Please find our Research on Bloomberg BRYG <GO>)

25th February 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	16484.99	+0.32%	-5.39%
S&P 500	1929.8	+0.44%	-5.58%
Nasdaq	4542.61	+0.87%	-9.28%
Nikkei	15915.79	-0.85%	-16.38%
Stoxx 600	320.226	-2.31%	-12.46%
CAC 40	4155.34	-1.96%	-10.39%
Oil /Gold			
Crude WTI	30.48	+1.74%	-18.06%
Gold (once)	1248.4	+1.89%	+17.51%
Currencies/Rates			
EUR/USD	1.1022	-0.02%	+1.46%
EUR/CHF	1.08845	-0.34%	+0.10%
German 10 years	0.148	-19.49%	-76.66%
French 10 years	0.516	-4.40%	-47.42%
Euribor	-	+-%	+-%

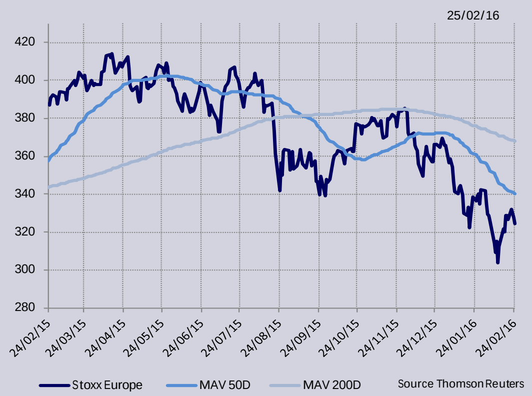
Upcoming BG events :

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



AB INBEV — **NEUTRAL, Fair Value EUR111 (+7%)**

Big Q4 miss

ABLYNX — **BUY, Fair Value EUR18 (+61%)**

We welcome financial visibility and newsflow!

ATOS — **BUY-Top Picks, Fair Value EUR93 (+40%)**

FY 2015 conference call feedback: more efficiency in store

ALTEN — **SELL, Fair Value EUR47 vs. EUR46 (-5%)**

Feedback from analysts' meeting: growth likely to be front-end loaded in 2016

AXA — **BUY-Top Picks, Fair Value EUR32 (+64%)**

Strong 2015 numbers

AXWAY SOFTWARE — **NEUTRAL vs. BUY, Fair Value EUR24 vs. EUR30 (+8%)**

FY 2015 results below our estimates, new three-year plan with flattish margins ahead

BAYER — **NEUTRAL, Fair Value Under Review**

Disappointing

BUREAU VERITAS — **NEUTRAL, Fair Value EUR22 (+25%)**

FY 2015 results: In line except net result. Resilient 2016 results expected.

EIFFAGE — **BUY, Fair Value EUR71 (+15%)**

Dividend: 25% increase to EUR1.50 following eight years of stability

ENGIE — **BUY, Fair Value EUR19 (+41%)**

2015 earning - first take: Transformers!

GROUPE SEB — **BUY, Fair Value EUR105 (+23%)**

FY 2015 results in line with expectations but very solid!

SOPRA STERIA GROUP — **BUY, Fair Value EUR115 (+29%)**

Acquisition of Cassiopae by Sopra Banking Software

VEOLIA ENVIRONNEMENT — **NEUTRAL, Fair Value EUR22,5 (+6%)**

2015 earning - first take: Good, although bang in line!

In brief...

BIOMÉRIEUX, *FilmArray torch cleared by the FDA with the respiratory panel*

GLAXOSMITHKLINE, *ViiV advances with new compounds*

Food & Beverages

AB InBev

Price EUR103.75

Big Q4 miss

Fair Value EUR111 (+7%) **NEUTRAL**

Bloomberg	ABI E
Reuters	ABI.E
12-month High / Low (EUR)	123.3 / 91
Market Cap (EURm)	166,85
Ev (BG Estimates) (EURm)	236,25
Avg. 6m daily volume (000)	1,93
3y EPS CAGR	3.6

	1 M	3 M	6 M	31/12/1
Absolute perf.	-6.9%	-13.5%	13.7%	-9.
Food & Bev.	-2.5%	-8.7%	10.0%	-6.
DJ Stoxx 600	-5.4%	-14.8%	-6.4%	-12.

