend. **Restated EBITDA reached EUR3.063bn** (vs cons EUR2995bn), **up 1.4% yoy** compared with +1.1% in Q3 and consensus -0.8%. **France Restated EBITDA reached EUR3761bn in H2** (vs cons EUR3.689bn), **up 2.7% yoy** compared with -0.7% in H1.
- In France, mobile postpaid net adds reached 179k in Q4, vs 234k in Q3, and 256k in Q4 2014. Sosh net adds reached 121k in Q4, vs 95k in Q3, and 167k in Q4 2014. Mobile postpaid net adds market share was 20% over Q4, vs 33% in Q3 and 30% in Q4 2014. Postpaid ARPU was EUR26.5 in Q4, down 5.4% yoy vs -5.6% in Q3.
- In France, broadband net adds reached 121k in Q4, vs 116k in Q3, and 96k in Q4 2014. FTTH net adds reached 133k in Q4, vs 107k in Q3, and 82k in Q4 2014. Broadband ARPU was EUR26.9 in Q4, down 0.9% yoy vs -0.9% in Q3.
- Orange market share in mobile postpaid was around 20%, below last year and the last quarter. This should leave room for good commercial performance from Iliad on the mobile side, although we know SFR also had a good performance. The commercial performance from Orange was strong on the landline side, but we still expect Free to be around 60k.

	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

**VALUATION**

- We reiterate our BUY rating on Iliad, with FV of EUR270.

**NEXT CATALYSTS**

- Iliad's FY2015 results on 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



Luxury & Consumer Goods

**Luxottica**

Price EUR51.00

New rumours of large transactions and governance changes...

Fair Value EUR65 (+27%)

**BUY**

Bloomberg	LUX IM
Reuters	LUX.MI
12-month High / Low (EUR)	67.5 / 49.1
Market Cap (EUR)	24,667
Ev (BG Estimates) (EUR)	25,689
Avg. 6m daily volume (000)	812.6
3y EPS CAGR	15.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-9.8%	-17.9%	-21.5%	-15.6%
Consumer Gds	1.6%	-7.3%	-6.6%	-7.4%
DJ Stoxx 600	-2.4%	-12.9%	-16.7%	-12.0%

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

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

(€)	2014	2015e	2016e	2017e
EPS	1.44	1.76	2.02	2.25
% change	-	21.7%	14.7%	11.4%
P/E	35.3x	29.0x	25.3x	22.7x
FCF yield (%)	2.9%	3.3%	4.2%	4.6%
Dividends (€)	0.72	0.92	1.05	1.20
Div yield (%)	1.4%	1.8%	2.1%	2.4%
EV/Sales	3.4x	2.9x	2.6x	2.4x
EV/EBITDA	16.7x	13.6x	11.9x	10.8x
EV/EBIT	22.2x	18.1x	16.0x	14.3x

Yesterday morning Italian newspaper "Il Sole 24 Ore" mentioned that the current management shake-up could lead to the resurgence of market speculation over LUX being tempted by a merger with Essilor or by the acquisition of Carl Zeiss Vision Care. As for us, we continue to believe that large transactions within the optical industry are not likely in the ST, especially since Mr Del Vecchio has announced other priorities for LUX including (i) a group-wide simplification plan (not really compatible with a big deal...) and (ii) a succession plan which has crystallised most investor concerns recently. All eyes will be on the Investor Day on 2nd March!

**ANALYSIS**

• **Essilor (bis repetita): Better to stay friends...** Admittedly the two global leaders know each other very well and have set-up many partnerships across the globe: (i) EI is LUX's largest lens supplier in North America (BG ests: ~30% of total lens purchases), (ii) EI runs the Rx lab activity of OPSM in Australia-NZ through a 70-30 JV and (iii) EyeMed Vision Care (LUX) chose EI as its main supplier for Rx lab services procurement and supply of products.

