BRYAN, GARNIER & CO

LONDON • PARIS • MUNICH • NEW YORK • GENEVA • NEW DELHI

Please find our Research on Bloomberg BRYG <GO>)

17th February 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	16196.41	+1.39%	-7.05%
S&P 500	1895.58	+1.65%	-7.26%
Nasdaq	4435.96	+2.27%	-11.41%
Nikkei	16054.43	+0.20%	-15.65%
Stoxx 600	320.374	-0.43%	-12.42%
CAC 40	4110.66	-0.11%	-11.35%
Oil /Gold			
Crude WTI	29.15	-2.05%	-21.64%
Gold (once)	1215.4	+0.83%	+14.40%
Currencies/Rates			
EUR/USD	1.11445	0.00	+2.59%
EUR/CHF	1.10155	+0.01%	+1.30%
German 10 years	0.262	+9.77%	-58.64%
French 10 years	0.655	+6.14%	-33.24%
Euribor	-	+-%	+-%

Economic releases :

Date	
17th-Feb	JP - Machine orders Jan. (-3.6% A -2.8% E) GB -Claimant count rate (2.3% E) EUZ - construction output Dec. US - Housing starts Jan. (2.3% E) US - Building permits Jan. (-0.3% E) Us - Industrial Prod. Jan. (0.4% E)

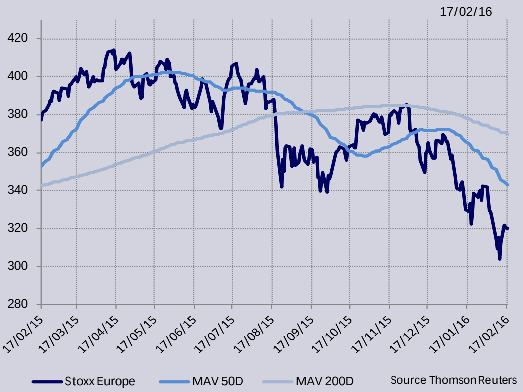
Upcoming BG events :

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	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



LAFARGEHOLCIM — BUY vs. SELL, Fair Value CHF50 vs. CHF60 (+38%)

Everything can't be that bad. Upgrade to Buy. (report released today)

In this short report, we revisit our position on LafargeHolcim. A strong share price underperformance (-45% on the last 6 months) and an overplayed China export risk, motivate us to upgrade to Buy (vs Sell). Not only do we see no significant downside risk to the current share price, but we suspect investors might start to consider the glass full half: a decent entry point, unique diversification and synergies. FV adjusted to CHF50 (vs CHF60), based on new estimates (-7% on EBITDA in average on the 2015e-2017e period).

BIC — NEUTRAL, Fair Value EUR130 (-7%)

CEO Mario Guevara retires and overly cautious 2016 NIFO margin guidance (-100-150bp)

BIC has reported 2015 sales up 13.3% on a reported basis and 6.2% LFL to EUR2,242m (CS: EUR2,237m), implying 7.3% LFL growth in Q4 alone, topping the CS forecast at 4.7%(vs. +5.8% in 9M). However FY normalised IFO came in at EUR432m shy of CS at EUR448m, representing a 60bp-improvement to 19.3% whilst the CS was expecting a margin of 20%. Three major announcements this morning: 1/ CEO Mario Guevara is retiring and is replaced by Bruno Bich, 2/ the normalised IFO margin outlook is "overly-cautious" (-100/-150bp decline vs. +40bp anticipated by CS) and 3/ BIC announced an extraordinary dividend of EUR2.50 in addition to a EUR3.40 ordinary dividend (+19%). Analysts' meeting today at 3pm Paris time.

FRESENIUS MED. CARE — BUY, Fair Value EUR97 (+28%)

FY2015 preview: strong results, ambitious 2016 guidance

FMC is due to report FY2015 figures on 24th February. Q4 results should highlight the strong momentum in NA seen throughout 2015. For the last quarter of the year, we do not expect a major improvement in product sales, further impacted by exchange rates. 2015 guidance is not at risk in our view. Entering 2016, fundamentals should be strong with Mircera and the GEP lifting margins. However, potentially dilutive M&A operations in 2016, which should help FMC to reach critical size in its care coordination business, might be a threat to ambitious 2016 net income growth guidance guidance.

FRESENIUS SE — BUY, Fair Value EUR68 (+23%)

FY2015 preview, cautious 2016 guidance should offer a buy opportunity

2015 should have been a strong year for Fresenius SE, driven by KABI. We anticipate FY2015 sales at EUR27.795m, in-line with consensus estimates and EPS at EUR2.63, 2% ahead of consensus. Looking into 2016, we are not ruling out the prospect of cautious FY guidance, offering a buy opportunity with management's meet and beat strategy having proved successful.

CONSTRUCTION & MATERIALS

Steady residential sales for Nexity in Q4. 2016 market sales expected to rise 4-9%.