YEnd Dec. (USDm)	2014	2015e	2016e	2017
Sales	47,063	44,386	42,865	59,5
% change		*-5.7%*	*-3.4%*	*39.(*
EBITDA	18,663	17,838	17,236	24,6
EBIT	15,308	14,508	13,837	20,4
% change		*-5.2%*	*-4.6%*	*47.*
Net income	8,865	8,375	8,027	11,7
% change		*-5.5%*	*-4.2%*	*46.(*

	2014	2015e	2016e	2017
Operating margin	32.5	32.7	32.3	34
Net margin	18.8	18.9	18.7	19
ROE	17.7	16.0	14.6	12
ROCE	11.1	10.3	9.5	10
Gearing	83.5	80.7	75.6	85

(USD)	2014	2015e	2016e	2017
EPS	5.32	5.06	4.85	5.
% change	-	*-5.1%*	*-4.2%*	*22.(*
P/E	21.5x	22.6x	23.6x	19.
FCF yield (%)	4.9%	5.2%	4.5%	6.3
Dividends (USD)	2.64	2.65	2.54	3.
Div yield (%)	2.3%	2.3%	2.2%	2.7
EV/Sales	5.8x	5.9x	6.0x	5.
EV/EBITDA	14.6x	14.6x	15.0x	12.
EV/EBIT	17.8x	17.9x	18.7x	14.

AB InBev has published Q4 results short of expectations by 3% on revenue and 8% on EBIT.

AB InBev has published 2015 revenue down 7% to USD43,604 and normalised EBIT down 10% to USD13,768. In general, results came in light for the full year, missing estimates for revenue (by 0.7% for FY and 3% for Q4) and EBIT (by 2.2% for FY and 8.1% for Q4), but with lower financial costs and taxes than estimated. The normalised net profit decline of 4% to USD8,513 was 1.4% better than consensus estimates.

ANALYSIS

- The one region that delivered outstanding results was Asia Pacific with EBIT growing by nearly 40% in organic terms (and by 26% after the negative impact of currencies). Revenues in the region improved by 7.1% organic. In the region, China delivered great results with organic revenue growth of 10% and EBITDA growth of 34% driven by strong top-line growth, operational efficiencies, as well as a one-time gain reported in 4Q15. In a Chinese beer market down an estimated 6%, the company's volumes were flat (+0.4%) but the company's higher end brands grew double digit over the year, and now represent more than 50% of it's total China volume. This drives premiumisation and enhances margins.
- Probably the worst results came from the company's North American business with revenues down by 0.1% in organic terms and EBIT down 4.0% also in organic terms. in the US, Q4 volumes were down 3.3% and EBITDA down 7.0% (organic). In Canada, although the company claimed that operating performance was better, the weaker Canadian dollar resulted in an 11% decline in EBIT in the region.
- Outlook: the company's outlook for the year shows some positives and negatives, but not really any surprises. In the US, it expects volumes to "continue to improve" (we did not see much improvement in 2015 with further deterioration in Q4, so we are not sure about that statement), China to remain difficult (But AB InBev is in a sweetspot here), Mexico to deliver further good volume growth (+7% in 2015) driven by the favourable economic situation (it depends on US economy) and in Brazil the company expects the macro environment to remain difficult.
- Update on SABMiller acquisition? In today's statement, the company provided no update on where it is with regulatory approvals. However, the Wall Street Journal reports that the strong and active opposition promised by the Congress of South African Trade Unions is making some observers uncertain that the beer giants will be able to close their deal in H2.