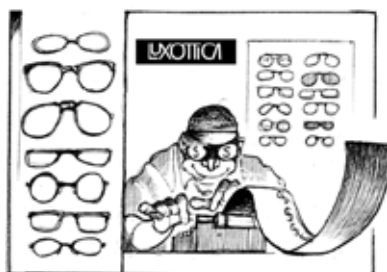
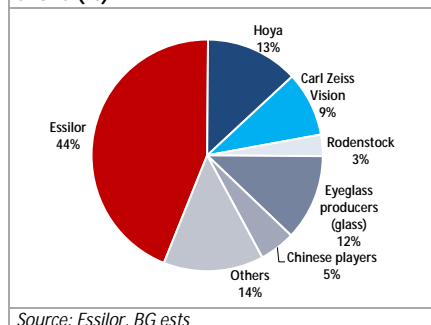
• **... than enter into a bad marriage...** Since the first failed attempt in 2013, this merger scenario has resurfaced several times. However, as highlighted in our Sector Report, we still believe that significant hurdles for a merger remain: (i) **governance at LUX**: this has always been the stumbling block, the new "LUX+EI" capital structure would only leave Mr Del Vecchio with a slight blocking minority whereas he is surely not ready to relinquish control of LUX, (ii) **a leadership conflict**: both groups have the most talented profiles in this industry and could face the same problems in appointing top managers within the newco than Publicis-Omnicom (failed merger) or Lafarge-Holcim; (iii) **two difficult-to-combine organisations** as supply chains supporting ophthalmic lenses and sunglasses are totally different and (iv) **antitrust risks** since "LUX+EI" would become an "all-powerful supplier" (>44% market share in lenses, >30% in frames) for their customers.

• **What about Carl Zeiss Vision Care?** First of all, LUX would certainly not acquire the entire Carl Zeiss Group (2014/15 revenue: EUR4.5bn) since the latter is 100%-owned by a foundation and operates in various activities (semiconductors, medical technology, etc.), only the Vision Care/Consumer Optics segment (sales: EUR1bn) could interest the Italian group. The acquisition of Carl Zeiss VC would enable LUX to hold the world's third largest ophthalmic lens manufacturer whilst the Italian group only produces a small part of its sunglasses lenses (close to zero concerning Rx lenses) and the size of Carl Zeiss VC would imply two main advantages vs. the Essilor deal: a very small/no dilution of family holding Delfin ownership in LUX and limited risks concerning leadership and antitrust.

• **Three main hurdles in our view.** 1/ LUX would have to pay a significant price to convince Carl Zeiss to sell one of its core activities (~22% of 2014/15 total revenue and ~30-40% of group's Op profit), representing a possible EV/sales transaction multiple of up to 1.5-2x (or EUR1.5-2bn) for the entire segment, or less if Consumer Optics is excluded from the deal; 2/ Vision Care/Consumer Optics does not seem to be in great shape as sales remained flat FX-n over FY 2014/15 (ending September), compared with a global ophthalmic market growing at 3-4% and +8.4%e FX-n for Essilor's lens activity (+4.7%e LFL) over 2015, 3/ this move would be a "declaration of war" against Essilor, calling into question some partnerships between the two groups, which have carefully avoided direct competition so far.

• **Questions marks remain on governance.** While Mr Del Vecchio declared in two interviews that his successor would certainly be appointed internally, an adviser close to him (Francesco Milleri) is rumoured to be joining the Board as Executive Vice-President according to the "Il Sole 24 Ore". If the rumour proves to be right, we do not think that investors would be completely reassured pending further clarification at the Investor Day. Indeed the growing influence of Mr Milleri after Mr Guerra's departure and some "interferences" between Delfin and LUX top management were the leading causes of Mr Cavatorta's resignation in October 2014. (To be continued next page).

**Ophthalmic lens market: global market share (%):**



Moreover, Mr Milleri's appointment as Executive VP alongside Mr Vian (CEO for Product & Operations) would imply that Mr Del Vecchio **intends to keep the co-CEO structure model**, which is rather surprising considering his desire to simplify and accelerate the decision-making process within the group.