Nexity has reported steady residential sales figures for Q4, up 16%. For the full year, residential sales rose 13%, still underpinned by individual investors, and the company estimates the market increase for residential sales at close to 16% to 101,000 sales (so-called "reservations"). Nexity's market outlook has been updated with 105,000-110,000 sales expected in 2016, vs 105,000 previously and a 10-year average of 103,000. This is positive for companies exposed to the French new residential market, in particular Saint-Gobain, Eiffage and Vinci in our coverage.

In brief...

ADOCIA, ***Year-end cash and full-year sales in line with expectations***

BEIERSDORF, ***FY 2015 results in line with market expectations and cautious 2016 guidance.***

CNP ASSURANCES, ***A very decent set of numbers, higher-than-expected solvency margin and a 7.2% yield***

SAP, ***Acquisition of the Roambi mobile analytics and reporting assets***

Construction & Building Materials

LafargeHolcim

Price CHF36.24

Everything can't be that bad. Upgrade to Buy. (report released today)

Fair Value CHF50 vs. CHF60 (+38%) **BUY vs. SELL**

Bloomberg	LHN VX
Reuters	LHN.VX
12-month High / Low (CHF)	72.9 / 34.1
Market Cap (CHFm)	21,994
Ev (BG Estimates) (CHFm)	42,192
Avg. 6m daily volume (000)	2,029
3y EPS CAGR	19.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-14.2%	-33.5%	-42.0%	-28.0%
Cons & Mat	-0.9%	-9.7%	-12.1%	-10.3%
DJ Stoxx 600	-2.9%	-13.6%	-17.1%	-12.4%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	31,814	30,144	30,741	32,518
% change		*-5.2%*	*2.0%*	*5.8%*
EBITDA	6,495	5,723	6,204	7,234
EBIT	3,765	2,993	3,474	4,504
% change		*-20.5%*	*16.1%*	*29.7%*
Net income	1,247	1,005	1,445	2,127
% change		*-19.4%*	*43.8%*	*47.2%*

	2014	2015e	2016e	2017e
Operating margin	11.8	9.9	11.3	13.9
Net margin	5.3	3.1	4.1	7.2
ROE	3.3	2.7	3.9	5.6
ROCE	3.4	3.4	4.0	5.2
Gearing	41.6	43.9	42.1	36.8

(EUR)	2014	2015e	2016e	2017e
EPS	2.06	1.66	2.39	3.51
% change	-	*-19.4%*	*43.8%*	*47.2%*
P/E	17.6x	21.8x	15.2x	10.3x
FCF yield (%)	2.1%	3.9%	8.9%	15.5%
Dividends (EUR)	1.30	1.50	1.75	2.00
Div yield (%)	3.6%	4.1%	4.8%	5.5%
EV/Sales	1.3x	1.4x	1.4x	1.2x
EV/EBITDA	6.2x	7.4x	6.8x	5.6x
EV/EBIT	10.7x	14.1x	12.1x	9.0x

In this short report, we revisit our position on LafargeHolcim. A strong share price underperformance (-45% on the last 6 months) and an overplayed China export risk, motivate us to upgrade to Buy (vs Sell). Not only do we see no significant downside risk to the current share price, but we suspect investors might start to consider the glass full half: a decent entry point, unique diversification and synergies. FV adjusted to CHF50 (vs CHF60), based on new estimates (-7% on EBITDA in average on the 2015e-2017e period).

ANALYSIS

- Strongly exposed to the emerging markets (~60% of revenues 2014PF, ~70% of cement capacities), LafargeHolcim's shares have been massively sold by investors in the last 6 months, leading to a -45% price decline.
- We do not deny risks exist: overcapacity (e.g. India, Indonesia, China) sometimes combined with modest volume growth, China's macro slowdown impact, LatAm's recession, geopolitical uncertainties in the Middle East, oil price pressure on some countries' budgets (e.g. Algeria, Nigeria)…yet, it is worth underlying the unique diversification of LH, spread over 90 countries, with none representing more than 10% of sales except India and the US. Moreover, the Chinese export risk is not a myth but is overplayed, in our view.
- Besides, the market seems to have priced in a harsh scenario. The current share price corresponds to no top-line growth – almost – for the 2015-2017 period, while we estimate 3%. Actually, we calculate the low range of a cost of replacement very close to the current share price, which clearly reflects the current undemanding valuation.
- Our new estimates are derived from lower volume and price assumptions by zone, combined with lower synergies (88% vs 100% of the CHF1.1bn). The FV is still derived from the application of historical EV/EBITDA multiples to our 2017 estimates, discounted back.

VALUATION

- CHF50 new Fair Value derived from the application of historical multiples (10-year average EV/EBITDA at 7.5x) to our 2017 estimates, then discounted back.

NEXT CATALYSTS

- 2015 full year results publish on 17 March.