VALUATION

- Using a required return on equity of 8.4% (also our long term Wacc) and a perpetual growth rate of 3.7%, we obtain a DCF-derived Fair Value of EUR108
- At EUR103.75, the stock is trading at 23.5x 2016 earnings and 19.6x 2017 earnings (which in our model incorporate for a full year the SABMiller acquisition). Heineken is trading on 19.4x 2016 and 17.7x 2017 earnings

NEXT CATALYSTS

- Today at 1pm GMT: results conference call and webcast
- 4 May 2016: Q1 2016 results

Results compared to consensus – key financials

	4Q15			F 15		
	Consensus	Reported	vs Consensus	Consensus	Reported	vs Consensus
Volumes (thousand hl)	113,374	111,424	-1.7%	459,314	457,317	-0.4%
% organic growth	0.3%	-0.7%		-0.3%	-0.6%	
Revenue	11,051	10,723	-3.0%	43,895	43,604	-0.7%
% organic growth	6.6%	7.0%		6.2%	6.3%	
Normalized EBITDA	4,665	4,313	-7.5%	17,177	16,839	-2.0%
% organic growth	9.1%	6.6%		8.2%	7.8%	
Normalized EBIT	3,853	3,539	-8.1%	14,079	13,768	-2.2%
% organic growth	9.8%	6.1%		8.6%	7.8%	
Non-recurring items above EBIT	-49			77		
Net Finance Costs	-145			-1,344	-1,239	
Non-Recurring Finance Costs	327			22		
Share of Results of Associates	-2			11		
Income Tax Expense	-709			-2,619	-2,594	
Normalized Effective Tax Rate	18.6%			20.1%		
Profit after Tax	3,054			10,380		
Profit attributable to equity holders of AB InBev	2,422			8,486		
Profit attributable to non-controlling interest	630			1,776		
Normalized Profit to ABI Holders	2,445	2,561	4.7%	8,398	8,513	1.4%
Weighted Average # of Shares	1,639			1,639		
Normalized EPS	1.49	1.56	4.6%	5.14	5.20	1.2%

Results compared to consensus – revenue and EBITDA 2015

Revenue	Consensus	Reported	Reported v consensus
North America	15,725	15,603	-0.8%
% organic growth	0.3%	-0.1%	
Mexico	3,979	3,951	-0.7%
% organic growth	9.2%	11.1%	
Latin America North	9,207	9,096	-1.2%
% organic growth	9.3%	8.7%	
Latin America South	3,482	3,458	-0.7%
% organic growth	29.6%	28.4%	
Europe	4,005	4,012	0.2%
% organic growth	3.5%	4.6%	
Asia Pacific	5,505	5,555	0.9%
% organic growth	6.0%	7.1%	
GEHC	2,016	1,929	-4.3%
% organic growth	3.5%	3.5%	
AB InBev	43,895	43,604	-0.7%
% organic growth	6.2%	6.3%	
Normalized EBITDA	EBITDA	EBITDA	
North America	6,319	6,172	-2.3%
% organic growth	-1.7%	-3.3%	
Mexico	2,052	2,007	-2.2%
% organic growth	16.3%	18.2%	
Latin America North	4,785	4,709	-1.6%
% organic growth	12.3%	11.5%	
Latin America South	1,610	1,588	-1.4%
% organic growth	30.3%	25.6%	
Europe	1,131	1,090	-3.6%
% organic growth	4.0%	1.8%	
Asia Pacific	1,263	1,349	6.8%
% organic growth	13.4%	22.8%	
GEHC	-13	-75	484.8%
% organic growth	45.8%	-52.6%	
AB InBev	17,177	16,839	-2.0%
% organic growth	8.2%	7.8%	

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Healthcare

Ablynx

Price EUR11.21

We welcome financial visibility and newsflow!