#### VALUATION

- These rumours, taken up by the "*Il Sole 24 Ore*" newspaper, show that there are still uncertainties about the future strategy and governance at Luxottica two weeks after the departure of Mr Khan. We will probably have to wait until the Investor Day on 2nd March to get the first answers and explanations regarding these two hot topics.
- With regards to M&A, the timing is not right in our view since LUX is about to launch a vast simplification plan in all commercial, marketing and markets functions. We clearly believe that LUX is able to accelerate its pace of growth without acquiring Carl Zeiss Vision Care, which involves a few doubts and risks.
- Last but not least, on the governance issue, we believe that Mr Milleri could be appointed to the Board without any executive functions and just to represent Delfin and/or the Delvecchio family, which could reassure the market by avoiding the risk of conflicting interests between the family and the operating performance of LUX.

#### NEXT CATALYSTS

- FY15 Results on 1st March // Investor Day in Turin on 2nd March.

[Click here to download](#)



**Analyst:**  
Cédric Rossi  
33(0) 1 70 36 57 25  
[crossi@bryangarnier.com](mailto:crossi@bryangarnier.com)

**Consumer Analyst Team:**  
Nikolaas Faes  
Loic Morvan  
Antoine Parison  
Virginie Roumage

---

## Healthcare

**Ipsen**

Price EUR48.73

**Some expected and some less-expected changes at the Corporate Governance level**

Fair Value EUR63 (+29%)

BUY

Bloomberg	IPN.FP
Reuters	IPN.PA
12-month High / Low (EUR)	62.0 / 43.4
Market Cap (EURm)	4,057
Avg. 6m daily volume (000)	70.40

	1 M	3 M	6 M	31/12/15
Absolute perf.	-9.9%	-16.2%	-17.7%	-20.1%
Healthcare	-4.2%	-11.1%	-16.4%	-12.8%
DJ Stoxx 600	-2.4%	-12.9%	-16.7%	-12.0%

	2014	2015e	2016e	2017e
P/E	22.0x	18.5x	15.6x	13.2x
Div yield (%)	1.7%	1.8%	2.1%	2.3%

**ANALYSIS**

- Ipsen has announced this morning that the Board of Directors has decided to separate the functions of Chairman and CEO. As a consequence, it has offered Marc de Garidel, current Chairman and CEO of the company the position of non-Executive Chairman (which he has accepted), endorsing the role of CEO until the recruitment process for a new CEO is complete. This also means that Deputy-CEO Christel Bories, who may have run for the role and who has not been elected, has decided to leave the company.
- Like every company, Ipsen needs to adapt to a new period in its history. Marc and Christel have done a great job in the recent past, resulting in a clear recovery in Ipsen's value and prospects. The company has been restructured and refocused somewhat and its development in the US has been a success that will drive its growth for a few more years. Now however, it clearly needs new impetus to take the story to the next level and this is where, maybe, Christel Bories, not coming from the industry, found limitations in her ability to become the new CEO.
- As far as Marc de Garidel is concerned, it is hard to see him in a non-Executive role because he is very much involved in the daily business of Ipsen, but this is how the vast majority of companies are managed and also provides the best chance of finding a good CEO. Two drivers in one seat usually do not work for very long.
- Lastly, to make sure there is no misunderstanding about the underlying reasons behind the changes, Ipsen has reiterated guidance for 2015 and 2020 and also clarified that the strategy will not be affected. The term "disagreement" used in the press release is very much a usual and legal one used when a top executive's contract needs to come to an end.

**VALUATION**

- Although they never appeared as good friends when they shared the podium in meetings, Christel and Marc did a good job over the last few years and the share price could react negatively to the news, remaining under pressure somewhat until the arrival of a new CEO. The biggest threat is to see Ipsen losing time while looking for a new CEO that will require time to adapt whereas it needs to act quite quickly to ensure that its growth will last beyond 2018. But this is what Marc de Garidel is supposed to take care of and since underlying growth momentum is strong in the short-term, we would see any overly-dramatic downside move as an opportunity to BUY.