Click here to download

Analyst :

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

Luxury & Consumer Goods

BIC

Price EUR140.25

CEO Mario Guevara retires and overly cautious 2016 NIFO margin guidance (-100-150bp)

Fair Value EUR130 (-7%) **NEUTRAL**

Bloomberg	BB FP
Reuters	BICP.PA
12-month High / Low (EUR)	160.8 / 128.6
Market Cap (EURm)	6,723
Ev (BG Estimates) (EURm)	6,348
Avg. 6m daily volume (000)	41.30
3y EPS CAGR	10.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.6%	-4.9%	-7.8%	-7.5%
Consumer Gds	1.3%	-8.1%	-6.9%	-7.6%
DJ Stoxx 600	-2.9%	-13.6%	-17.1%	-12.4%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	1,979	2,246	2,346	2,451
% change		*13.5%*	*4.5%*	*4.5%*
Normalized IFO	370	443.1	474.8	499.7
IFO	369.3	445.5	471.3	496.2
% change		*21.1%*	*5.8%*	*5.3%*
Net income	262.1	324.0	331.8	350.6
% change		*23.6%*	*2.4%*	*5.7%*

	2014	2015e	2016e	2017e
IFO margin	18.7	19.9	20.2	20.3
Net margin	13.2	14.4	14.1	14.3
ROE	16.2	17.0	15.3	14.3
ROCE	17.8	18.6	17.8	17.2
Gearing	-19.5	-19.5	-22.8	-25.3

(EUR)	2014	2015e	2016e	2017e
EPS	5.47	6.76	6.93	7.32
% change	-	*23.6%*	*2.4%*	*5.7%*
P/E	25.6x	20.7x	20.2x	19.2x
FCF yield (%)	3.5%	3.0%	4.2%	4.4%
Dividends (EUR)	2.85	3.00	3.25	3.60
Div yield (%)	2.0%	2.1%	2.3%	2.6%
EV/Sales	3.2x	2.8x	2.7x	2.5x
EV/EBITDA	17.3x	14.3x	13.2x	12.3x
EV/EBIT	17.3x	14.2x	13.2x	12.2x

BIC has reported 2015 sales up 13.3% on a reported basis and 6.2% LFL to EUR2,242m (CS: EUR2,237m), implying 7.3% LFL growth in Q4 alone, topping the CS forecast at 4.7%(vs. +5.8% in 9M). However FY normalised IFO came in at EUR432m shy of CS at EUR448m, representing a 60bp-improvement to 19.3% whilst the CS was expecting a margin of 20%. Three major announcements this morning: 1/ CEO Mario Guevara is retiring and is replaced by Bruno Bich, 2/ the normalised IFO margin outlook is "overly-cautious" (-100/-150bp decline vs. +40bp anticipated by CS) and 3/ BIC announced an extraordinary dividend of EUR2.50 in addition to a EUR3.40 ordinary dividend (+19%). Analysts' meeting today at 3pm Paris time.

ANALYSIS

- **Q4 sales rose 8.9% on a reported basis and 7.3% LFL to EUR559m, matching CS at EUR555m.** BIC achieved an acceleration vs. Q3 (+4.8% LFL) despite a more challenging comparison base (+4.8% in Q4 14 vs. +2.6% in Q3 14), driven by a particularly strong performance in Shavers (see below).
- **Sales in the consumer business increased by 7.9% in Q4 vs. +6.2% in Q3/+6.6% in 9M. Stationery** rose by 4.3% LFL (Q3: +6.1% / 9M: +3.5%). **Lighters** remained robust with 8.9% growth (Q3:+5.2% / 9M: +8.1%) fuelled by a double-digit increase in emerging markets. Revenue from **Shavers** accelerated to record growth of 13.3% in Q4 (Q3: +10.3% / 9M: +11.4%).
- **Promotional products: rebound in Q4.** Indeed sales increased by 4.6% after the 3.4% decline in Q3, confirming better momentum in Europe and in North America. **Yet BIC announced it has initiated a strategic review for BIC Graphic given a more limited outlook regarding the promotional product industry.**
- **FY15 normalised IFO margin only expanded by 60bp to 19.3% (CS: 20%).** The GM was up 60bp to 49.7% thanks to positive fixed cost absorption and a favourable raw material impact. As expected, the group increased its brand support massively in Q4 (+100bps and +10bps over 2015), thereby explaining the lower-than-expected margin expansion in 2015. Group net income reached EUR325m (+24%) in line with CS forecast (EUR323m).
- **BIC will offer an extraordinary dividend of EUR2.50,** which comes on top of a 19% increase in the ordinary dividend to EUR3.40, offering an attractive yield of ~4.2%.

BIC Q4 and FY15 Results:

EURm	Q4 15	*% change*	2015	% change
Net sales	559.4	*8.9*	2,241.7	*13.3*
Normalised IFO	88.6	*-2.3*	432.0	*16.7*
in % of sales	*15.8*	*-180bp*	*19.3*	*+60bp*
Reported IFO	94.2	*20.9*	439.9	*19.1*
in % of sales	*16.8*	*+160bp*	*19.6*	*90bp*
Group Net Income	72.1	*20.8*	325.1	*24.0*

Source: Company Data

- **Two other breaking news items were announced this morning: 1/ Following CEO Mario Guevara's decision to retire** (he remains on the Board), the BoD will propose to combine the Chairmain and CEO functions, enabling Mr Bich to replace Mr Guevara and find a CEO successor; **2/** against a significant increase in brand support in Q4 (+100bps), the group's guidance is for a very conservative margin as **the NIFO margin is expected to drop by 100-150bp in 2016 while CS was expecting a 40bp-increase!** The sales outlook ("mid single digit growth") fits with expectations (BG: +4.5%e / CS: +4.2%e)

VALUATION

- We expect the share price to come under pressure given the margin miss in 2015, but more importantly, due to the overly-cautious NIFO margin guidance delivered for 2016. The stock trades at a 2016e EV/EBIT multiple of 13.2x or a 30% premium to its 2004-16 historical average. Neutral recommendation and FV of EUR130 confirmed.

