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18th February 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	16453.83	+1.59%	-5.57%
S&P 500	1926.82	+1.65%	-5.73%
Nasdaq	4534.06	+2.21%	-9.45%
Nikkei	16196.8	+2.28%	-16.80%
Stoxx 600	328.772	+2.62%	-10.13%
CAC 40	4233.47	+2.99%	-8.70%
Oil /Gold			
Crude WTI	30.59	+4.94%	-17.77%
Gold (once)	1212.28	-0.26%	+14.11%
Currencies/Rates			
EUR/USD	1.11335	-0.10%	+2.49%
EUR/CHF	1.1057	+0.38%	+1.68%
German 10 years	0.272	+3.82%	-57.06%
French 10 years	0.649	-0.87%	-33.82%

Economic releases :

Date	
18th-Feb	CN - CPI Jan. (1.8% A y/y , 1.9% E) EUZ - ECB account of the monetary policy meeting/ US - Philadelphia Fed. Feb. (-3.0 E) US - Initial jobless claims Feb (275K E) US - Conitnuing claims. Feb. (2250K E) US - Leading indicators Jan (-0.2% E)

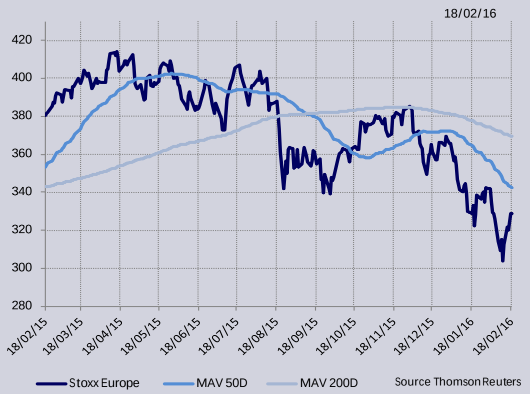
Upcoming BG events :

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	
17th-Feb	LAFARGEHOLCIM Everything can't be that bad.
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!

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



BEIERSDORF — **NEUTRAL, Fair Value EUR80 vs. EUR82 (+1%)**

Poor 2016 prospects in a softer market

BIC — **NEUTRAL, Fair Value EUR122 vs. EUR130 (-5%)**

OPEX and CAPEX investments to pave the way for MT growth are a necessary evil

CAPGEMINI — **BUY, Fair Value EUR96 (+32%)**

FY15 results above expectations, cautious guidance, acquisition of Fahrenheit 212

ENGIE — **BUY, Fair Value EUR19 (+35%)**

2015 earnings preview

EULER HERMES — **BUY, Fair Value EUR100 vs. EUR103 (+35%)**

Sometimes things go the wrong way...

GENMAB — **BUY-Top Picks, Fair Value DKK1,170 (+63%)**

FY2015 results in line with expectations. Darzalex set to be a fast-rising star

IPSEN — **BUY, Fair Value EUR63 (+26%)**

What if changes are more profound than they appear?

NESTLÉ — **NEUTRAL, Fair Value CHF76 (+3%)**

No buyback and no return to the Nestlé's model

RWE — **NEUTRAL, Fair Value EUR9,8 (-5%)**

Balance sheet protection, at all cost

In brief...

ACCORHOTELS, *FY results: Robust results in a challenging environment*

FRESENIUS MED. CARE, *GranuFlo settlement with more colour on FY2015 numbers*

INNATE PHARMA, *FY 15 cash position in line with our estimates*

Luxury & Consumer Goods

Beiersdorf

Price EUR79.57

Poor 2016 prospects in a softer market

Fair Value EUR80 vs. EUR82 (+1%) **NEUTRAL**

Bloomberg	BEI GY
Reuters	BEIG.DE
12-month High / Low (EUR)	90.0 / 71.1
Market Cap (EUR)	18,046
Ev (BG Estimates) (EUR)	16,489
Avg. 6m daily volume (000)	0.90
3y EPS CAGR	11.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.7%	-10.8%	3.0%	-6.1%
Pers & H/H Gds	5.6%	-7.3%	-4.5%	-2.7%
DJ Stoxx 600	-0.3%	-13.5%	-15.1%	-10.1%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	6,285	6,686	6,875	7,160
% change		*6.4%*	*2.8%*	*4.1%*
EBITDA	1,026	1,132	1,179	1,250
EBIT	861.0	962.0	1,010	1,075
% change		*11.7%*	*5.0%*	*6.4%*
Net income	526.0	659.0	679.0	734.0
% change		*25.3%*	*3.0%*	*8.1%*

	2014	2015e	2016e	2017e
Operating margin	13.7	14.4	14.7	15.0
Net margin	8.4	9.9	9.9	10.3
ROE	14.5	16.7	0.0	0.0
ROCE	24.6	26.9	26.0	26.0
Gearing	-50.6	-49.1	-38.7	-39.5

(EUR)	2014	2015e	2016e	2017e
EPS	2.32	2.91	2.99	3.23
% change	-	*25.3%*	*3.0%*	*8.0%*
P/E	34.3x	27.4x	26.6x	24.6x
FCF yield (%)	0.7%	1.8%	2.1%	2.4%
Dividends (EUR)	0.70	0.70	0.75	0.75
Div yield (%)	0.9%	0.9%	0.9%	0.9%
EV/Sales	2.6x	2.5x	2.4x	2.2x
EV/EBITDA	16.2x	14.6x	13.8x	12.9x
EV/EBIT	19.3x	17.1x	16.1x	15.0x

Although 2015 results were in line with market expectations thanks to a 70bp EBIT margin gain, investors were disappointed by the 2016 guidance with a relatively modest organic sales increase (3 to 4%) and a "slight" profitability increase. We are lowering our 2016 EBIT by 2.5% hence our new EUR80 FV (EUR82 previously).

ANALYSIS

- **Few words on 2015 sales figures**: Within the Consumer division sales (up 3.6% last year), **Nivea** brand achieved a strong performance with a 4.5% sales increase driven by Nivea Deo, Nivea Shower and Nivea All-purposes cream. Consequently, the brand gained market shares in its key markets. Nevertheless, China remained challenging for the brand. **Eucerin** did even better with 5.4% sales growth. On the other hand, **La Prairie** underperformed with a modest 1.2% revenue increase (BDF CEO admitted that this performance was disappointing), while the Luxury Cosmetics market grew by 5.5% according to L'Oréal.
- **In 2015, EBIT margin gained 70bp to 14.4%** with a particularly clear improvement for the Consumer division (+90bp to 13.9%) thanks to operating leverage following the top line performance. Meanwhile, Tesa figures are much less buoyant as the EBIT margin declined 20bp to 16.8%. It is true that this was versus a record 2014 year, but the performance was also affected by near-stable revenues (+0.4%). By geographic area and for the whole group, we highlight the 70bp margin increase in Europe to 17.9% and the +100bp gain in Asia (12%) while the improvement was even better in Americas (+130bp to 8.4%) despite a challenging environment in Brazil.
- **Company guidance for 2016 seems relatively cautious**. Although management anticipates growing faster than the Cosmetic market, it expects to grow just 3-4%. Interestingly, in February 2015, it was guiding for a 2015 organic sales growth between 3 and 5%, before reducing its guidance in the 9m report at 3 to 4% and lastly achieving a "poor" 3% increase. This is also true for the Consumer division with an initial guidance of 3 to 5% sales increase and achieving +3.6%. Therefore, we understand the company's cautious sales growth guidance for 2016. **This attitude is also driven by the group's product mix, as Beiersdorf is mainly (not to say fully) exposed to the skin care segment which is currently the least dynamic one** within the Cosmetic market, while L'Oréal has a more balanced product mix with, for instance, 24% of French Group Cosmetics sales achieved with Make-up which is the most dynamic market segment.
- Nevertheless, it is worthnoting that, at this stage, **market consensus already expects higher sales momentum (+4.3%) than the company guidance** and this is even more true for the Consumer business (+4.7% versus "+3 to 4% guidance"). In terms of EBIT, Beiersdorf's management guidance is a "slight" increase" in terms of profitability while consensus already expects a 50bp margin gain to 14.9%.
- **Following this guidance and also FX issues particularly with some emerging countries currencies as BRL or CNY, we are lowering our 2016 sales by 1.5% and our EBIT by 2.5%**. We have factored in a 1% negative FX effect on sales with a 3.5% organic sales growth (vs +4% previously) of which +3.7% for the Consumer branch and +3% for Tesa. Furthermore, we expect 2016 EBIT margin to increase by 30bp to 14.7%.

