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23rd February 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	16620.66	+1.39%	-4.62%
S&P 500	1945.5	+1.45%	-4.82%
Nasdaq	4570.61	+1.47%	-8.72%
Nikkei	16052.05	-0.37%	-15.36%
Stoxx 600	331.818	+1.67%	-9.29%
CAC 40	4298.7	+1.79%	-7.30%
Oil /Gold			
Crude WTI	31.54	+5.91%	-15.22%
Gold (once)	1209.78	-1.81%	+13.87%
Currencies/Rates			
EUR/USD	1.10275	-0.71%	+1.51%
EUR/CHF	1.101	-0.02%	+1.25%
German 10 years	0.18	-11.80%	-71.70%
French 10 years	0.53	-5.28%	-45.93%

Economic releases :

Date	
23rd-Feb	DE - GDP 4Q (2.1% E) DE - IFO Expectations Feb. (101.6E) US - S&P caseshiller Composite 20 Dec. (5.8% E y/y) US - consumer confidence Feb. (97.3E) US - Existing Home Sales Jan. (-2.2%E m/m)

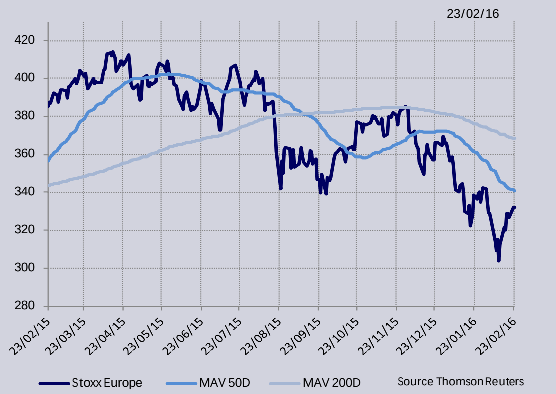
Upcoming BG events :

Date	
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)
8th-Apr	VINCI (BGLuxembourg roadshow with CFO)

Recent reports :

Date	
19th-Feb	CASINO With hindsight: a real Catch-22!
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

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



DANONE — BUY, Fair Value EUR74 (+21%)

More positives than negatives

The 2016 top line guidance is a slight disappointment. The group anticipates organic sales growth of 3-5% whereas the consensus was at 4-5% (and we expect 4.5%). However, this should not mask other positive news: 1/ stronger-than-expected bottom line guidance (solid vs slight), 2/ a beginning of a recovery in yoghurts (acceleration in organic sales growth and strong margin improvement) and 3/ a very good performance in Early Life Nutrition (+6% in Q4 vs consensus: +3.4%).

WIRECARD — BUY-Top Picks, Fair Value EUR52 (+22%)

First entry into the Americas via the acquisition of a Brazilian PSP

Wirecard has announced the acquisition of Brazilian online payment services provider Moip Pagamentos. This is WCD's first entry into the Americas. Although it may not be significant, this is a first step in the right direction (i.e. to reach broader markets in Latam). The group is now present in all continents in the world. We are maintaining our Buy rating and FV of EUR52 (Q1 Top Pick List).

INTEGRATED UTILITIES

E.ON/RWE: Nuclear commission proposes that firms transfer cash to pay for clean-ups by 2022

According to Reuters, which is sourcing its news from a draft report from a government-appointed committee, Germany's utilities (E.ON, RWE, EnBw & Vattenfall) will have to transfer provisions set aside to pay for the interim and final storage of nuclear waste to a fund, in cash, by 2022. The report also recommends that the four utilities remain liable for costs of up to double the EUR18bn allocated so far to pay for interim and final storage. The companies will also have to set aside a further EUR1.3bn in provisions, on top of the existing provisions dedicated to nuclear dismantling. An official report is to be published before the end of the month.

In brief...