NEXT CATALYSTS

- Analysts' meeting today at 3pm (Paris time) / Q1 16 Results on 27th April 2016.

Click here to download

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

Consumer Analyst Team:
Nikolaas Faes
Loïc Morvan
Antoine Parison
Virginie Roumage

Healthcare

Fresenius Med. Care

Price EUR75.55

FY2015 preview: strong results, ambitious 2016 guidance

Fair Value EUR97 (+28%) **BUY**

Bloomberg	FME GR
Reuters	FMEG.DE
12-month High / Low (EUR)	83.1 / 64.2
Market Cap (EUR)	23,637
Ev (BG Estimates) (EUR)	31,312
Avg. 6m daily volume (000)	761.0
3y EPS CAGR	7.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.8%	-4.2%	2.5%	-2.8%
Healthcare	-4.8%	-11.9%	-16.9%	-13.3%
DJ Stoxx 600	-2.9%	-13.6%	-17.1%	-12.4%

YEnd Dec. (USDm)	2014	2015e	2016e	2017e
Sales	15,832	16,861	18,001	19,358
% change		*6.5%*	*6.8%*	*7.5%*
EBITDA	2,954	3,086	3,536	3,759
EBIT	2,255	2,344	2,744	2,907
% change		*4.0%*	*17.1%*	*5.9%*
Net income	1,045	1,060	1,239	1,309
% change		*1.4%*	*16.9%*	*5.6%*

	2014	2015e	2016e	2017e
Operating margin	14.2	13.9	15.2	15.0
Net margin	6.6	6.3	6.9	6.8
ROE	11.1	9.5	9.9	9.5
ROCE	7.0	7.1	8.0	8.3
Gearing	95.3	76.3	63.3	52.6

(USD)	2014	2015e	2016e	2017e
EPS	3.45	3.48	4.07	4.30
% change	-	*0.9%*	*16.9%*	*5.6%*
P/E	24.4x	24.2x	20.7x	19.6x
FCF yield (%)	5.9%	5.4%	6.1%	8.2%
Dividends (USD)	0.94	1.10	1.16	1.31
Div yield (%)	1.1%	1.3%	1.4%	1.6%
EV/Sales	2.2x	2.1x	1.9x	1.7x
EV/EBITDA	12.0x	11.3x	9.7x	8.9x
EV/EBIT	15.7x	14.9x	12.5x	11.6x

FMC is due to report FY2015 figures on 24th February. Q4 results should highlight the strong momentum in NA seen throughout 2015. For the last quarter of the year, we do not expect a major improvement in product sales, further impacted by exchange rates. 2015 guidance is not at risk in our view. Entering 2016, fundamentals should be strong with Mircera and the GEP lifting margins. However, potentially dilutive M&A operations in 2016, which should help FMC to reach critical size in its care coordination business, might be a threat to ambitious 2016 net income growth guidance guidance.

ANALYSIS

- Ahead of FY2015 results, we expect Fresenius Medical Care to deliver its 2015 guidance for 10-12% CER revenue growth (5-7% reported) and 0-5% net income growth at risk. Our revenue estimates stand at the high end of the communicated range at 6.5% reported growth. From a profitability standpoint, we see positive momentum continuing through Q4, derived from 1/ switch to Mircera with gains outpacing price increases from Epogen decreasing supply and 2/ efficiency gains from the GEP (positive 170bp impact on EBIT) that should come close to USD200m by year-end, offsetting weak profitability from the ongoing integration of 2014's USD1.2bn in dilutive acquisitions made as part of the care coordination strategy. We expect EBIT margin to contract by a slight 30bp vs. last year. Our net income growth of 0.9% for the year is in line with consensus estimates for 1% growth. BGe EPS stands at USD3.48 vs USD3.48 for the consensus.
- Our estimates for top line growth in 2016 are at the low-end of the company's guidance range of 7-10% cc growth at 7.7%. Regarding net income growth (the company expects a range of 15%-20%, BGe 17%), we see tailwinds from the switch to Mircera and efficiency gains from the GEP that are expected to reach USD300m, fuelling leverage during the year. Guidance should be reiterated by management in our view. However, we expect M&A moves in 2016 following a year of integration as a potential risk to guidance. Net income growth guidance could suffer from dilutive M&A operations, if these are significant (re. USD1.2bn in acquisitions made in 2014). Note that with 1.8bn still unallocated (USD3bn to be allocated to M&A by 2018), current trading multiples might prompt or reinforce interest in potential targets.
- Granuflo litigation could be close to an end, but is still a short-term risk. Although we would not speculate on the outcome of the trials, it worth mentioning that the first bellwether case ruled in favour of Fresenius. No relation has been demonstrated between injection of the solution and death, hence some plaintiffs might withdraw. The second bellwether case is scheduled for 16th February.
- Japan continues to show upside in the long run with a slowly opening USD10bn market. We believe that FMC made its first acquisition of a mid-size player in the country in Q1 2014. The company should play consolidation of the industry in the country, which is mainly represented by independent nephrologists at the moment.