Fair Value EUR18 (+61%) **BUY**

Bloomberg	ABLX BB
Reuters	ABLX.BR
12-month High / Low (EUR)	16.1 / 9.1
Market Cap (EURm)	614
Ev (BG Estimates) (EURm)	743
Avg. 6m daily volume (000)	169.8
3y EPS CAGR	68.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-13.0%	-15.8%	-2.6%	-29.6%
Healthcare	-7.4%	-12.7%	-6.9%	-12.8%
DJ Stoxx 600	-5.4%	-14.8%	-6.4%	-12.5%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	49.3	75.9	81.6	39.6
% change		*53.9%*	*7.6%*	*-51.4%*
EBITDA	-14.7	-22.6	-21.9	-64.3
EBIT	-16.2	-24.0	-23.3	-65.0
% change		*-47.7%*	*2.7%*	*NS*
Net income	-12.7	-19.7	-19.1	-60.8
% change		*-55.0%*	*3.3%*	*NS*

	2014	2015e	2016e	2017e
Operating margin	-32.9	-31.6	-28.6	-164.1
Net margin	-25.8	-26.0	-23.4	-153.3
ROE	-16.9	-38.7	-59.8	210.4
ROCE	NM	NM	NM	NM
Gearing	NM	NM	NM	NM

(EUR)	2014	2015e	2016e	2017e
EPS	-0.24	-0.36	-0.35	-1.12
% change	*-*	*-55.0%*	*3.3%*	*NS*
P/E	NS	NS	NS	NS
FCF yield (%)	0.2%	6.0%	NM	NM
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	8.6x	9.8x	9.1x	18.5x
EV/EBITDA	NS	NS	NS	NS
EV/EBIT	NS	NS	NS	NS

Ablynx released its FY 2015 results. The actual burn rate was slightly lower than the company's guidance and our estimates (EUR67.2m vs 70-80m and EUR69m respectively). Now turning to 2016, the management expects the cash burn to be in the EUR65-75m range (vs BG: EUR74m). Apart from that, we continue to expect the readout of the monotherapy trial involving ALX-0061 in RA. BUY reiterated with a FV of EUR18.

ANALYSIS

- Ablynx has released FY2015 results showing a cash position of EUR236.2m for the year. Cash burn came in at EUR67.2m, below management's guidance for the low-end of the EUR70-80m range (BGe EUR69m). EUR77.5m in revenue was primarily made up of R&D recognition income. Operating expenses rose 54% as a result of increased R&D activities in 2015 with the initiation of the phase IIb program for ALX-0061 (in partnership with AbbVie). R&D expenses came in at EUR83.1m (vs. EUR54.5m in 2014) while G&A expenses remained flat at EUR11.4m (vs. EUR11m last year). Note that the net financial loss was EUR37.6m, reflecting mainly 1/ fair value changes from the calculation and amortisation of convertible bonds (share price evolution in 2015), representing a non-cash expense of EUR34.6m as well as 2/ EUR1.6m in interests paid on the bond. Net loss was EUR54.2m.
- For 2016, management expects cash burn to be in the EUR65-75m range. Our estimate is at the high-end at EUR74m.
- This year should be key for Ablynx with 1/ the readout of the monotherapy trial for ALX-0061 in RA that should trigger a 90 day opt-in window for AbbVie (USD75m potential milestone). Note that recruitement is now completed for both the monotherapy and the add-on to MTX trials. 2/ an expected update from Merck & Co on its ongoing partnership with the biotech as major catalysts. The table below shows the major newsflow expected for Ablynx during 2016. We would highlight that recruitment of a last 18 infants cohort aged 1 to 5 months, which started in December 2015 has been completed in February 2016, ahead of schedule.

Period	Product	Area	Event	Partner
Q4 2015	Caplacizumab	acquired-TTP	Phase III start	*Proprietary (standalone strategy)*
"	ALX-0761	psoriasis	Phase Ib topline	Merck KGaA
H1 2016	ALX-0171	RSV	Phase IIa topline	*Proprietary*
H2 2016	ALX-0061	Rheumatoid arthritis	Phase IIb topline	AbbVie
"	ALX-0061	Rheumatoid arthritis	Potential opt-in	AbbVie
"	ALX-0171	RSV	Phase IIb start	*Proprietary*
"	preclinic	Immuno-oncology	Strategic update	Merck & Co
2017	Caplacizumab	acquired-TTP	EU filing for conditional approval	*Proprietary (standalone strategy)*
"	Caplacizumab	acquired-TTP	Phase III topline	*Proprietary (standalone strategy)*
"	ALX-0171	RSV	Phase IIb topline	*Proprietary*
"	ALX-0171	RSV	Potential partnership	*Proprietary/Partnered*
2018	Caplacizumab	acquired-TTP	Potential conditional approval	*Proprietary*
	Caplacizumab	acquired-TTP	US filing based on Phase III	*Proprietary*
	ALX-0061	SLE	Phase II topline	AbbVie
	ALX-0061	SLE	Potential opt-in	AbbVie

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

VALUATION

- We reiterate our BUY rating on Ablynx and our EUR18 Fair Value ahead of newsflow that should accelerate towards mid-2016.