BAYER, *What does Covestro say about 2016 exactly?*

INTERCONTINENTAL HOTELS, *FY 2015 results in line, with higher cash returns*

SWISS RE, *Solid numbers, although the reinsurance environment is challenging*

TEMENOS GROUP, *New banking facility of USD500m*

UBISOFT, *The Division's open beta outperformed that of Destiny*

Food & Beverages

Danone

Price EUR60.91

Bloomberg	BN FP
Reuters	DANO.PA
12-month High / Low (EUR)	67.5 / 53.1
Market Cap (EUR)	39,893
Ev (BG Estimates) (EUR)	46,906
Avg. 6m daily volume (000)	1 764
3y EPS CAGR	10.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.2%	-6.3%	7.6%	-2.2%
Food & Bev.	-1.5%	-8.8%	5.7%	-5.1%
DJ Stoxx 600	-1.9%	-13.1%	-8.2%	-9.3%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	21,144	22,430	23,157	24,529
% change		*6.1%*	*3.2%*	*5.9%*
EBIT	2,662	2,922	3,120	3,407
% change		*9.7%*	*6.8%*	*9.2%*
Net income	1,561	1,776	1,932	2,139
% change		*13.8%*	*8.8%*	*10.7%*

	2014	2015e	2016e	2017e
Operating margin	12.6	13.0	13.5	13.9
Net margin	7.4	7.9	8.3	8.7
ROE	9.6	11.1	15.8	16.3
ROCE	9.8	10.8	11.5	12.6
Gearing	66.1	55.9	50.2	42.2

(EUR)	2014	2015e	2016e	2017e
EPS	2.62	2.93	3.19	3.53
% change	-	*12.0%*	*8.8%*	*10.7%*
P/E	23.3x	20.8x	19.1x	17.2x
FCF yield (%)	3.9%	4.3%	4.7%	5.3%
Dividends (EUR)	1.50	1.68	1.83	2.02
Div yield (%)	2.5%	2.8%	3.0%	3.3%
EV/Sales	2.3x	2.1x	2.0x	1.9x
EV/EBIT	17.9x	16.1x	14.9x	13.4x

More positives than negatives

Fair Value EUR74 (+21%) **BUY**

The 2016 top line guidance is a slight disappointment. The group anticipates organic sales growth of 3-5% whereas the consensus was at 4-5% (and we expect 4.5%). However, this should not mask other positive news: 1/ stronger-than-expected bottom line guidance (solid vs slight), 2/ a beginning of a recovery in yoghurts (acceleration in organic sales growth and strong margin improvement) and 3/ a very good performance in Early Life Nutrition (+6% in Q4 vs consensus: +3.4%).

ANALYSIS

- Q4 sales rose 2.2% to EUR5,379m, globally in line with expectations (consensus: EUR5,317m and our estimate: EUR5,381m). Organic sales growth over the quarter stood at 3.6% (volumes: +1.3%), implying +4.4% in 2015, in the middle of the group's guidance range (between 4% and 5%). The deceleration in Q4 vs Q3 (+4.6%) was mainly due to the waters division. The good news was that yoghurts improved, up 2.6% organically in Q4 after +0.6% in Q3. The trading operating margin grew 32bps (+17bps in organic terms) to 12.91% (consensus: 12.9% and our estimate: 13%) benefitting from the low milk price environment and the group's initiatives, especially in the yoghurts division which posted a margin up 67 points to 9.95%, above expectations (our estimate: +9.7%). Underlying fully diluted EPS increased 11.8% to EUR2.93 (consensus: EUR2.89 and our estimate: EUR2.93).
- Details by division:
  - Yoghurts (49% of group sales): Q4 sales rose 2.6% (consensus: +2% and our estimate: +2.5%) thanks to a favourable basis of comparison in Europe (end of PRGM) and the category's return to growth in North America.
  - Early Life Nutrition (22% of group sales): sales rose 6%, well above consensus expectations (consensus: +3.4% and our estimate: +2%), despite a tough comparison base (+28.1% in Q4 2014).
  - Waters (22% of group sales): Unsurprisingly, the trend deteriorated sharply due to destocking of the mizone brand in China. Over the quarter, organic sales were up 1.9% (consensus: +3.9) vs +6.8% in Q3.
  - Medical nutrition (7% of group sales): Sales grew 6.8% in organic terms in Q4 (consensus: +7.7% and our estimate: +7%), in line with Q3 (+6.9%). This was driven by strong performances in all geographical areas, especially in ALMA and in Europe.
- Free cash flow excluding exceptional items rose 9.1% to EUR1,529m. Net debt increased EUR35m to EUR7,799. The group announced that it will propose a dividend of EUR1.60, up 6.6% YoY (dividend yield: 2.6%).
- Danone has released its guidance for 2016. The group said 1/ organic sales should increase by 3-5%, in line with our expectation (+4.5%) but with a wider range than was expected (4-5%) and 2/ trading operating margin should post a solid improvement (our estimate: +50bps to 13.5%) while a slight one was anticipated.