VALUATION

- Following new 2016 sales and EBIT assumptions, we are lowering our Fair Value from EUR82 to EUR80 and remain Neutral on the stock.

NEXT CATALYSTS

- Q1 2016 results to be reported on May 4th.

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Luxury & Consumer Goods

BIC

Price EUR129.00

OPEX and CAPEX investments to pave the way for MT growth are a necessary evil

Fair Value EUR122 vs. EUR130 (-5%) **NEUTRAL**

Bloomberg	BB FP
Reuters	BICP.PA
12-month High / Low (EUR)	160.8 / 129.0
Market Cap (EURm)	6,183
Ev (BG Estimates) (EURm)	5,720
Avg. 6m daily volume (000)	45.30
3y EPS CAGR	7.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-10.4%	-14.4%	-15.7%	-14.9%
Consumer Gds	3.3%	-8.3%	-5.0%	-5.8%
DJ Stoxx 600	-0.3%	-13.5%	-15.1%	-10.1%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	1,979	2,242	2,353	2,468
% change		*13.3%*	*5.0%*	*4.9%*
Normalised IFO	370.0	432.0	431.4	460.4
IFO	369.3	439.9	426.9	455.9
% change		*19.1%*	*-3.0%*	*6.8%*
Net income	262.1	325.1	304.9	326.6
% change		*24.1%*	*-6.2%*	*7.1%*

	2014	2015e	2016e	2017e
IFO margin	18.7	19.6	18.1	18.5
Net margin	13.2	14.5	13.0	13.2
ROE	16.2	16.1	14.5	13.5
ROCE	17.8	18.4	15.5	14.8
Gearing	-19.5	-23.0	-17.8	-19.0

(EUR)	2014	2015e	2016e	2017e
EPS	5.47	6.79	6.37	6.82
% change	-	*24.1%*	*-6.2%*	*7.1%*
P/E	23.6x	19.0x	20.3x	18.9x
FCF yield (%)	3.8%	3.8%	3.4%	4.0%
Dividends (EUR)	2.85	5.90	3.25	3.40
Div yield (%)	2.2%	4.6%	2.5%	2.6%
EV/Sales	3.0x	2.6x	2.5x	2.3x
EV/EBITDA	15.8x	13.2x	13.4x	12.4x
EV/EBIT	15.9x	13.0x	13.6x	12.5x

During the analysts' presentation, management returned to the three "hot topics" that surprised investors yesterday: 1/ the cautious NIFO margin guidance was justified by significant R&D and marketing investments, 2/ the Chairman and CEO functions will be temporarily merged (up to two years) to give Bruno Bich and the Board time to find a successor for Mario Guevara and 3/ the strategic review of BIC Graphic should be completed by end 2016. Although we are convinced that these incremental brand support and capex investments are critical for MT growth, they will weigh on the group's profitability in the ST, justifying our ~9% downward revision to our FY16-17 NIFO assumptions, which leads to our new FV of EUR122 vs. EUR130. Neutral recommendation reiterated.

ANALYSIS

- **Why this overly cautious NIFO guidance for 2016? 1/** BIC will ramp up **R&D** in quality, performance and new technologies to increase the value-added of its offering. For instance new products account for 25% of Stationery sales (vs. 23% in 2010) and value-added products represent 61% of Shavers sales (vs. 49% in 2011). **2/ Incremental brand support** will enable BIC to protect or strengthen its market share, to support new launches and the group's development in emerging markets (Latin America, Africa). Management specified that these significant R&D and marketing investments will particularly weigh on profitability at Stationery and Shavers, two categories where the competition is stiffest.

- **BIC is also accelerating capex investments.** In parallel of these opex investments, the group has also decided to increase capex in 2016, which is expected to rise by 50% over 2015 to EUR180m! According to the CFO, this amount could become the new "normative level" for the next 2-3 years, driven by development capex. Indeed BIC will increase production capacities in all its three categories.

- **The new governance structure should not exceed two years.** After a few months of discussion, CEO Mario Guevara eventually decided to retire after the AGM in May. Consequently, the Chairman and CEO functions will be temporarily merged for the first time since 2005 and Bruno Bich will assume these two responsibilities and he confirmed that this solution should not exceed two years, which should be enough time for the Board to find the right CEO successor (his son Gonzalve Bich is in the short list).

- **Strategic review of BIC Graphic (Promotional Products).** The group's decision to conduct a strategic review of BIC Graphic given limited growth prospects in this industry was also breaking news! As shown in the table below, it is fair to say that this category performed below the group's expectations since it was consolidated in 2009, due to a tough market environment in hard goods and calendars, high exposure to Southern Europe which was hit hard by the crisis and a poor execution by the previous management.

  Should the group chooses to sell BIC Graphic (up to an EV/sales of 0.5x?), the potential dilutive impact would amount ~14% on our 2017e sales assumption, but only 3% on the group's NIFO given BIC Graphic's low profitability (2017e: 4%e vs. 21%e for Consumer Business).

  BIC Graphic performance over 2009-2015:

EURm	2009	2015	2009-15 CAGR (%)
Net sales	288.4	319.3	*1.7*
Normalised IFO	30.1	10.4	*-16.2*
in % of sales	10.4	3.3	*-710bp*

  Source: Company Data, BG ests

- **We reduce our FY16-17 NIFO assumptions by ~9% on average.** First of all, we nudge up slightly our LFL growth forecasts for 2016 (+5% vs. +4.5% previously) and for 2017 (+4.9% vs. +4.5%) to be aligned with the company's guidance of a "mid-single-digit growth". As for the profitability however, in light of this unexpected conservative margin target for 2016 (-100/-150bp decline), we decrease our FY16-17 NIFO assumptions by approx. 9%, representing a margin decline of 100bp to 18.3% for 2016 (vs. 20.3% prior to the yesterday's publication). For 2017, we believe the group should be able to expand its profitability by 40bp to 18.7% (vs. 20.5% previously) as some brand support and other investments carried out in 2016 might be leveraged in 2017.

(To be continued next page)

VALUATION

- The 8% fall in the share price yesterday was explained by the very conservative margin guidance for 2016. This correction reflects fairly our ~9% downward revision to our FY16-17 NIFO assumptions, leading to our new FV of EUR122 vs. EUR130.
- The stock now trades at 13.6x 2016e EV/EBIT, representing a 34% premium to its 2004-16 historical average. Neutral recommendation reiterated.

NEXT CATALYSTS

- Q1 16 Results on 27th April 2016 // AGM on 18th May 2016.