**NEXT CATALYSTS**

- 1st March 2016: FY 2015 results

[Click here to download](#)

Eric Le Berrigaud, [eleberrigaud@bryangarnier.com](mailto:eleberrigaud@bryangarnier.com)

## BG's Wake Up Call

# 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 62.7%

NEUTRAL ratings 28.4%

SELL ratings 9%

## Bryan Garnier Research Team

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



<b>London</b>	<b>Paris</b>	<b>New York</b>	<b>Geneva</b>	<b>New Delhi</b>
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	rue de Grenus 7	The Imperial Hotel
15 St Botolph Street	75008 Paris	New York, NY 10022	CP 2113	Janpath
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Genève 1, CH 1211	New Delhi 110 001
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	Tel +4122 731 3263	Tel +91 11 4132 6062
Fax: +44 (0) 207 332 2559	Regulated by the Financial Conduct	FINRA and SIPC member	Fax+4122731 3243	+91 98 1111 5119
Authorised and regulated by	Authority (FCA) and l Autorité de		Regulated by the	Fax +91 11 2621 9062
the Financial Conduct Authority	Contrôle prudentiel et de resolution		FINMA	
(FCA)	(ACPR)			



## BRYAN, GARNIER & CO

### Disclaimer:

Bryan Garnier & Co Limited, registered in England Number 03034095 with registered office : Beaufort House 15 St Botolph Street, London EC3A 7BB , United Kingdom and its MIFID branch registered in France Number 452 605 512 with registered office : 26, Avenue des Champs Elysées 75008 Paris , France. Bryan Garnier & Co Limited is authorised and regulated by the Financial Conduct Authority (Firm Reference Number 178733) and is a member of the London Stock Exchange.

This Report may not be reproduced, distributed or published by you for any purpose except with the Firms' prior written permission. The Firm reserves all rights in relation to this Report.

Past performance information contained in this Report is not an indication of future performance. The information in this report has not been audited or verified by an independent party and should not be seen as an indication of returns which might be received by investors. Similarly, where projections, forecasts, targeted or illustrative returns or related statements or expressions of opinion are given ("Forward Looking Information") they should not be regarded as a guarantee, prediction or definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. A number of factors, in addition to the risk factors stated in this Report, could cause actual results to differ materially from those in any Forward Looking Information.

### Important information - This report may contain "Independent" and "Corporate/Non-independent" research reports.

Unless stated otherwise, documents in this report are classified under the FCA Handbook as being investment research (independent research). Bryan Garnier & Co Limited has in place the measures and arrangements required for investment research as set out in the FCA's Conduct of Business Sourcebook.

### Independent investment research reports:

Independent investment research reports are prepared by Bryan Garnier & Co Limited and are distributed only to clients of Bryan Garnier & Co Limited (the "Firm"). Bryan Garnier & Co Limited is authorised and regulated by the Financial Conduct Authority ("FCA") and is a member of the London Stock Exchange.

These reports are provided for information purposes only and do not constitute an offer, or a solicitation of an offer, to buy or sell relevant securities, including securities mentioned in this Report and options, warrants or rights to or interests in any such securities. These reports are for general circulation to clients of the Firm and as such are not, and should not be construed as, investment advice or a personal recommendation. No account is taken of the investment objectives, financial situation or particular needs of any person. The information and opinions contained in these reports have been compiled from and are based upon generally available information which the Firm believes to be reliable but the accuracy of which cannot be guaranteed. All components and estimates given are statements of the Firm, or an associated company's, opinion only and no express representation or warranty is given or should be implied from such statements. All opinions expressed in these reports are subject to change without notice. To the fullest extent permitted by law neither the Firm nor any associated company accept any liability whatsoever for any direct or consequential loss arising from the use of these reports. Information may be available to the Firm and/or associated companies which is not reflected in these reports. The Firm or an associated company may have a consulting relationship with a company which is the subject of these reports.

### Corporate or Non-Independent investment research reports:

Non-independent research reports are prepared by Bryan Garnier & Co Limited and are being distributed only to clients of Bryan Garnier & Co Limited (the "Firm"). Bryan Garnier & Co Limited is authorised and regulated by the Financial Conduct Authority ("FCA") and is a member of the London Stock Exchange.