VALUATION

- At yesterday's share price, the stock is trading on 2016e and 2017e P/E of 19.1x and 17.2x, 6% and 9% below the peer average, respectively.

NEXT CATALYSTS

- Q1 2016 sales on 19th April
- Shareholders' meeting on 28th April

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TMT

Wirecard

Price EUR42.51

First entry into the Americas via the acquisition of a Brazilian PSP

Fair Value EUR52 (+22%) **BUY-Top Picks**

Bloomberg	WDI GR
Reuters	WDIG.DE
12-month High / Low (EUR)	47.4 / 34.4
Market Cap (EURm)	5,252
Ev (BG Estimates) (EURm)	4,850
Avg. 6m daily volume (000)	551.7
3y EPS CAGR	31.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.6%	-7.4%	9.0%	-8.6%
Softw.& Comp. SVS	-2.3%	-6.9%	2.7%	-6.9%
DJ Stoxx 600	-2.0%	-14.3%	-14.4%	-10.8%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	601.0	771.6	1,005	1,243
% change		*28.4%*	*30.3%*	*23.6%*
EBITDA	173	227	303	380
EBIT	150.4	198.7	267.8	336.7
% change		*32.1%*	*34.8%*	*25.7%*
Net income	123.0	160.7	224.2	284.5
% change		*30.7%*	*39.5%*	*26.9%*

	2014	2015e	2016e	2017e
Operating margin	25.0	25.8	26.6	27.1
Net margin	18.0	18.3	19.8	20.4
ROE	10.1	11.8	14.4	15.7
ROCE	27.6	21.7	24.7	27.3
Gearing	-55.6	-33.5	-31.6	-33.7

(EUR)	2014	2015e	2016e	2017e
EPS	1.01	1.30	1.81	2.30
% change	*-*	*28.8%*	*39.5%*	*26.9%*
P/E	42.1x	32.7x	23.4x	18.5x
FCF yield (%)	1.3%	1.4%	2.2%	3.2%
Dividends (EUR)	0.12	0.13	0.14	0.15
Div yield (%)	0.3%	0.3%	0.3%	0.4%
EV/Sales	7.7x	6.3x	4.8x	3.8x
EV/EBITDA	26.9x	21.3x	15.9x	12.4x
EV/EBIT	30.9x	24.4x	18.0x	14.0x

Wirecard has announced the acquisition of Brazilian online payment services provider Moip Pagamentos. This is WCD's first entry into the Americas. Although it may not be significant, this is a first step in the right direction (i.e. to reach broader markets in Latam). The group is now present in all continents in the world. We are maintaining our Buy rating and FV of EUR52 (Q1 Top Pick List).

FACTS

- **Wirecard has acquired 100% of shares in Brazilian company Moip Pagamentos** (based in Sao Paulo, employing more than 150 people and serving close to 100,000 customers in Brazil) from majority shareholder Ideiasnet (a venture capital fund) and a number of founders and managers who remain part of the management team. Over the past few years **this fast-growing Internet PSP** has developed a **leading payment platform for small and medium sized retailers** on Brazil, and is **positioned in marketplaces and companies with direct sales with its innovative end-to-end solutions** (automated on-boarding process, bundling of money flows from national acquiring networks, product portfolio featuring alternative payment processes). **Through this acquisition, Wirecard should: 1/** reach broader markets in Latam, **2/** benefit from a reinforced technological product offering, **3/** roll out its payment and issuing product lines in Latin America, and **4/** continue its global expansion (America was the only continent where it was not present).