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TMT

Capgemini

Price EUR72.65

FY15 results above expectations, cautious guidance, acquisition of Fahrenheit 212

Fair Value EUR96 (+32%) **BUY**

Bloomberg	CAP FP
Reuters	CAPP.PA
12-month High / Low (EUR)	90.2 / 64.8
Market Cap (EUR)	12,509
Ev (BG Estimates) (EUR)	14,107
Avg. 6m daily volume (000)	671.1
3y EPS CAGR	13.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.6%	-13.5%	-15.4%	-15.1%
Softw.& Comp.	-1.5%	-7.6%	0.6%	-8.4%
DJ Stoxx 600	-0.3%	-13.5%	-15.1%	-10.1%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	10,573	11,966	13,056	13,505
% change		*13.2%*	*9.1%*	*3.4%*
EBITDA	1,224	1,493	1,734	1,881
EBIT	853.0	1,054	1,229	1,386
% change		*23.6%*	*16.5%*	*12.8%*
Net income	672.5	786.6	954.0	1,057
% change		*17.0%*	*21.3%*	*10.8%*

	2014	2015e	2016e	2017e
Operating margin	9.2	10.3	11.2	11.9
Net margin	5.5	9.7	5.8	6.4
ROE	11.4	17.5	10.6	11.2
ROCE	19.2	18.4	13.7	15.5
Gearing	-23.9	24.1	12.2	-0.1

(EUR)	2014	2015e	2016e	2017e
EPS	4.16	4.58	5.52	6.07
% change	-	*10.2%*	*20.4%*	*10.0%*
P/E	17.5x	15.8x	13.2x	12.0x
FCF yield (%)	5.6%	5.2%	7.0%	8.2%
Dividends (EUR)	1.20	1.40	1.50	1.60
Div yield (%)	1.7%	1.9%	2.1%	2.2%
EV/Sales	1.1x	1.2x	1.0x	0.9x
EV/EBITDA	9.2x	9.4x	7.7x	6.6x
EV/EBIT	11.6x	11.4x	9.2x	7.8x

This morning Capgemini reported FY15 results and organic free cash flow above expectations. FY16 guidance is cautious, with +7.5%/+9.5% revenue growth at cc (+5.5%/+7.5% incl. fx) and an op. margin of 11.1-11.3%. The management has decided to increase the dividend to EUR1.35/share from EUR1.20 a year ago and launch a multi-year EUR600m share buy-back programme (o/w EUR150m allocated for 2016). Finally, it announced the acquisition of Fahrenheit 212 in Digital in North America. As such we deem the share price will not react positively on the back of this news.

ANALYSIS

- **FY15 results and organic free cash flow above expectations**. FY15 sales were up 12.7% (+1% lfl) to EUR11,915m (BG est.: EUR11,966m or +1.2% lfl, consensus: EUR11,916m or +1.3% lfl, company guidance: above +12%), operating margin was up 30.1% to EUR1,262m (10.6% of sales, +1.4ppt) or 2% above our ests. (EUR1,233m or 10.3%), 3% ahead of the consensus average (EUR1,228m or 10.3%), and 0.3ppt above company guidance (10.3%). EBIT was up 20% to EUR1,022m (BG est.: EUR1,054m; consensus: EUR1,056m) after EUR240m non-recurring costs (BG est.: EUR179m), while net profit was up 94% to EUR1,124m (BG est.: EUR1,161m) - taking into account a EUR476m non-cash profit from the reappraisal of deferred tax assets in the US. In Q4 15, sales were up 0.1% lfl to EUR3,271m. Organic free cash flow was way above expectations at EUR815m (+22%), while company guidance was "above EUR600m" (BG est.: EUR657m; consensus: EUR656m).
- **FY15 details. By service line**: 1). Application Services: sales +6.3% lfl, op. margin 11.9% (+1.3ppt); 2). Other Managed Services: sales -10.9% lfl, op. margin 9.6% (+0.8ppt); 3). Sogeti: sales +0.3% lfl, op. margin 11.6% (+1.7ppt); 4). Consulting: sales +5.8% lfl, op. margin 9.1% (+0.9ppt). **By geography**: 1). France: sales +1.2% lfl, op. margin 8.1% (-0.3ppt); 2). UK: sales -13.9% lfl, op. margin 13.4% (+2.1ppt); 3). North America: sales +7.8% lfl, op. margin 14.9% (+2.3ppt); 4). Benelux: sales +0.1% lfl, op. margin 11.2% (+0.7ppt); 5). Rest of Europe: sales +7.4% lfl, op. margin 9.6% (+1ppt); 6). APAC & LatAm: sales +6.5% lfl, op. margin 4.2% (-1.9ppt).
- **Acquisition of Fahrenheit 212**. Capgemini also announced the acquisition of Fahenheit 212, an innovation strategy and design firm based in New York and London. This deal will augment the capabilities of Capgemini Consulting to provide new innovation, business transformation and digital customer experience solutions. This is a 'bolt-on' acquisition is in line with Capgemini's digital innovation growth strategy.
- **Cautious FY16 guidance**. For FY16, taking into account a 2ppt fx headwind, the management expects 7.5-9.5% revenue growth at cc - i.e. 5.5-7.5% at current fx (BG est: +9.1% or +4% lfl; consensus: +9.4% or +4.1% lfl) and an op. margin of 11.1-11.3% (BG est.: 11.2%; consensus: 11.1%). Organic free cash flow is expected to be above EUR850m, vs. our EUR892m estimate and the EUR876m consensus. Q4 15 bookings amount to EUR3,734m, up 7.5% on a year-on-year basis (book-to-bill: x, with x for FY15). The utilisation rate was up 3ppt in Application Services (85%), up 2ppt at Sogeti (84%) and up 1ppt in Consulting (70%). Finally, Capgemini's offshore staff now represents 54% of the total headcount.

VALUATION

- Capgemini's shares are trading at est. 9.2x 2016 and 7.8x 2017 EV/EBIT multiples.
- Net debt on 31st December 2015 was EUR1,767m (net gearing: 26%).

NEXT CATALYSTS

Conference call today at 8.30am CET / 7.30am BST / 2.30am EDT (France: +33 1 70 77 09 37; UK: +44 20 71 07 16 13; USA: +1 866 907 59 28).

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Utilities

Engie

Price EUR14.10

2015 earnings preview

Fair Value EUR19 (+35%) **BUY**

Bloomberg	GSZ FP
Reuters	GSZ.PA
12-month High / Low (EUR)	19.9 / 13.1
Market Cap (EURm)	34,338
Ev (BG Estimates) (EURm)	76,633
Avg. 6m daily volume (000)	6 322
3y EPS CAGR	5.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.4%	-14.4%	-18.8%	-13.6%
Utilities	-1.6%	-10.6%	-13.0%	-8.2%
DJ Stoxx 600	-0.3%	-13.5%	-15.1%	-10.1%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	74,686	80,241	80,118	80,047
% change		*7.4%*	*-0.2%*	*-0.1%*
EBITDA	12,358	11,395	11,717	11,824
EBIT	6,574	6,420	6,603	6,553
% change		*-2.3%*	*2.8%*	*-0.8%*
Net income	2,728	2,481	2,650	2,741
% change		*-9.1%*	*6.8%*	*3.4%*

	2014	2015e	2016e	2017e
Operating margin	8.8	8.0	8.2	8.2
Net margin	3.7	3.1	3.3	3.4
ROE	4.9	4.5	4.8	4.9
ROCE	4.5	4.1	4.1	4.0
Gearing	53.2	55.4	58.3	60.8

(EUR)	2014	2015e	2016e	2017e
EPS	0.94	0.99	1.06	1.10
% change	-	*5.2%*	*7.2%*	*3.6%*
P/E	15.0x	14.2x	13.3x	12.8x
FCF yield (%)	8.9%	4.3%	3.5%	4.1%
Dividends (EUR)	1.00	1.00	1.00	1.00
Div yield (%)	7.1%	7.1%	7.1%	7.1%
EV/Sales	1.2x	1.0x	1.1x	1.1x
EV/EBITDA	7.0x	6.7x	7.3x	7.3x
EV/EBIT	13.1x	11.9x	12.9x	13.2x

Like other French utilities, Engie is set to post its 2015 earnings next week (25th February morning). 2015 operating metrics will, as expected, be impacted by lower European power prices and lower brent prices. Important impairments (below EUR10bn) are set to be booked, yet contrary to RWE, we do not see the EUR1/share dividend payment at risk. We do not expect bullish guidance for 2016.