VALUATION

- We stick to our BUY rating and EUR97 Fair Value

NEXT CATALYSTS

- 25th February:

  7.00amCET: FY2015 results
  3.30pmCET: FY2015 conference call (UK +44 203 059 5869, US +1 855 272 3518; ID: Fresenius MC)

Click here to download

Analyst :
Hugo Solvet
33(0) 1 56 68 75 57
hsolvet@bryangarnier.com

Sector Team :
Mickael Chane Du
Eric Le Berrigaud

Healthcare

Fresenius SE

Price EUR55.09

FY2015 preview, cautious 2016 guidance should offer a buy opportunity

Fair Value EUR68 (+23%) **BUY**

Bloomberg	FRE GR
Reuters	FREG.DE
12-month High / Low (EUR)	69.8 / 47.4
Market Cap (EURm)	30,065
Ev (BG Estimates) (EURm)	43,881
Avg. 6m daily volume (000)	1 648
3y EPS CAGR	14.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.6%	-17.7%	-15.8%	-16.5%
Healthcare	-4.8%	-11.9%	-16.9%	-13.3%
DJ Stoxx 600	-2.9%	-13.6%	-17.1%	-12.4%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	23,231	27,795	29,362	31,480
% change		*19.6%*	*5.6%*	*7.2%*
EBITDA	4,051	5,037	5,538	5,923
EBIT	3,114	3,926	4,364	4,664
% change		*26.1%*	*11.2%*	*6.9%*
Net income	1,067	1,383	1,535	1,657
% change		*29.6%*	*11.1%*	*7.9%*

	2014	2015e	2016e	2017e
Operating margin	13.4	14.1	14.9	14.8
Net margin	4.6	5.0	5.2	5.3
ROE	6.6	6.2	6.5	6.5
ROCE	3.3	3.6	3.8	3.8
Gearing	134.6	103.6	100.0	99.3

(EUR)	2014	2015e	2016e	2017e
EPS	2.01	2.63	2.82	3.04
% change	-	*30.9%*	*7.2%*	*7.9%*
P/E	27.4x	20.9x	19.5x	18.1x
FCF yield (%)	0.5%	2.5%	5.4%	5.5%
Dividends (EUR)	1.29	1.70	1.82	1.97
Div yield (%)	2.3%	3.1%	3.3%	3.6%
EV/Sales	1.8x	1.6x	1.6x	1.5x
EV/EBITDA	10.5x	8.7x	8.4x	7.8x
EV/EBIT	13.6x	11.2x	10.7x	10.0x

2015 should have been a strong year for Fresenius SE, driven by KABI. We anticipate FY2015 sales at EUR27.795m, in-line with consensus estimates and EPS at EUR2.63, 2% ahead of consensus. Looking into 2016, we are not ruling out the prospect of cautious FY guidance, offering a buy opportunity with management's meet and beat strategy having proved successful.

ANALYSIS

- 2015 should be a strong year for Fresenius SE with management having repeatedly raised and beaten its guidance thank to Kabi and its IV generic business. Regarding the latter, we see this trend continuing in Q4 as growth should be fuelled by neostigmine, shortages from competitors and nine approvals all throughout the year (i.e. in the high range of its 6-10 product launch per year). We see organic growth for the year at 9.5%, ahead of the company's guidance. Regarding Helios, ramp-up of margins at RHK hospitals should bring the divison's EBIT to EUR641 (+120bp)
- Turning to 2016, Kabi should remain a key driver for the company as we anticipate the bulk of launches from the IV generic business in the US. We believe that the number of launches could reach ~11 in 2016, potentially surpassing the company's guidance. With a new entrant in the neostigmine market at the beginning of January, namely Hikma, alongside the increasing buzz surrounding generic pricing, some might doubt the company's ability to perpetrate positive momentum and this could explain the slight underperformance vs. STOXX600HC (-16.5% vs. -15%). We would remind that Fresenius sells to GPOs at an average price of ~USD5 per vial, and that the company remains confident on the prospects for neostigmine in 2016. As for the rest of Kabi's business, clinical nutrition should perform well (synergies from APP products as well as sales from the 3-chambers bag). One point of interest would be Helios. For the latter German Hospital business, we might see some limitations beyond the integration of RHK hospitals with organic growth roughly in-line with the German-DRG (2.95% for FY2016). All in all, growth prospects should remain strong entering 2016.
- Alongside its FY2015 publication, Fresenius' management should provide investors with new mid-term guidance (probably over a three year horizon). We have a 2016-2019 revenue CAGR at 8% and EPS CAGR at 10%. For KABI, We see some further upside potential in the medium-term from the recent acquisition of BD's plant which sells generics in prefilled syringues. A premium pricing opportunity could emerge for KABI following the switch from traditional vials. For Helios, if the privatisation of the German hospital business is slow, we are not ruling out an expansion plan in bordering eastern European countries (e.g. Poland, Czech Rep., Austria?).
- Moreover, we would remind that the company has an excellent track record in beating its initial guidance. As such, shy 2016 guidance might provide a buy opportunity to benefit from rerating following unwarranted underperformance.