- **In 2016e, consolidated revenues from Moip Pagamentos are expected to total EUR10m** (EUR300m in annual TPV i.e. a 3% fee; Ifl sales growth should be close to +25/+30% over the next few years) **with EBITDA of EUR2.2m** (margin of 22%, which should gradually reach WCD's level) **and one-off integration costs of 0.5m.** The transaction is to be **paid for in cash for EUR23.5m**, and **further earn-outs could amount to EUR13.5m** (depending on the overall financial performance of the acquired business in 2016-18e). **The price tag represents 16.8x EBITDA 2016**, i.e. in line with the ~17x ratio that is customary in the ecommerce segment. **This acquisition is obviously not included in WCD's FY16 EBITDA guidance for EUR280-300m** (current consensus of EUR293m).

ANALYSIS

- **Wirecard boasts the best fundamentals in the sector thanks to its positioning in online** (pure-player) **and emerging markets**. It is the only player to have looked for growth in e-commerce where it can be found, namely in Southeast Asia (28% of its sales). We believe the take-off in e-commerce should really start in western countries as of this year. Wirecard should benefit in Europe where it is the no. 2 player (after Worldpay). In contrast, **we believed it could no longer remain outside the Americas.** As such, we expected the group to make an acquisition or team up with a player in the region this year in North America or South America (both of which are attractive for e-commerce: 12% of all retail commerce is e-commerce in the US and 2% in Brazil) in order to obtain global presence. **The acquisition of Moip Pagamentos is a first achievement. Even if it is not significant, this is a step in the right direction and Wirecard is now present in every continent in the world.**

- **Forecasts 2015-17e:** we have updated our figures to take into account preliminary 2015 figures, the very likely consolidation date of Great Indian Retail Group (1st March 2016 vs. we previously integrated it as of 1st Nov. 2015) and that of Moip Pagamentos (22nd February 2016). We have therefore adjusted our FY16e revenue from EUR1,005.6m to EUR1,005.4m (+20.3% lfl), EBITDA from EUR304.3m to EUR303.0m (margin from 30.3% to 30.1%, +60bp) and current EBIT from EUR269.1m to EUR267.8m (margin from 26.8% to 26.6%, +80bp). **As a result, the impact on our restated 2016-17e EPS sequence is non-significant** (-0.4% on average: -0.7% in 2016e, and -0.1% in 2017e). We are forecasting a **net cash position of EUR437.4m at end-2016e.**

VALUATION

- **Buy rating and FV of EUR52 maintained.** Over FY16e: **P/E of 23.3x vs. rest. EPS growth of +39.5%.**

NEXT CATALYSTS

- **FY 2015 financial statements**: 7th April 2016.

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Sector View

Integrated Utilities

E.ON/RWE: Nuclear commission proposes that firms transfer cash to pay for clean-ups by 2022

	1 M	3 M	6 M	31/12/15
Utilities	-1.2%	-8.9%	-5.2%	-5.7%
DJ Stoxx 600	-1.9%	-13.1%	-8.2%	-9.3%

*Stoxx Sector Indices

Companies covered

E.ON		**BUY**	**EUR10,2**
Last Price	EUR8,941	*Market Cap.*	EUR17,891m
EDF		**BUY**	**EUR14,5**
Last Price	EUR10,61	*Market Cap.*	*EUR20,373m*
ENGIE		**BUY**	**EUR19**
Last Price	EUR14,49	*Market Cap.*	*EUR35,287m*
RWE		**NEUTRAL**	**EUR9,8**
Last Price	EUR10,875	*Market Cap.*	*EUR6,592m*

According to Reuters, which is sourcing its news from a draft report from a government-appointed committee, Germany's utilities (*E.ON, RWE, EnBw & Vattenfall*) will have to transfer provisions set aside to pay for the interim and final storage of nuclear waste to a fund, in cash, by 2022. The report also recommends that the four utilities remain liable for costs of up to double the EUR18bn allocated so far to pay for interim and final storage. The companies will also have to set aside a further EUR1.3bn in provisions, on top of the existing provisions dedicated to nuclear dismantling. An official report is to be published before the end of the month.