ANALYSIS

- **Our earnings expectations for 2015?** We anticipate Engie will post 2015 EBITDA just below its **EUR11.45-12.05bn guidance**, when integrating the negative weather effect (*less positive than expected compared with last year*). Our EBITDA estimate stands at **EUR11.39bn**, reflecting a **7.8%** YoY decline compared with last year. Most of the earnigns deterioration is set to come from **Energy Europe** (*EBITDA down 7.6% to EUR1.9bn*) and most importantly to **Global Gas & LNG business unit** (*EBITDA down 30% to EUR1.48bn*) due to the strong drop in Brent & gas prices, and to the crisis affecting Engie LNG business. Our EBIT for 2015 stands at EUR6.42bn (we do not integrate at this level the impairments) while our NRI (Engie new definition) estimates stands **at EUR2.48bn** (*again, without integration the EUR5-10bn impairments the group is set to book in its 2015 accounts*). It is important to notice the group did change its NRI definition and now integrates the Belgium nuclear tax. This **EUR2.48bn** NRI needs to be compared with 2014 results (adjusted with new definition) of **EUR2.73bn**. Group's net debt is set to slightly increase compared with last year, by **EUR1.1bn** to **EUR28.6bn**, leading to a net debt/EBITDA ratio of **2.5x** in line with group's upper range guidance.
- **What to expect beyond 2015?** We do not anticpate bullish guidance for 2016 as the group will continue to suffer from the lowering of European power prices (*despite being protected by its hedging policy*) and from the uncertainties on LNG business. Energy Europe business unit will be positively impacted by the restart of D3/T2 Belgian nuclear reactors, as well as by new restructuring efforts. All in all, we expect group's EBITDA to grow by **2.8% to EUR11.7bn** with most of the earnings growth being driven by **Energy Europe business** unit (*+19% to EUR2.29bn*) and by **Energy Services** *(+5% to EUR1.28bn*). We continue to expect a negative earnings growth contribution from Global Gas & LNG business *(-12% to EUR1.3bn*). **We anticipate Engie will unveil an EBITDA guidance at EUR11.5-11.9bn for 2016**. As for the EBIT we forecast a >2% growth, while on the NRI we anticipate a **7.2% growth**, which will not lead to a dividend growth as we still anticipate the distribution of a EUR1/share dividend.
- **What to expect from management during this publication?** We expect from the management more clarification on **1/**its 2016-18 new Perform Plan contribution. Rumors in the press are speaking of a **EUR2.8bn** amount for the period, without mentioning if it's a gross or net EBITDA impact target. We hope also to get more information on both origin of this new costs reduction and its destination (*by business unit*). **2/** We expect the group will clarify its position on Suez, and on potential other acquisitions it could made to reduce its direct exposure to merchant activities. **3/** More details also on the disposals program as well as the capex program will be well appreciated.
- **Conclusion**: Compared with other European integrated utilities, Engie is set to post a relatively good operating performance, especially as the group suffered from brent prices decline and from LNG disruption. As for 2016, most of the earnings growth is set to come from restructuring and from restart of nuclear facilities. We only anticipate "real" EBITDA growth in 2017. 2015 metrics will be released Tursday 25th before market opening (FR : +33 (0)1 76 77 22 24).

VALUATION

- At current share price the stock is trading at 7.3x its 2016e EBITDA while offering a 7.1% yield
- Buy, FV @ EUR19

NEXT CATALYSTS

- February 25th 2016: 2015 earnings publication

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Insurance

Euler Hermes

Price EUR74.19

Bloomberg	ELE FP
Reuters	ELER.PA
12-month High / Low (EUR)	105.2 / 70.7
Market Cap (EUR)	3,364
Emb. Value (BG Est.) (EUR)	2,482
Avg. 6m daily volume ('000)	12.80
3y EPS CAGR	4.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-10.0%	-11.8%	-20.0%	-16.3%
Insurance	-7.1%	-17.1%	-15.7%	-16.0%
DJ Stoxx 600	-0.3%	-13.5%	-15.1%	-10.1%

(EURm)	2015	2016e	2017e
Total gross prem.	2,372	2,449	2,528
% change		*3.2%*	*3.2%*
Insurance op. profit	386	391	425
Total operating profit	378	383	417
Underlying PTP	427.7	422.3	456.9
% change		*-1.3%*	*8.2%*
Net attributable profit	*302.5*	*297.8*	*322.0*
% Change		*-1.5%*	*8.1%*

(EURm)	2015	2016e	2017e
Shareholders' equity	2,715	2,822	2,965
Technical reserves :			
-Life net (excl. UL)	NM	NM	NM
-UL contracts	NM	NM	NM
-P&C net	2,388	2,507	2,632
NAV net of intangibles	2,482	2,588	2,731
Embedded value	2,482	2,588	2,731

(EUR)	2015	2016e	2017e
EPS (€)	6.86	6.95	7.76
% change	-	*1.3%*	*11.6%*
P/E	10.8x	10.7x	9.6x
P/NAV (%)	1.2x	1.2x	1.1x
ROE	NM	NM	NM
Dividends	4.4	4.4	4.5
Div yield (%)	5.9%	5.9%	6.1%

Sometimes things go the wrong way...

Fair Value EUR100 vs. EUR103 (+35%) **BUY**

Q4 underwriting performance (down 32% yoy) has been penalized by a major claim in Spain. Excluding this item, the profitability remains very satisfactory despite the more challenging macro environment. Yet we have slightly adjusted downwards (2%) our 2016-2017 numbers and our new fair value is EUR100. The solvency 2 margin stands at 173% (vs. 190-200% expected) as the regulator has asked for some buffer. This is bad news in the short term, as it leaves no room for a special shareholder return. Longer term, this buffer might vanish, and the company might use some leverage to get more excess capital. We stick to our Buy rating, considering the quality of the fundamentals compared to Coface (including the quality of the solvency margin).

ANALYSIS

- FY 2015 net income was EUR302m, stable vs. 2014. The underwriting result was down 14% to EUR301m (combined ratio at 80.1% vs. 75.4%, driven by a more challenging macro environment).
- Q4 2015 net income was EUR76m, up 9% yoy, driven by investment income (capital gains) and a lower tax rate. The underwriting result was down 32% yoy to EUR54m, with the combined ratio deteriorating from 77.5% to 85.6%, mainly driven by one major claim in Spain. Excluding this item, the Q4 combined ratio would have been in the 77-78% area, i.e. in line with 9M figures.
- We have marginally adjusted downwards our 2016-2017 numbers (-2% on average) to take into consideration the further deterioration of the macro environment (combined ratio expected at 81% in 2016 and 79% in 2017). Our FV is also revised downwards to EUR100 (vs. EUR103).
- The regulator has approved company's solvency internal model. Yet it has asked for a specific buffer, which translates into a Solvency II margin 30 points below previous economic solvency: the end-2015 solvency 2 margin is 173% vs. 203% for the end-2014 economic solvency. The satisfactory points are the following: i/ the 'capital requirement' / 'net turnover' ratio is 74%, which compares very favourably to the 109% ratio at Coface (using the standard formula), meaning the Euler Hermes' solvency model is much less capital intensive than that of Coface; ii/ this 173% solvency margin is based on pure shareholder equity (99.7% pure in fact), i.e. without the help of any eligible debt, whereas 21% of Coface's available capital relies on hybrid debt.
- But there is a dark side to this 173% solvency margin: it leaves no room in the short term for a special shareholder return, considering the company does not want to go below the 160% mark. So bottom line, the company intends to pay a EUR4.4 regular dividend, which offers a 64% pay-out ratio and a nice 5.9% yield. But we were expecting more… Could this buffer be removed at some point in time? Yes (at least partially). Could the company issue some debt (remember: leverage is currently close to 0) and leverage the business a little to improve the ROE (11.4% without any leverage!) and get more excess capital? Yes. But we doubt any of this potential good news for shareholders will materialize in the near future. Once again, a 5.9% yield is not bad, but we were expecting more!