NEXT CATALYSTS

- Today 4pm CET: conference call on FY2015 results (+32 2 404 06 62, access code 4640794).

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Atos

Price EUR66.50

FY 2015 conference call feedback: more efficiency in store

Fair Value EUR93 (+40%) **BUY-Top Picks**

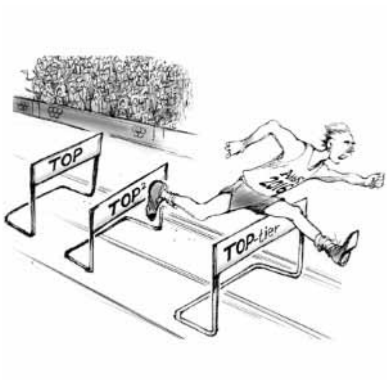
Bloomberg	ATO FP
Reuters	ATOS.PA
12-month High / Low (EUR)	79.3 / 61.7
Market Cap (EUR)	6,884
Ev (BG Estimates) (EUR)	6,018
Avg. 6m daily volume (000)	380.7
3y EPS CAGR	15.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.3%	-11.7%	2.9%	-14.1%
Softw.& Comp.	-4.9%	-7.4%	10.7%	-8.7%
DJ Stoxx 600	-5.4%	-14.8%	-6.4%	-12.5%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	10,686	11,909	12,381	12,657
% change		*11.4%*	*4.0%*	*2.2%*
EBITDA	1,334	1,536	1,693	1,784
EBIT	589.0	671.0	903.0	1,006
% change		*13.9%*	*34.6%*	*11.4%*
Net income	608.0	740.0	877.0	948.0
% change		*21.7%*	*18.5%*	*8.1%*

	2015	2016e	2017e	2018e
Operating margin	8.6	9.2	9.9	10.4
Net margin	4.0	4.2	5.7	6.2
ROE	9.9	11.0	13.5	13.4
ROCE	22.9	27.9	39.3	44.2
Gearing	-14.0	-20.0	-45.0	-54.0

(€)	2015	2016e	2017e	2018e
EPS	5.80	7.02	8.30	8.93
% change	-	*21.0%*	*18.2%*	*7.6%*
P/E	11.5x	9.5x	8.0x	7.4x
FCF yield (%)	5.7%	7.9%	8.9%	11.7%
Dividends (€)	0.90	1.10	1.40	1.55
Div yield (%)	1.4%	1.7%	2.1%	2.3%
EV/Sales	0.6x	0.5x	0.4x	0.3x
EV/EBITDA	4.7x	3.9x	2.8x	2.2x
EV/EBIT	6.9x	5.5x	3.8x	2.9x



We reiterate our Buy rating following the conference call held yesterday. Despite some headwinds for Worldline's revenues, management is confident it can double lfl sales growth in 2016 and 2017 thanks to market share gains in Managed Services, the gradual turnaround in Consulting & Systems Integration and still strong demand in Big Data & Cyber-security. While the integration of Bull was a success, cost and revenue synergies on Xerox ITO and Unify have been reiterated.

ANALYSIS

- **Aim to at least double lfl revenue growth rate in 2016 and 2017**. This means that Atos intends to generate at least 0.8% lfl revenue growth (excl. acquisitions and disposals) in 2016 and at least 1.6% lfl revenue growth in 2017. This will be driven by market share gains in Managed Services thanks to strong cloud volumes and significant market share gains thanks to service automation, operating enhancement in Consulting & Systems Integration, while such an improvement was just at its beginning in H2 2015, continuous strength in Big data & Cyber Security, and Worldline – which is expected to grow by 3% lfl in 2016 but is on a trend around +8% lfl excluding the headwinds from the termination of the VOSA and Radar contracts.