ANALYSIS

- **What to retain from the commission's proposals: 1/** E.ON, RWE, EnBW & Vattenfall will have to transfer provisions set aside to pay for interim storage of nuclear waste to a fund in cash by 2022. We are talking about around **EUR18bn**. **2/** The four utilities will remain liable for costs of up to double the **EUR18bn** allocated for the state fund. 3/ The companies will also have to set aside a further **EUR1.3bn** in provisions, on top of the **EUR17.7bn** in existing provisions dedicated to nuclear dismantling. **4/** The commission recommends provisions left with the power companies should be more transparent. **5/** The commission also recommends that utilities **drop suits against the German government**.
- **Our view on this news:** We now have more visibility on these provisions, on the cash needed, and on the calendar effect. This is **definitively positive for the E.ON & RWE** investment cases. Only the provisions set aside to pay for the interim and final storage of nuclear waste will be transfer edto an external state fund: **EUR18bn** o/w **EUR9.2bn for E.ON** (**EUR4.8/share**) & **EUR4.8bn for RWE** (**EUR7.8/share**). Short-term cash-out is therefore limited to only (*on average*) **50-55%** of the total provisions booked in accounts. However, on the negative side, the cap on nuclear waste management costs implies a potentially negative provision adjustment over the mid/long term (*potential of EUR18bn in additional provisions for the four operators*). Besides this, **EUR1.3bn** in additional provisions could be required by the four utilities, this time for the dismantling phase. Assuming a similar split between the four utilities as for the EUR17.7bn implies **EUR680m for E.ON** (**EUR0.35/share**) and **EUR270m for RWE** (**EUR0.5/share**). The latest recommendation concerns law suits: the commission recommends utilities drop suits against the German government, and assuming it is accepted, we may have to adjust our FV negatively as a consequence (**EUR885m for RWE or EUR1.4/share, & EUR1.65bn for E.ON or EUR0.9/share**).
- **Conclusion:** As it is, assuming that both groups will have to book fresh provisions of up to double their current nuclear waste storage provisions at some point **is clearly negative**. However, this report simply indicates a cap on liabilities, and does not indicate that utilities have to book additional provisions **NOW** (*except the EUR1.3bn for dismantling*). **The positive news** concerns the fact that the four utilities will only have to **cash-out half** of the provisions booked in their accounts by 2022. **We hope to get more clarity on these conclusions soon. We continue to prefer E.ON over RWE as downside risk for shareholders on nuclear issues is more limited.**

VALUATION

- At the current share price, E.ON trades at 8x its 2016e EBITDA and offers a 5.5% yield
- At the current share price, RWE trades at 7.5x its 2016e EBITDA and offers a 5.1% yield

NEXT CATALYSTS

- 8th March – RWE // 2015 earnings
- 9th March – E.ON // 2015 earnings

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Healthcare

Bayer

Price EUR98.97

Bloomberg	BAY GY
Reuters	BAYG.F
12-month High / Low (EUR)	146.2 / 92.8
Market Cap (EURm)	81,843
Avg. 6m daily volume (000)	2 439

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.2%	-21.6%	-16.3%	-14.5%
Healthcare	-5.3%	-12.5%	-9.0%	-10.8%
DJ Stoxx 600	-1.9%	-13.1%	-8.2%	-9.3%

	2014	2015e	2016e	2017e
P/E	16.4x	14.8x	15.3x	13.9x
Div yield (%)	2.3%	2.4%	2.6%	2.7%

What does Covestro say about 2016 exactly?