VALUATION

- Based on our new 2016 numbers, our valuation for the company is EUR100.

NEXT CATALYSTS

- Q1 2016 numbers on 29th April 2016. AGM to follow on 25th May 2016.

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Healthcare

Genmab

Price DKK717.00

FY2015 results in line with expectations. Darzalex set to be a fast-rising star

Fair Value DKK1,170 (+63%) **BUY-Top Picks**

Bloomberg	GEN DC
Reuters	GEN.CO
12-month High / Low (DKK)	954.0 / 466.2
Market Cap (DKKm)	42,534
Ev (BG Estimates) (DKKm)	39,153
Avg. 6m daily volume (000)	379.8
3y EPS CAGR	-12.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-12.5%	-13.4%	13.9%	-21.9%
Healthcare	-3.3%	-13.1%	-16.3%	-12.0%
DJ Stoxx 600	-0.3%	-13.5%	-15.1%	-10.1%

YEnd Dec. (DKKm)	2015	2016e	2017e	2018e
Sales	1,133	866.7	906.4	1,306
% change		*-23.5%*	*4.6%*	*44.1%*
EBITDA	554	50.1	2.7	351
EBIT	730.4	50.1	2.7	351.2
% change		*-93.1%*	*-94.5%*	
Net income	587.3	85.1	42.7	396.2
% change		*-85.5%*	*-49.8%*	

	2015	2016e	2017e	2018e
Operating margin	64.5	5.8	0.3	26.9
Net margin	67.4	9.8	4.7	30.3
ROE	21.9	2.4	1.2	9.9
ROCE	-15,400	44.2	11.1	69.2
Gearing	-100.2	-94.6	-89.4	-85.8

(DKK)	2015	2016e	2017e	2018e
EPS	9.71	1.41	0.71	6.55
% change	-	*-85.5%*	*-49.8%*	
P/E	73.8x	NS	NS	NS
FCF yield (%)	0.4%	0.1%	0.2%	NM
Dividends (DKK)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	34.5x	45.2x	43.4x	29.9x
EV/EBITDA	70.5x	780.7x	14298.8x	111.3x
EV/EBIT	53.5x	780.7x	14298.8x	111.3x

FY 15 results are in line with the consensus' expectations, but above ours. But more importantly, the financial guidance regarding Darzalex (daratumumab) is very encouraging as 1/ Darzalex royalties of DKK200-250m based on an estimated USD250-300m of sales in 2016 (vs BG: USD75m and Bloomberg consensus: USD115m); and 2/ the company is anticipating DKK400m of milestones payments, and we understand this figure assumes positive results from the POLLUX and CASTOR studies). Besides, the recent fall in the stock price has opened a window of opportunity as 1/ current levels are even below those we have seen before daratumumab's first approval; 2/ based upon our SOTP valuation, the street nearly gives no value to daratumumab as a first and second-line treatment for patients with multiple myeloma (these account for about DKK500 of our FV). BUY reiterated with a FV of DKK1,170.

ANALYSIS

- **The non-adjusted net income stood at DKK763.6m** (BG: DKK364m and consensus: DKK741.2m), which is in line with the consensus expectations, but above ours… knowing that we only had DKK340m of milestones payments associated with daratumumab (vs DKK587m being actually received). Cash & cash equivalents stood at DKK3,493m at the end of the year, which is also a bit above with the previous guidance (DKK3,000-3,100m, BG: DKK3,066m).
- **Importantly, the financial guidance for FY16 exceed our hopes when it comes to Darzalex (daratumumab)**, we understand the company is anticipating 1/ DKK400m of milestones payments (and we understand this figure assumes positive results from the POLLUX and CASTOR studies); 2/ DKK200-250m of royalties based on an estimated USD250-300m of sales in 2016 (vs BG: USD75m, Bloomberg consensus: USD115m). Remember that the compound is approved for highly refractory patients for whom there is currently no decent alternatives. Plus, YTD prescriptions are apparently pointing out a strong uptake, and we cannot rule out its off-label use… As this looks quite realistic to our eyes, **we have increased our top line estimates for the first two years of commercialization** (while maintaining our EUR5.5Bn peak sales) to EUR219m and EUR443m (vs EUR75m and EUR240m previously).
- More globally speaking the company notably expects 1/ its revenues to be in the DKK825-875m range (vs BG: DKK685m previously), while 2/ its operating income would be around DKK25-75m (vs BG: DKK8m previously). Importantly, while the top line should decrease, we think the "quality" of the revenues are improving as 1/ there are less non-cash items (notably deferred revenues), 2/ royalties and milestones payments from darzalex are becoming the major drivers. Apart from that, OPEX should strongly increase as more and more early-stage projects are advancing.

(in DKKm)	Previous guidance	Actual 2015 result	2016 guidance
Revenue	1,025-1,100	1,133	825-875
Operating expenses	550-600	579	775-825
Reversal of GSK liability	175	176	0
Operating income	625-700	730	25-75
Cash position at end of year	3,000-3,100	3,493	3,300-3,400

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

VALUATION

- **BUY rating reiterated with a FV of DKK1,170**.
- To our eyes, the recent fall in the stock price has opened a window of opportunity as 1/ current levels are even below those we have seen before daratumumab's first approval; 2/ **based upon our SOTP valuation, the street gives nearly no value to daratumumab as a first and second-line treatment for patients with multiple myeloma** (these accounting for roughly DKK500 of our FV). In other words, the risk-reward profile is very attractive and should allow us to play serenely the upcoming publication of Phase III results.

(to be continued next page)

NEXT CATALYSTS

- Q2 16: Phase III results for daratumumab (anti-CD38) for the treatment of MM patients who received ≥ 1 prior line of therapy.
- Q2 16 or Q3 16: Read-across from the approval of Roche's ocrelizumab (anti-CD20) in multiple sclerosis.
- 2016: collaboration agreement between JNJ and another big pharma to evaluate daratumumab in combination with a PD-1/PD-L1 checkpoint blocker.

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Healthcare

Ipsen

Price EUR49.85

What if changes are more profound than they appear?