VALUATION

- We reiterate our BUY rating and EUR68 Fair Value ahead of the 2015 publication.

NEXT CATALYSTS

- 25th February

  7.00amCET : FY2015 results
  2.00pmCET : FY2015 conference call (UK +44 203 481 9014, US +1 631 302 6547, ID: Fresenius)

Click here to download

Analyst :
Hugo Solvet
33(0) 1 56 68 75 57
hsolvet@bryangarnier.com

Sector Team :
Mickael Chane Du
Eric Le Berrigaud

Sector View

Construction & Materials

Steady residential sales for Nexity in Q4. 2016 market sales expected to rise 4-9%.

	1 M	3 M	6 M	31/12/15
Cons & Mat	-0.6%	-8.9%	-11.9%	-10.1%
DJ Stoxx 600	-2.4%	-12.9%	-16.7%	-12.0%

*Stoxx Sector Indices

Companies covered

CRH		**BUY**		**EUR30**
Last Price	EUR22.35	*Market Cap.*		EUR18,397m
EIFFAGE		**BUY**		**EUR71**
Last Price	EUR61.32	*Market Cap.*		*EUR5,852m*
HEIDELBERGCEMENT		**BUY**		**EUR86**
Last Price	EUR66.26	*Market Cap.*		*EUR12,451m*
LAFARGEHOLCIM		**BUY vs. SELL**		**CHF50 vs. 60**
Last Price	CHF36.98	*Market Cap.*		*CHF22,443m*
SAINT GOBAIN		**BUY**		**EUR42**
Last Price	EUR33.845	*Market Cap.*		*EUR18,985m*
VICAT		**NEUTRAL**		**EUR56**
Last Price	EUR50.45	*Market Cap.*		*EUR2,265m*
VINCI		**BUY**		**EUR70**
Last Price	EUR60.36	*Market Cap.*		*EUR35,572m*

Nexity has reported steady residential sales figures for Q4, up 16%. For the full year, residential sales rose 13%, still underpinned by individual investors, and the company estimates the market increase for residential sales at close to 16% to 101,000 sales (so-called "reservations"). Nexity's market outlook has been updated with 105,000-110,000 sales expected in 2016, vs 105,000 previously and a 10-year average of 103,000. This is positive for companies exposed to the French new residential market, in particular Saint-Gobain, Eiffage and Vinci in our coverage.

Nexity (not covered) has reported French residential sales ("réservations") up 13% in 2015 to 11,741 units. This was mostly explained by the success of the Pinel buy-to-let investment scheme. As such, sales to individual investors rose 24% in 2015 (like-for-like), slightly less than in H1 (+54%), which had benefited from a catch-up effect, as the Pinel scheme was implemented in Q4 2014.

Nexity says French market sales stood at approx. 101,000 units in 2015, up 16% y/y, vs guidance for 100,000. Q4 looks less dynamic but this was due to a harsher comparison basis, as the market started to recover in Q4 2014 (with the Pinel scheme). 2016 guidance stands at between 105,000 and 110,000, a bit higher than the previous guidance of 105,000. The market should benefit from low interest rates, combined with various governments aids (zero-interest loan, Pinel scheme), while prices have stabilised (home price index relative to disposable income).

New residential sales in France

y/y%	Q1 14	Q2 14	Q3 14	Q414	Q115	Q215	Q315	Q415
sales	-1.4	-8.6	-8.2	7.5	18.0	25.8	16.0	6.2

Source: French government, Nexity; Bryan Garnier & Co. ests.

Note that the recovery in the new residential market combined with much better figures in existing-homes transactions, up +16% in 2015 to 800,000 deals.

The Pinel scheme is supposed to end in December 2016. There is also uncertainty beyond the current year, especially as the Frenc Housing minister has recently changed. Sylvia Pinel has been replaced by Emmanuelle Cosse, who is very close, politically speaking, to Cécile Duflot - who launched a buy-to–let scheme which was not a success. We cannot rule out decisions and/or comments from the new housing minister that could disturb prospects on financial markets. That said, she will only be minister until the next presidential election in April/May next year.

Impact of the buy-to–let scheme on housing starts and sales (residential segment)

Scheme		Scellier 2009	Scellier 2010	Scll. adjusted 2011	Scll. adjusted 2012	Duflot 2013	Duflot/Pinel 2014	Pinel 2015
Housing		346600	415100	422700	398600	391500	350600	351800
	y/y	-13%	20%	2%	-6%	-2%	-10%	0%
Sales		105802	115285	105000	88904	89313	86950	101000
	y/y	35%	9%	-9%	-15%	0%	-3%	16%

Source : Datastream, French Governement; Bryan Garnier & Co. ests.