Fair Value EUR126 (+27%) **NEUTRAL**

ANALYSIS

- For its first fiscal year as a stand-alone company, Covestro has released unsurprising results for its parent group Bayer, that will report its own FY numbers on Thursday. Sales came in at EUR12.08bn (BG: EUR12.09bn) whereas adjusted EBITDA was EUR1.64bn (or 13.6% of sales) slightly below our expectations (BG: EUR1.72bn, 14.2% and 8.3% in Q4 2015). Despite this small miss, we would say the difference was not very meaningful as the last quarter is always difficult to predict and much lower than previous ones. Volumes picked up compared to Q3 (+3.3% in Q4). That said, we would stress that the price impact was negative by 12.4%.
- Based on this strong negative price impact that is unlikely to be interrupted as we move into 2016, it is worrying to see management only committing itself to a mid-single-digit percentage increase in core volume growth since it makes the type of growth that can be expected for revenues in general very uncertain. Not only could prices drop by more than mid-single digits but the FX effect is likely to turn negative this year in contrast to the significant positive effect of 2015. With the consensus currently at EUR12.09bn for 2016 i.e. slightly above actual 2015 numbers, we see the risk of a downward revision by a few percentage points. As far as EBITDA is concerned, Covestro has given no specific guidance and reference to FCF is voluntarily vague in our view as it suggests higher levels than the average of previous years. Should the same apply to EBITDA and taking the last two years as a reference (three?), the average would be 11.9% (but 11.1% taking a three-year average) vs 13.6% in 2015. Assuming 12.5% is a good first estimate to assess what "above average" means, and based on sales of EUR12bn, this would equal EUR1.5bn whereas we and the consensus were expecting EUR1.7bn i.e. implying a more than 10% downward revision to implement.

VALUATION

- While Covestro remains a significant part of Bayer's sales and EBITDA (26% and 16% respectively), it is of course a much lower part of its valuation as it is now calculated separately to determine FV. As such disappointing guidance for Covestro should translate into a downward revision of numbers for Bayer but not necessarily into a meaningful change of FV and TP in the market, except if the Covestro share price is significantly impacted too.

NEXT CATALYSTS

- 25th February 2016: Bayer FY 2015 results

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Hotels

InterContinental Hotels

Price 2,454p

FY 2015 results in line, with higher cash returns

Fair Value 2650p (+8%) **NEUTRAL**

Bloomberg	IHG LN
Reuters	IHG.L
12-month High / Low (p)	2,880 / 2,184
Market Cap (GBP)	5,794
Avg. 6m daily volume (000)	898.0

	1 M	3 M	6 M	31/12/15
Absolute perf.	7.2%	-1.9%	3.2%	-7.7%
Travel&Leisure	-0.1%	-6.6%	1.5%	-8.6%
DJ Stoxx 600	-1.9%	-13.1%	-8.2%	-9.3%

	2014	2015e	2016e	2017e
P/E	21.9x	18.9x	19.2x	17.7x
Div yield (%)	2.2%	2.5%	2.6%	2.8%

ANALYSIS

- **Results in line with expectations:** Although total revenue was slightly lower than the consensus figure at USD1.803bn (consensus USD1.840bn), **adjusted operating profit** was perfectly in line with expectations at USD680m, up 4% vs. last year. Note that due to currency impacts, operating profit was dented by USD25m. Adjusted EPS reached USD174.9cents up 10%, slightly higher than the consensus. Ordinary dividend was up 10% at USD85cents.
- **Sustained RevPAR growth but a slower pace quarter after quarter:** Full year RevPAR was up 4.4%, led by a rate up 3.1%. Nevertheless quarter after quarter RevPAR growth was lower with Q4 up 2.4% after Q3 rose 4.8%, Q2 4.4% and Q1 5.9%. All regions reported the same trend notably the **Americas** (65% of IHG offer in number of rooms) with RevPAR up 2.9% after 4.3% in Q3, 4.7% in Q2 and 6.2% in Q1. In **Greater China** (11% of IHG offer), RevPAR in Q4 was again down 0.9% after -0.7% in Q3. Part of that situation was due to the strong USD, which impacted RevPAR growth by 4.6%pts. Of course, **Europe** and **AMEA** were the two regions the most affected with foreign exchange reducing RevPAR growth by 13.6%pts and 8%pts respectively.