Fair Value EUR63 (+26%) **BUY**

Bloomberg	IPN FP
Reuters	IPN.PA
12-month High / Low (EUR)	62.0 / 43.4
Market Cap (EUR)	4,150
Ev (BG Estimates) (EUR)	4,067
Avg. 6m daily volume (000)	71.20
3y EPS CAGR	18.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.8%	-16.9%	-15.5%	-18.3%
Healthcare	-3.3%	-13.1%	-16.3%	-12.0%
DJ Stoxx 600	-0.3%	-13.5%	-15.1%	-10.1%

YEnd Dec. (€m)	2014	2015e	2016e	2017e
Sales	1,275	1,430	1,533	1,650
% change		*12.1%*	*7.2%*	*7.7%*
EBITDA	311	395	440	502
EBIT	260.5	334.6	375.8	432.8
% change		*28.4%*	*12.3%*	*15.2%*
Net income	182.5	215.9	255.8	303.7
% change		*18.3%*	*18.5%*	*18.7%*

	2014	2015e	2016e	2017e
Operating margin	20.4	23.4	24.5	26.2
Net margin	11.6	14.6	16.6	18.3
ROE	14.5	18.5	19.9	20.8
ROCE	18.5	22.5	24.5	27.3
Gearing	NM	NM	NM	NM

(€)	2014	2015e	2016e	2017e
EPS	2.22	2.63	3.12	3.70
% change	-	*18.6%*	*18.5%*	*18.7%*
P/E	22.5x	18.9x	16.0x	13.5x
FCF yield (%)	4.8%	4.5%	6.2%	7.3%
Dividends (€)	0.85	0.90	1.00	1.10
Div yield (%)	1.7%	1.8%	2.0%	2.2%
EV/Sales	3.2x	2.8x	2.6x	2.4x
EV/EBITDA	13.1x	10.3x	9.1x	7.8x
EV/EBIT	15.7x	12.2x	10.7x	9.0x

Our objective with this short note is to share our understanding of the situation. Briefly, we would say that the position of chairman Marc de Garidel looks uncertain and this overhang may be a drag on the stock's performance. That said, at the current level, we keep our BUY rating.

ANALYSIS

- We return to the topic of Corporate Governance changes at Ipsen because we would like to be sure that we have an accurate view and analysis of the current situation.
- From Ipsen's press release issued on Monday, there is one part that is easy to read: the departure of deputy CEO Christel Bories, who various sources say was difficult to work with. Not only did she not come from the industry and so had not the right profile for the job, but she was also criticised by many within the company for the way she managed and interacted with people.
- Similarly, separating the chairman and CEO functions looks very much like a good decision for best practice in terms of corporate governance. And the time may have come to make some changes now that underlying business is in a much better shape.
- What is much less clear, however, is the role that Marc de Garidel is supposed to play. The question is whether he has been involved in the decision and is fully happy with it. We understand that the departure of Christel Bories should be a relief – and possibly even a victory of sorts. Similarly, we assume he could have been happy with the role of chairman once a new CEO is found. However, the wording of the press release looks strange when it comes to the functions of non-executive chairman for Marc de Garidel once the new CEO has been appointed. "Leading and animating the Board of Directors" or sharing "his deep understanding of the sector" does not sound like an exciting new role.
- And so the question is did Marc de Garidel agree to steer the boat single-handed until new CEO comes and then leave the company with all the credit for having driven and executed a full recovery and put Ipsen back on the right track? We think this is possible.
- But if so, the investment community faces a period of uncertainty until a new CEO and a new chairman have been found. And what guarantee do we have that the current strategy will be pursued? Reiterating 2020 guidance is not a tremenduous help when the market (and ourselves) expect Ipsen to achieve a 26% operating margin at least two years earlier ahead of schedule.

VALUATION

- Overall, we are in a very tricky situation because it is all about the interpretation of a press release. Depending on Marc de Garidel's future and what it says about the way the Board works, confidence in Ipsen's prospects may vary greatly.
- We are not suggesting that the company cannot thrive without Marc de Garidel, but he has been the main architect of the turnaround and a disagreement with the Board would raise a lot of questions – including if the incoming CEO has a clear mandate.
- So how comfortable are we with a BUY rating in this context? We are fairly evenly balanced, but we nevertheless opt for the *status quo* and we maintain our recommendation as: (i) the story of an underlying strong development of operations is intact and core EPS growth is expected to be 14% on average by 2020; (ii) Marc de Garidel will do the job until very last minute and nothing is likely to happen before late 2016; (iii) the valuation is attractive.

NEXT CATALYSTS

- 1 March 2016: FY results

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Food & Beverages

Nestlé

Price CHF74.10

Bloomberg	NESN VX
Reuters	NESZn.VX
12-month High / Low (CHF)	76.8 / 67.5
Market Cap (CHF)	236,260
Ev (BG Estimates) (CHF)	252,629
Avg. 6m daily volume (000)	6 214
3y EPS CAGR	2.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.7%	-1.4%	-1.2%	-0.6%
Food & Bev.	2.3%	-7.4%	-0.3%	-4.4%
DJ Stoxx 600	-0.3%	-13.5%	-15.1%	-10.1%

YEnd Dec. (CHFm)	2014	2015e	2016e	2017e
Sales	91,612	90,038	90,695	95,109
% change		*-1.7%*	*0.7%*	*4.9%*
EBITDA	17,874	17,670	18,025	19,185
EBIT	14,019	13,917	14,356	15,298
% change		*-0.7%*	*3.2%*	*6.6%*
Net income	10,968	10,379	10,694	11,510
% change		*-5.4%*	*3.0%*	*7.6%*

	2014	2015e	2016e	2017e
Operating margin	15.3	15.5	15.8	16.1
Net margin	12.0	11.5	11.8	12.1
ROE	15.6	14.5	14.7	15.7
ROCE	12.1	12.0	12.4	13.5
Gearing	0.7	0.9	0.8	0.6

(CHF)	2014	2015e	2016e	2017e
EPS	3.43	3.31	3.43	3.69
% change	*-*	*-3.6%*	*3.6%*	*7.6%*
P/E	21.6x	22.4x	21.6x	20.1x
FCF yield (%)	4.3%	4.0%	4.2%	4.3%
Dividends (CHF)	2.20	2.25	2.30	2.35
Div yield (%)	3.0%	3.0%	3.1%	3.2%
EV/Sales	2.7x	2.8x	2.8x	2.6x
EV/EBITDA	13.9x	14.3x	13.9x	12.9x
EV/EBIT	17.7x	18.2x	17.4x	16.2x

No buyback and no return to the Nestlé's model

Fair Value CHF76 (+3%) **NEUTRAL**

Q4 2015 sales came out 4% below consensus due to FX. Organic sales growth was just in line at +4.2%, implying a slight improvement vs Q3 (+3.7%) as a number of negative one-offs decreased. The full year EBIT margin stood at 15.1%, down 20bps YoY while the market was expecting a 10bps increase. A greater cause for concern is the guidance of organic sales growth in line with 2015 (ie +4.2%), which means no return to the Nestlé's model (5-6% organic sales growth). It could disappoint the market as well as the lack of the announcement of a share buyback program.

ANALYSIS

· Q4 2015 sales amounted to CHF23,922m (consensus: CHF24,807m and our estimate: CHF: CHF25,040m), down 5.8% due to FX headwinds of 9.2%. **The organic sales growth in Q4 stood at +4.2% (% RIG: +2.2%; % pricing: +2%), accelerating vs Q3 (+3.7%) as a number of negative one-offs decreased,** especially the impact of the false health scare in India and the change in the prescription drug rebate policy in the US. **Over the year, organic sales grew 4.2%, in line with the consensus but below the company guidance of organic sales growth of around 4.5%.** The 2015 EBIT margin was disappointing, down 20bps to 15.1% (consensus: 15.4% and our estimate: 15.5%) because of the strong Swiss franc. In constant currencies, it only rose 10bps, penalized by the impact of Maggi noodles in India and some investments. Underlying EPS fell 3.8% reported, but rose 6.5% ex-FX.

· **The improvement in Q4 vs Q3 was driven by Zone AOA and Other Businesses. The details by division are provided below:**

ü **Zone Americas** (29% of group's sales): Organic sales rose 4.8% in Q4, decelerating vs Q3 (+6.9%). The group confirmed the recovery of the frozen food business in the US. In LATAM, the very volatile environment is impacting the group's performance.