ANALYSIS

- Saint-Gobain would benefit from a better new residential market, as the sector represents 6% of consolidated sales. French renovation in the residential area accounts for around 13% of SGO sales.
- Eiffage, and to a lesser extend Vinci, should benefit from it as well, as the new residential segment represents 10% and 4% of revenues, respectively.

Click here to download

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

Healthcare

Adocia

Price EUR48.70

Bloomberg	ADOC FP
Reuters	ADOC.FR
12-month High / Low (EUR)	93.7 / 44.4
Market Cap (EURk)	333,303
Avg. 6m daily volume (000)	34.10

	1 M	3 M	6 M	31/12/15
Absolute perf.	-17.3%	-35.3%	-44.0%	-33.5%
Healthcare	-4.8%	-11.9%	-16.9%	-13.3%
DJ Stoxx 600	-2.9%	-13.6%	-17.1%	-12.4%

	2014	2015e	2016e	2017e
P/E	NS	43.7x	24.0x	8.1x
Div yield (%)	NM	NM	NM	NM

Year-end cash and full-year sales in line with expectations

Fair Value EUR113 (+132%) **BUY**

ANALYSIS

- Yesterday evening Adocia released its 2015 sales figures and its net cash position at the end of the year. In both cases, numbers were very much in line with expectations.
- Revenues reached EUR36.9m for the full-year, including a peak in Q4 2015 as Adocia received a milestone payment of USD10m from Lilly after U200 established its bioequivalence with U100 in a phase Ib study. This is the first milestone out of the remaining USD520m in overall clinical, regulatory and commercial milestones to be paid by Lilly to Adocia if everything turns positive with the BC lispro project. We did not know how this milestone would be accounted for i.e. amortized over a certain period of time or booked as a one-time. As it corresponds to the success of a trial, it has been fully booked in 2015 and recognised in the P&L.
- Below in other revenues, the contribution from the French Research Tax credit amounted to EUR6.8m i.e. almost double the level of 2014, which was not fully anticipated.
- Lastly, without full access to operating costs yet, the EUR72m cash position at the end of the year suggests expenses in Q4 consistent with the plan, with cash-burn of slightly less than EUR6m in the last quarter. Operating expenses are progressing steadily, in line with the development of the company and its expansion. As a reminder, we expect these expenses to reach EUR30m in 2016.

VALUATION

- Adocia has well over two years of visibility. By then it should receive new milestones from Lilly (if only when BC lispro enters phase III, sometime in 2016). Hopefully, new collaborations will be added for the BC combo that would make the situation even more comfortable. Obviously, the environment in the insulin space is moving so quickly that it is not so easy to see how it could turn out in the end but Adocia should be able to finalise a deal in the coming 12 months.
- Although the case has become a little bit more complex on the BC combo side and because of market volatility for biotech stocks in general, the nice development of BC lispro (now EUR63 in our FV) is enough to recommend a BUY.

Split of our FV

BC lispro	BC combo	HinsBet	Wound	Corpo/Cash	Total
63	35	26	10	-19	113

Click here to download

Eric Le Berrigaud, eleberrigaud@bryangarnier.com

Luxury & Consumer Goods

Beiersdorf

Price EUR81.33

Bloomberg	BEI GY
Reuters	BEIG.DE
12-month High / Low (EUR)	90.0 / 71.1
Market Cap (EURm)	18,446
Avg. 6m daily volume (000)	0.80

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.9%	-4.9%	4.1%	-4.0%
Pers & H/H Gds	3.6%	-6.2%	-6.0%	-4.5%
DJ Stoxx 600	-2.4%	-12.9%	-16.7%	-12.0%

	2014	2015e	2016e	2017e
P/E	36.5x	28.5x	26.2x	23.9x
Div yield (%)	1.0%	1.2%	1.4%	1.5%

FY 2015 results in line with market expectations and cautious 2016 guidance.

Fair Value EUR82 (+1%) **NEUTRAL**

ANALYSIS

- After reporting FY 2015 sales of EUR6.69bn on 14th January (+6.4%) and with 3% organic sales growth (at the low end of expectations) with some slowdown in Q4 (+3.8% vs +5.4% in Q3), including in the Consumer division (+4.7% vs +6.4% in Q3) mainly coming from LATAM (+5.7% in Q4 vs +15.7% in Q3), **the German Group has issued this morning its FY 2015 results with EBIT at EUR962m (consensus: EUR961m), up 11.6%, implying EBIT margin at 14.4% vs 13.7% in 2014**. In the January sales press release, management maintained its EBIT guidance for a "significant profitability increase" both for the Group and the Consumer business segment.
- **For the Consumer branch alone**, FY 2015 EBIT grew 13.6% at EUR771m (consensus: EUR770m). This activity's profitability gained 90bp to 13.9%. Tesa EBIT grew 4.2% to EUR191m, with a 20bp EBIT margin reduction to 16.8%.
- **Concerning 2016 guidance,** management expects 3-4% organic sales growth while the consensus is already at 4.3% and its anticipation for the Consumer branch is the same (consensus: +4.7%), implying fresh market share gains. Furthermore, EBIT margin should "increase slightly", consensus anticipation is a gain of 50bp to 14.9%.