VALUATION

- At the current share price, the stock is trading on 2016e and 2017e EV/EBITDA multiples of 12.2x and 11.2x, which compare with the 10y median historical level of 11x. Average 2016e EV/EBITDA stands at 8.3x for Europe and 11.2x for the US.
- Finally, as stated after the sale of the InterContinental Hong Kong for a total amount of USD929m, management announced a significant cash return to shareholders of USD1.5bn equating to USD632.9cents per share with share consolidation. Our anticipation was between USD900m and USD1.300bn based on financial leverage of 2-2.5x guided by the group. A special dividend is to be paid in Q2 2016.

NEXT CATALYSTS

- Webcast at 10.30am (Paris time)
- Q1 IMS on 6th May 2016

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Insurance

Swiss Re

Price CHF93.45

Solid numbers, although the reinsurance environment is challenging

Fair Value CHF110 (+18%) **NEUTRAL**

Bloomberg	SREN VX
Reuters	SREN.VX
12-month High / Low (CHF)	99.7 / 78.9
Market Cap (CHFm)	34,643
Avg. 6m daily volume (000)	1,504

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.9%	-3.3%	13.1%	-4.8%
Insurance	-5.9%	-17.2%	-9.1%	-15.3%
DJ Stoxx 600	-1.9%	-13.1%	-8.2%	-9.3%

	2014	2015e	2016e	2017e
P/E	10.1x	7.2x	10.3x	9.8x
Div yield (%)	7.7%	8.0%	5.9%	5.9%

ANALYSIS

- Q4 2015 net income was USD938m, slightly higher than consensus (USD0.88bn).
- Q4 P&C net result was USD703m (vs. USD1.2bn in Q4 2014 and consensus USD569m), mainly driven by lower capital gains. The Q4 combined ratio remained very solid (89.6%) in a low natcat environment. However, adjusted for expected natcat (reported natcats are 8.7pts below budget) and prior-year development (5.1pts), the FY combined ratio would have been 99.8% vs. 94.1% last year, which is consistent with a less attractive reinsurance environment and a larger impact from man-made losses.
- FY 2015 RoI stood at 3.5% vs. 3.7% in 2014, driven by lower running yields in fixed income assets (3.0% vs. 3.3%).
- SST (solvency) is estimated at around 205% at end-2015. The regular dividend is CHF4.6 (vs. CHF4.25 last year and consensus CHF4.55), offering a 4.9% yield. No exceptional dividend this year, but the company has announced a new CHF1bn share buy-back programme (3% of end-2015 shareholder's equity).
- January 2016 renewals were up 3%, with risk-adjusted price quality down 3% (same as last year). This should weigh on underwriting profitability, confirming the lacklustre environment for P&C reinsurance, especially as 2013-2015 numbers benefited from a benign natcat environment.

VALUATION

- Based on our current 2016 estimates, our SOTP valuation is CHF110.

NEXT CATALYSTS

- AGM on 22nd April 2016. Q1 2016 numbers to follow on 29th April 2016.