ü **Zone EMENA** (19% of group's sales): Sales grew 2.6% organically over the quarter, below the Q3 trend (+4.7%). In Western Europe, the group proved to be resilient, notably thanks to Nescafé Dolce Gusto and petcare. The trend in Central and Eastern Europe remained solid, even in Russia which registered positive growth.

ü **Zone AOA** (16% of group's sales): The region returned into positive territory in Q4, with organic sales up 3.2% after -3% in Q3 (-0.5% in 9M). India improved over the quarter as the group was allowed to resume sales of Maggi noodles in early November following a health scare that started in Q2. The situation in China was reported to improve at the end of the year as the group invested in Nescafé soluble coffee and Nescafé ready to drink.

ü **Other Businesses** (16% of group's sales): Q4 organic sales increased 4.9%, which is a strong improvement vs the last quarter (+1.2%) which was impacted by a negative one off related to a change in the prescription drug rebate policy in the US.

ü **Nestlé Nutrition** (12% of group's sales): This division posted 2.2% organic sales growth, negatively affected by tough comps and soft pricing. This is globally in line with Q3 (+2.4%) and remains well below the 2014 trend (+7.7%).

ü **Nestlé Waters** (9% of group's sales): Sales were up 6.4% organically in Q4 following a 9.6% growth in Q3 which benefitted from exceptional weather conditions.

· **The group aims to achieve organic growth in 2016 in line with 2015.** This means that 2016 would be the fourth consecutive year when the "Nestlé model" (5-6% organic sales growth) is missed. **This is slightly below our estimate (+4.5%) and could be disappointing for the market.** Besides, **Nestlé has not announced a share buyback program**, contrary to market expectations. It has announced a dividend of CHF2.25 (free cash flow yield: +3%), up 2.5% over the year. **A negative share price reaction today is likely.**

VALUATION

· We maintain our estimates before the conference call at 8.30am CET. Our DCF points to a Fair Value of CHF76. At yesterday's share price, the stock is trading at 21.6x P/E 2016e and 20.1x P/E 2017e, 6% and 7% above the peers' average.

NEXT CATALYSTS

· Annual general meeting on April 7th / Q1 2016 sales on April 14th

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Utilities

RWE

Price EUR10.34

Balance sheet protection, at all cost

Fair Value EUR9,8 (-5%) **NEUTRAL**

Bloomberg	RWE GR
Reuters	RWEG.DE
12-month High / Low (EUR)	25.1 / 9.2
Market Cap (EURm)	6,269
Ev (BG Estimates) (EURm)	42,518
Avg. 6m daily volume (000)	6 520
3y EPS CAGR	-11.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.5%	-9.3%	-36.6%	-11.7%
Utilities	-1.6%	-10.6%	-13.0%	-8.2%
DJ Stoxx 600	-0.3%	-13.5%	-15.1%	-10.1%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	48,468	48,194	48,267	48,345
% change		*-0.6%*	*0.2%*	*0.2%*
EBITDA	7,131	6,191	5,558	5,669
EBIT	4,017	3,700	3,099	3,221
% change		*-7.9%*	*-16.2%*	*3.9%*
Net income	1,282	957.4	830.0	903.9
% change		*-25.3%*	*-13.3%*	*8.9%*

	2014	2015e	2016e	2017e
Operating margin	8.3	7.7	6.4	6.7
Net margin	2.6	2.0	1.7	1.9
ROE	10.9	7.4	6.7	7.6
ROCE	6.6	6.1	5.3	5.5
Gearing	93.3	52.1	55.4	55.3

(EUR)	2014	2015e	2016e	2017e
EPS	2.09	1.56	1.35	1.47
% change	-	*-25.3%*	*-13.3%*	*8.9%*
P/E	5.0x	6.6x	7.7x	7.0x
FCF yield (%)	49.2%	31.6%	14.6%	18.8%
Dividends (EUR)	1.00	0.62	0.54	0.59
Div yield (%)	9.7%	6.0%	5.2%	5.7%
EV/Sales	1.2x	0.9x	0.9x	0.9x
EV/EBITDA	8.1x	6.9x	7.7x	7.6x
EV/EBIT	14.4x	11.5x	13.9x	13.4x

RWE, in a press release, unveiled its preliminary 2015 earnings yesterday, ahead of its traditional 2015 earnings publication (*March 8th 2016*). Important element to retain is the suspension of the dividend payment to holders of common shares for fiscal 2015, while we anticipated the payment of a EUR1/share (*consensus was at EUR0.6/share*). The lack of visibility on the European energy sector, combined with the current political risks explain this decision. Negative.

ANALYSIS

- **Main 2015 metrics:** Despite this negative surprise, RWE posted 2015 operating performance in line with expectations, with **EBIT at EUR3.8bn** (*BG at EUR3.7bn, and consensus at EUR3.6bn*) and in line with group's 2015 targets. Adjusted net income came out at EUR1.1bn in line with consensus (*EUR1.16bn*) but ahead with our EUR961m estimate. Like other European integrated utilities, RWE suffered in 2015 from massive deterioration of wholesale electricity prices in Germany and in UK. This caused RWE to recognise an impairment of **EUR2.1bn** for its German and UK power stations, which reduced the non-operating result. Moreover, a write-down of **EUR0.9bn** in deferred taxes had to be recognized in the P&L. Net debt dropped by one-fifth to **EUR25.1bn** (*BG at EUR23bn*). To face the massive market changes that negatively impacted its business model, RWE decided to upgrade its cost reduction program from **EUR2bn to EUR2.5bn** (*EBIT level*), but adding one additional year of costs reduction (*2018 vs. 2017 previously*). In our model we only assumed an additional annual costs reduction of EUR75m on EBIT level for 2018, implying potential upside on our 2018 EPS (*all things being equal*).

- **Outlook for 2016**: As for 2016, the group supplied the following targets: **1/** An EBITDA between **EUR5.2bn** and **EUR5.5bn.** We currently stands at **EUR5.5bn** as well as consensus. **2/** An EBIT between **EUR2.8bn and EUR3.1bn.** We currently stands at **EUR3.1bn,** while consensus is closer to **EUR3bn. 3/** An Adjusted Net income between **EUR0.5bn and EUR0.7bn.** We currently stands at **EUR0.8bn** while consensus is closer to **EUR0.7bn. 4/** Management still anticipates burdens in the UK supply business this year, as in 2015, despite its efforts to tackle the operating and technical problems in this business. **5/** Management also unveiled net debt and headcounts at the group level are unlikely to change significantly compared to 2015. All these indications imply a **potential negative adjustment from consensus on short term**.

- **Our view on this publication***:* 2015 operating performance is poor, as expected, with no real surprise on preliminary figures reported by the group. The 2016 outlook is more bearish than we and market initially thought, implying potential negative earnings adjustments to expect on short term (*minus 6-8% on EBIT level and minus 25% on adjusted net income level, assuming we stand at the middle range of group's guidance*). Most of the uncertainties are on linked to future dividend payment, following this announcement to suspend 2015 dividend to holders of common shares (*for owners of preferred shares, the proposed dividend corresponds to the preferred share of profits of EUR0.13 per share stipulated by the Articles of Association*). For 2016, we were assuming the payment of a **EUR0.5/share** dividend, while consensus was at **EUR0.56**. A suspension of 2016 dividend is clearly a risk. We hope to get more details in March.

- **Conclusion:** We **always preferred E.ON over RWE** to play the positive newsflow and the potential earnings recovery in German integrated utilities. This publication clearly confirms this view. This dividend suspension is clearly alarming, yet only reflects the lack of visibility of RWE and most importantly its lack of financial flexibility.