- **FY16 operating margin and free cash flow guidance: how to get there?** For 2015? Atos posted operating margin of 8.3% after share-based compensation, which means 8.6% before share-based compensation. on that basis, 9-9.5% for 2016 will be reached as followed: -0.3ppt on pensions (est. EUR35-40m vs. EUR74m in 2015), +0.25ppt on Managed Services (more automation), +0.35ppt in Consulting & Systems Integration (improving workforce management and utilisation rates), +0.25ppt on the Bull cost synergies program, +0.1ppt on others (Worldline, corporate, etc). Company guidance excludes Equens, which is set to dilute the operating margin by -0.1ppt in our view, and the acquisition of Cataps (Komerční banka). On free cash flow, from EUR450m for 2015 before share-based compensation or EUR393m after share-based compensation, the bridge for reaching EUR550m for 2016 is as follows: +EUR70m on the operating margin increase on 2015 scope, +EUR35m on pensions, -EUR50m on WCR, +EUR90m on restructuring and reorganisation, -EUR15m on the cost of financial debt, and +EUR27m on scope effects and other changes. The tax rate expected for 2016 and at least the next 10 years is around 20%.

- **Confidence on cost synergies with Unify**. Cost synergies with Bull should reach EUR120m by end 2016 (vs. EUR91m end 2015 and EUR8m end 2014), and both revenue and cost synergies with Xerox ITO (USD100m and USD35m, respectively) have been confirmed. Management is very confident on the EUR130m in cost synergies expected from the integration of Unify (on the est. EUR103m restructuring plan launched in February 2016): 1). The team working on it is the same as for Bull, using the same methodologies and processes with proven results, 2). Several sources of improvement have been identified on procurement and the supply chain.

- **Updates on M&A and risk**. 1). Atos will remain strict on its acquisition policy (priorities: Worldline, the US, and technologies), will not compete against private equity funds and will not make compromises on value creation - as shown by the decision not to bid for Dell's Perot business; 2). Atos' revenue exposure to 'risky' areas such as Oil & Gas, the banking sector and emerging countries is respectively 3%, 17% (including Worldline) and 6%.

VALUATION

- Atos' shares are trading at est. 5.5x 2016 and 3.8x 2017 EV/EBIT multiples.
- Net cash position on 31st December 2015 was EUR593.1m (net gearing: -15%).

NEXT CATALYSTS

Q1 16 sales on 21st April before markets open.

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Alten

Price EUR49.58

Feedback from analysts' meeting: growth likely to be front-end loaded in 2016

Fair Value EUR47 vs. EUR46 (-5%) **SELL**

Bloomberg	ATE FP
Reuters	LTEN.PA
12-month High / Low (EUR)	54.6 / 38.8
Market Cap (EUR)	1,669
Ev (BG Estimates) (EUR)	1,614
Avg. 6m daily volume (000)	48.70
3y EPS CAGR	7.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.0%	3.4%	22.6%	-7.2%
Softw.& Comp.	-4.9%	-7.4%	10.7%	-8.7%
DJ Stoxx 600	-5.4%	-14.8%	-6.4%	-12.5%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	1,541	1,653	1,733	1,826
% change		*7.3%*	*4.8%*	*5.4%*
EBITDA	164	180	192	208
EBIT	147.0	168.0	180.0	195.0
% change		*14.3%*	*7.1%*	*8.3%*
Net income	110.0	116.0	124.0	136.0
% change		*5.5%*	*6.9%*	*9.7%*

	2015	2016e	2017e	2018e
Operating margin	9.9	10.1	10.4	10.7
Net margin	6.8	7.0	7.2	7.4
ROE	16.3	15.8	15.0	14.7
ROCE	16.7	17.2	18.4	20.0
Gearing	-3.0	-8.0	-18.0	-27.0