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TMT

Temenos Group

Price CHF47.20

Bloomberg	TEMN SW
Reuters	TEMN.SW
12-month High / Low (CHF)	52.0 / 29.3
Market Cap (CHF)	3,144
Avg. 6m daily volume (000)	232.9

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.7%	-0.6%	41.1%	-9.1%
Softw.& Comp. SVS	-1.9%	-5.8%	9.0%	-5.8%
DJ Stoxx 600	-1.9%	-13.1%	-8.2%	-9.3%

	2015	2016e	2017e	2018e
P/E	29.9x	21.7x	18.6x	16.1x
Div yield (%)	1.0%	1.1%	1.2%	1.3%

New banking facility of USD500m

Fair Value CHF53 (+12%) BUY

ANALYSIS

- **Yesterday evening Temenos announced the refinancing of its existing banking facilities**. Management has taken advantage of current market conditions to lock in low-cost long term financing through a new banking facility of USD500m, consisting of a 5-year revolving credit facility which expires in 2021 - the existing one of USD350m (USD100m term loan + USD250m revolving facility) was due to expire in 2017. The facility, which was arranged by a syndicate of at least eight banks on "highly attractive terms", will be used for general corporate purposes including ongoing working capital requirements and future growth opportunities.
- **Increasing financial flexibility for potential acquisitions**. We understand the existing facility was refinanced at "very competitive rates". It strengthens Temenos' financial flexibility in order to be well positioned to fund future growth – including acquisition opportunities as long as they meet stringent financial criteria. Temenos ended 2015 with leverage of 1.3x EBITDA despite the acquisition of Multifonds for USD235m, thanks to USD227m of operating cash flow, and we estimate it may increase it to 2x.

VALUATION

- Temenos' shares are trading on 2016e and 2017e EV/EBITDA multiples of 16.7x and 14.0x
- Net debt on 31st December 2015 was USD267.2m (net gearing: 71%).

NEXT CATALYSTS

Q1 2016 results on 19th April after markets close.

Click here to download

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TMT

Ubisoft

Price EUR23.70

The Division's open beta outperformed that of *Destiny*

Fair Value EUR34 (+43%) BUY

Bloomberg	UBI.FP
Reuters	UBIP.PA
12-month High / Low (EUR)	28.0 / 14.9
Market Cap (EURm)	2,635
Avg. 6m daily volume (000)	383.7

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.4%	-11.5%	42.5%	-11.2%
Softw.& Comp. SVS	-1.9%	-5.8%	9.0%	-5.8%
DJ Stoxx 600	-1.9%	-13.1%	-8.2%	-9.3%

	03/15	03/16e	03/17e	03/18e
P/E	26.0x	32.3x	19.0x	14.1x
Div yield (%)	NM	NM	NM	NM

FACTS

- **After trading yesterday, Ubisoft announced that 6.4m players participated in the Beta for its much awaited *Tom Clancy's The Division***, making it the biggest beta ever for a new IP on current generation platforms. As a reminder, the game will be released worldwide for PS4, Xbox One and PC on 8th March.

ANALYSIS

- **This figure of 6.4m for *The Division*'s open beta is even better than that of *Destiny* by Activision Blizzard (4.6m in July 2014).** This was an outstanding performance but not so surprising in view of extremely good pre-orders in the US (that we underscored several times in recent months).
- **This confirms our view that: 1/ *The Division* will certainly be the most successful game ever for Ubisoft** in terms of units sold (it could sell 15m units, which span over two fiscal years). Its last historical record was *Assassin's Creed III* with over 12.5m units sold in FY12/13. **2/ Ubisoft could have met its previous FY15/16 guidance** (before the recent profit warning reducing non-IFRS EBIT from >=EUR200m to around EUR150m) simply by putting more units at retailers in March (its revenue is based on sell-in sales) as gamers would have bought them anyway. Indeed, we were particularly surprised by the FY15/16 profit warning issued at the Q3 release whereas *Far Cry Primal* (23/03) and *The Division* (08/03) were maintained in its line-up of games.
- **As such, Ubisoft now boasts positive momentum for coming months:** the next set of figures should probably beat guidance while speculation is increased (Vivendi's interest in GFT and UBI).

VALUATION

- **We maintain our Buy rating and our FV of EUR34** that we consider as a minimum price in the case of takeover bid (valuing the entire 2013-19e cycle).

NEXT CATALYSTS

- **FY15/16 earnings results:** in May, with more details on the FY16/17 guidance.

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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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