VALUATION

- At current share price the stock is trading at 7.7x its 2016e EBITDA & offers a 5.2% yield
- Neutral, FV @ EUR9.8

NEXT CATALYSTS

- March 8th, 2016: 2015 earnings presentation

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Hotels

AccorHotels

Price EUR34.46

Bloomberg	AC FP
Reuters	ACCP.PA
12-month High / Low (EUR)	51.3 / 30.0
Market Cap (EURm)	8,110
Avg. 6m daily volume (000)	1 425

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.3%	-14.7%	-23.2%	-13.9%
Travel&Leisure	0.0%	-7.1%	-5.9%	-10.1%
DJ Stoxx 600	-0.3%	-13.5%	-15.1%	-10.1%

	2014	2015e	2016e	2017e
P/E	20.6x	17.9x	20.3x	17.8x
Div yield (%)	2.8%	2.9%	3.2%	3.6%

FY results: Robust results in a challenging environment

Fair Value EUR48 (+39%) **BUY-Top Picks**

ANALYSIS

- **Strong results…:** Despite difficulties in France (29% of group offer) affected by terrorist attacks in January and November and challenging economic environment in Brazil (7%), results were pretty strong with **total revenue** up 2.3% on reported and 2.9% on lfl basis at EUR5,581m (BG & Co. at EUR5,670m and consensus at EUR5,663m) with **France** down 0.5% after -6.6% in Q4 (RevPAR down in Paris/Ile de France by 3.4% after -12.4% in Q4) and -3.7% in **Americas** (-7.5% in Q4 in Brazil). **EBIT** reached EUR665m (BG & Co. at EUR667m consensus at EUR657m) up 10.6% on reported and 3.5% lfl with an EBIT margin of 11.9%, up 0.9pt% (Management EBIT guidance, confirmed after 13th November terrorist attacks, was between EUR655m and EUR675m). Excluding the digital plan, EBIT margin should have reached 12.6%.
- **…and solid financial situation:** FFO amounted EUR816m (EUR791m anticipated) and the group is in a cash net position at EUR194m representing an improvement of over EUR350m vs. 2014. Cost of debt at 2.89% is historically low and the group had an unused EUR1.8bn credit line.
- No **2016 guidance**, as usual.

VALUATION

- At the current share price, the stock is trading at 2016e EV/EBITDA of 7.5x which compares with an average for European peers of 7.9x and 10.6x for US Hoteliers. Based on our FV, 2016e EV/EBITDA would stand at 10.5x and under our "Stress" scenario at 9.2x.
- Management will propose at the AGM the payment of a dividend of EUR1,0 per share as anticipated.

NEXT CATALYSTS

- FY 2015 results meeting at 8.30am
- Q1 2016 revenue on 19th April

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Healthcare

Fresenius Med. Care

Price EUR76.84

GranuFlo settlement with more colour on FY2015 numbers

Fair Value EUR97 (+26%) **BUY**

Bloomberg	FME GR
Reuters	FMEG.DE
12-month High / Low (EUR)	83.1 / 64.2
Market Cap (EURm)	24,040
Avg. 6m daily volume (000)	761.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.6%	-4.8%	4.9%	-1.1%
Healthcare	-3.3%	-13.1%	-16.3%	-12.0%
DJ Stoxx 600	-0.3%	-13.5%	-15.1%	-10.1%

	2014	2015e	2016e	2017e
P/E	24.8x	24.6x	21.0x	19.9x
Div yield (%)	1.1%	1.3%	1.4%	1.5%

ANALYSIS

- FMC announces that it has reached an agreement to resolve the GranuFlo litigation. Under the agreement, settlement would amount to USD250 of which USD220m should be funded by insurers. The remainder and its related costs should results in a pre-tax charge of USD60m for FMC, reflected in its 2015 numbers.
- As a reminder, GranuFlo is a dialysate solutions which is widely used in the US in chronic kidney disease patients. The product is manufactured by FMC. Due to its composition, the dose should be adjusted as per the patient and the product should be used in the appropriate setting. When not use as per the label the product might induce cardiac arrest. Following a FDA recall for the drug, a suit has been filed with plaintiffs invoking that FMC had knowledge of potential complications
- This settlement which should impact FY2015 numbers gives FMC the opportunity to provide more colour on its FY2015 numbers. Revenues for the year are expected to come at USD16.7bn (+5.4% reported), slightly below consensus estimates at USD16.8bn, albeit within the company's guidance of 5% to 7% growth on a reported basis. Although the company does not provide granularity as to profitability, it expect net income to growth by 2% exc. the USD60m GranuFlo impact. Reported net income should end the year showing a 2% decrease, leading to slight revisions ahead of FY2015 publication next week.
- With this charge now behind (easing basis comp) and turning to FY2016 as mentioned in our preview issued yesterday (please see here), we believe that 2016 guidance will be reiterated with topline growth expected in the 7%-10% range at cc and net income expected to growth in the 15-20% range. We only see significant M&A as a downside risk on guidance.

VALUATION

- We reiterate our BUY rating and EUR97 fair value.

NEXT CATALYSTS

- Feb. 24th: FY2015 results

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Healthcare

Innate Pharma

Price EUR11.48

Bloomberg	IPH FP
Reuters	IPH.PA
12-month High / Low (EUR)	16.4 / 8.0
Market Cap (EUR)	618
Avg. 6m daily volume (000)	424.9

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.4%	-17.5%	-14.1%	-15.2%
Healthcare	-3.3%	-13.1%	-16.3%	-12.0%
DJ Stoxx 600	-0.3%	-13.5%	-15.1%	-10.1%

	2014	2015e	2016e	2017e
P/E	NS	67.2x	6.9x	4.6x
Div yield (%)	NM	NM	NM	NM

FY 15 cash position in line with our estimates

Fair Value EUR19 (+66%) BUY

ANALYSIS

- **Cash and cash equivalents stood at EUR273.7m at the end of the year (vs BG: EUR263.4m)**, including an USD2560m upfront payment from AstraZeneca at the end of Q2 16. Operating expenses amounted to EUR35.9m on a full-year basis (vs BG: EUR32.6m), and unsurprisingly most of them were linked to R&D (EUR29.9m vs EUR22.7m a year ago).
- **No precise guidance was given for FY 16**. That said, we think the burn rate should increase (OPEX: EUR45.2m based upon our estimates) following the initiation of 5 Phase I/II trials evaluating monalizumab in different types of cancer and settings. As a reminder, the costs associated with lirilumab are fully supported by BMS as the latter got all rights on the compound; while IPH and AZN agreed to co-develop monalizumab and the associated biomarkers.

VALUATION

- **Buy reiterated with a FV of EUR19**. At current levels and based upon out SOTP, the street gives nearly no value to monalizumab (anti-NKG2A) whereas 1/ we believe it could become a major asset for AstraZeneca (differentiated mechanism of action for a checkpoint inhibitor, potential predictive marker of response with HLA-E, etc.); 2/ we think Celgene could reach a deal with AZN/IPH to develop this compound in haematological malignancies (notably in chronic lymphoid leukaemia and multiple myeloma).

NEXT CATALYSTS

- Q2 16: Phase II results for lirilumab (anti-KIR) as a monotherapy for the maintenance treatment of elderly patients with acute myeloid leukaemia (AML).
- Q2 16: Phase Ib results for lirilumab in combination with nivolumab in different solid tumours?

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Bryan Garnier stock rating system

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

Stock rating

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

Distribution of stock ratings

BUY ratings 63.4% NEUTRAL ratings 28.4% SELL ratings 8.2%

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