These reports have been sent to you for marketing purposes only and are non-independent research within the meaning of the FCA rules. These reports are not being held out as an objective or independent explanation of the matters contained in them and should not be treated as such. These reports have not been prepared in accordance with the legal requirements designed to promote the independence of investment research. The Firm is not subject to any prohibition on dealing ahead of the dissemination of investment research.

These reports usually focus on emerging European growth companies. The contents of these reports as well as the other research documents on emerging growth stocks do not contain the Firm's usual stock ratings. The intrinsic value analysis is presented to provide a framework for stock valuation and discussion, and represents an estimated value on the date of publishing, which may be subject to change without notice.

The Firm's rationale for not having ratings on the stock includes the fact that such stock may have limited market capitalisation and liquidity and while the Firm may express an opinion on the near-term movement of the stock, what action investors should take depends on many factors, including liquidity/risk tolerance, holdings timeframe and investment philosophy. Emerging companies evolve rapidly with a continuous flow of information that can significantly impact the company and in the Firm's opinion this cannot be reflected by a periodic rating. Additionally, the Firm may have an advisory relationship with the company which is the subject of these reports, including for the production of sponsored research, and may expect to receive or intend to seek compensation for investment banking services from that company in the six months following the date of these reports.

To the fullest extent permitted by law, the Firm does not accept any liability whatsoever for any direct or consequential loss arising from any use of the information contained in these reports. Information may be available to the Firm which is not reflected in these reports. They are provided for information purposes only and do not constitute an offer or solicitation to buy or sell any of the securities discussed in them. These reports are for general circulation to clients of the Firm and as such are not, and should not be construed as, investment advice or a personal recommendation. No account is taken of the investment objectives, financial situation or particular needs of any person.

### Disclosures specific to clients in the United Kingdom

This Report has not been approved by Bryan Garnier & Co Limited for the purposes of section 21 of the Financial Services and Markets Act 2000 because it is being distributed in the United Kingdom only to persons who have been classified by Bryan Garnier & Co Limited as professional clients or eligible counterparties. Any recipient who is not such a person should return the Report to Bryan Garnier & Co Limited immediately and should not rely on it for any purposes whatsoever.

### Notice to US investors

This research report (the "Report") was prepared by Bryan Garnier & Co Limited for information purposes only. The Report is intended for distribution in the United States to "Major US Institutional Investors" as defined in SEC Rule 15a-6 and may not be furnished to any other person in the United States. Each Major US Institutional Investor which receives a copy of this Report by its acceptance hereof represents and agrees that it shall not distribute or provide this Report to any other person. Any US person that desires to effect transactions in any security discussed in this Report should call or write to our US affiliated broker, Bryan Garnier Securities, LLC, 750 Lexington Avenue, New York NY 10022. Telephone: 1-212-337-7000.

This Report is based on information obtained from sources that Bryan Garnier & Co. Ltd. believes to be reliable and, to the best of its knowledge, contains no misleading, untrue or false statements but which it has not independently verified. Neither Bryan Garnier & Co. Ltd. and/or Bryan Garnier Securities LLC make no guarantee, representation or warranty as to its accuracy or completeness. Expressions of opinion herein are subject to change without notice. This Report is not an offer to buy or sell any security.

Bryan Garnier Securities, LLC and/or its affiliate, Bryan Garnier & Co Limited may own more than 1% of the securities of the company(ies) which is (are) the subject matter of this Report, may act as a market maker in the securities of the company(ies) discussed herein, may manage or co-manage a public offering of securities for the subject company(ies), may sell such securities to or buy them from customers on a principal basis and may also perform or seek to perform investment banking services for the company(ies).

Bryan Garnier Securities, LLC and/or Bryan Garnier & Co Limited are unaware of any actual, material conflict of interest of the research analyst who prepared this Report and are also not aware that the research analyst knew or had reason to know of any actual, material conflict of interest at the time this Report is distributed or made available....