VALUATION

- We maintained our Neutral recommendation with an unchanged EUR82 FV.

NEXT CATALYSTS

- Analysts' meeting at 2pm.

Click here to download

Loïc Morvan, lmorvan@bryangarnier.com

Insurance

CNP Assurances

Price EUR11.12

A very decent set of numbers, higher-than-expected solvency margin and a 7.2% yield

Fair Value EUR15 (+35%) **NEUTRAL**

Bloomberg	CNP FP
Reuters	CNPP.PA
12-month High / Low (EUR)	17.3 / 10.5
Market Cap (EUR)	7,635
Avg. 6m daily volume (000)	452.3

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.3%	-11.4%	-24.7%	-10.6%
Insurance	-10.3%	-18.1%	-18.5%	-18.9%
DJ Stoxx 600	-2.9%	-13.6%	-17.1%	-12.4%

	2014	2015e	2016e	2017e
P/E	7.1x	6.8x	6.5x	6.3x
Div yield (%)	6.9%	7.2%	7.2%	7.2%

ANALYSIS

- FY 2015 sales rose 3.4% to EUR31.6bn on a like-for-like basis. Average technical reserves were up 3.1% to EUR316.9bn. FY net insurance income was up 0.3% to EUR3.3bn (up 6.8% lfl), driven by France (up 4.6%) and Latam (down 4.1% reported but up 12.6% lfl). FY EBIT was down 0.6% to EUR2.426bn (up 7.7% lfl), slightly below the consensus (EUR2.488bn). FY net income was up 4.7% to EUR1.13bn (up 10.7% lfl), in line with the consensus (EUR1.125bn).
- Policyholders' surplus reserve (French PPE) strengthened again to reach 3% of technical reserves (vs. 2.4% at end-2014). FY NBV margin widened 80bps to 14.5%, which remains quite low by market standards.
- The dividend was stable at EUR0.77, in line with the consensus, fully in cash, offering a 7.2% yield. MCEV is up 13.2% to EUR28.0 (before dividend).
- Solvency 2 margin (standard formula) stood at 192%, way above previous economic solvency numbers (c. 170%) and market expectation (c. 170%).
- The company expects EBIT to show a 5%+ CAGR over the next three years. This number is pretty much in line with what we can expect from CNP, yet we definitely welcome the initiative of giving some kind of (even light) guidance.

VALUATION

- Based on our current 2016 estimates, our SOTP valuation is EUR15.

NEXT CATALYSTS

- AGM is scheduled on 28th April 2016. Q1 2016 numbers due to follow on 11th May 2016.

Olivier Pauchaut, opauchaut@bryangarnier.com

TMT

SAP

Price EUR67.16

Acquisition of the Roambi mobile analytics and reporting assets

Fair Value EUR74 (+10%) **NEUTRAL**

Bloomberg	SAP GR
Reuters	SAPG.DE
12-month High / Low (EUR)	74.9 / 55.9
Market Cap (EURm)	82,506
Avg. 6m daily volume (000)	3 315

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.0%	-7.3%	6.2%	-8.5%
Softw.& Comp. SVS	-3.7%	-7.8%	-1.6%	-10.4%
DJ Stoxx 600	-2.9%	-13.6%	-17.1%	-12.4%

	2015	2016e	2017e	2018e
P/E	18.2x	17.1x	16.4x	15.3x
Div yield (%)	1.8%	1.9%	2.1%	2.2%

ANALYSIS

- **Yesterday evening SAP announced the acquisition of Roambi assets, for an undisclosed sum**. Launched in 2009 inside the California-based mobile software vendor MeLLmo, Roambi develops and sells mobile analytics and reporting solutions. The rationale behind the deal is to use Roambi as a front end for SAP's Analytics Cloud and leverage enterprise raw data crunched on the HANA platform and deliver it in a 'consumable' fashion (real time interactive graphics) to mobile devices. Roambi developed specific apps for Pharma, Sales and Retail.
- **No material impact to our forecasts**. We estimate Roambi has c. 150 staff and generates less than USD15-20m revenues. This is the kind of 'tuck-in' acquisition SAP is likely to make in the next 18 months in our view, before its net cash position returns to breakeven (BG est.: end 2017). SAP, which launched the Lumira visual BI application in 2012, will combine the latter with Roambi to strengthen its competitiveness against Tableau Software, Qlik Technologies and Microsoft - which are considered as the leaders by Gartner in BI & Analytics platforms.

VALUATION

- SAP's shares are trading at est. 13.3x 2016 and 12.2x 2017 EV/EBIT multiples.
- Net debt on 31st December 2015 was EUR5,752m (net gearing: 25%).

NEXT CATALYSTS

Investor program at CeBIT in Hannover on 15th March from 12pm CET / 11am BST / 6am EDT.

Click here to download

Gregory Ramirez, gramirez@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 62.7% NEUTRAL ratings 28.4% SELL ratings 9%

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

London	Paris	New York	Geneva	New Delhi
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 prudential et de resolution		FINMA	
(FCA)	(ACPR)			

BRYAN, GARNIER & CO