(€)	2015	2016e	2017e	2018e
EPS	3.26	3.44	3.70	4.03
% change	-	*5.5%*	*7.6%*	*8.9%*
P/E	15.2x	14.4x	13.4x	12.3x
FCF yield (%)	6.0%	6.3%	7.7%	8.0%
Dividends (€)	1.00	1.00	1.00	1.00
Div yield (%)	2.0%	2.0%	2.0%	2.0%
EV/Sales	1.1x	1.0x	0.9x	0.8x
EV/EBITDA	10.1x	9.0x	7.9x	6.8x
EV/EBIT	10.9x	9.6x	8.5x	7.3x

We reiterate our Sell rating following the analysts' meeting held yesterday. We have adjusted our DCF-derived Fair Value to EUR47 from EUR46 on upped adj. EPS ests. (+6% = +EUR3/share, as we have lowered our tax rate from 33-34% to 30-31%) offset by lower net cash ests. (-EUR2/share, due to the end 2015 position and earn-out payments). The key takeaways of the meeting were: 1) Confirmation of cautious optimism on sales and margins, 2) The strong free cash flow increase seen in 2015 makes another surge unlikely in 2016 in our view, 3) There is no intention of changing the business model.

ANALYSIS

- **Cautious optimism on growth confirmed**. Management is confident that Alten will deliver more lfl revenue growth in 2016 than the 3.4% posted for 2015. Acquisitions dented lfl growth in 2015 by 0.7ppt, implying that the level would have been 4.1%. Trends remain clearly positive in Automotive, Banking and Life sciences, but are soft in Aerospace and becoming worse in Telecoms, Rail and Energy. Given the more balanced number of billable days between H1 and H2 in 2016 compared to 2015 (125- 126 vs. 122.5-127.5), lfl revenue growth is likely to be front-end loaded this year.

- **Operating margin confirmed at least at 10% for 2016 and beyond**. In 2015, excluding the acquisitions made in 2014 (margin: 6% vs. 3% in 2014) and 2015 (margin: 8%), Alten's operating margin would have been at 10.5%, meaning that companies recently acquired generated a 0.6ppt headwind. Acquisitions margins should improve again but will not reach 10% yet this year. With two new acquisitions since January and an improvement expected even in Germany, Alten is likely to exceed 10% in 2016, with less seasonality between H1 and H2 than in previous years.

- **Free cash flow as a percentage of sales close to its optimum**. For 2015, free cash flow reached EUR93.4m (+127%), and the Free cash flow/sales ratio was up 3.1ppt to 6.1%. After 2014 which suffered from delayed payments from several large customers - DSOs were up 4 days to 98.5 days -, the trend was reversed in 2015, with DSOs down 5 days to 93.5 days, but here Alten benefited from a EUR5m payment in advance which positively impacted DSOs by 1 day.

- **2016 expected to be rich from an M&A standpoint**. Since January 2016, Alten acquired Nexse in Italy (EUR8m revenues, specialised in multichannel, mobile and IoT application development for the Telecoms, Media and Automotive markets) and a company in the US (EUR6.3m revenues). Management intends to acquire at least eight companies this year, while 4-5 deals - all outside France - are in advanced stage negotiations (letter of intent or binding offer).

- **No intention to change the model**. Alten will remain focused on value-added engineering skills (80% of revenues), while project management office, prototyping, manufacturing processes, training or technical documentation will remain non-core offerings sold under another brand. For six core countries in Europe, the goal is still to exceed 1,500 engineers each of them (3,000 for Germany), while Alten aims at gaining a significant market position in North America, Eastern Europe and Asia, as well as in offshoring as part of the globalisation of work packages. The company ambitions to reach 24,000 staff (o/w 21,500 engineers) by end 2019, vs. 20,400 staff (o/w 18,000 engineers) end 2015. As such and taking into account acquisitions, the operating margin is likely to be capped at 10-11%, unless it drops research tax credit certification.

VALUATION

- Alten's shares are trading at est. 9.6x 2016 and 8.5x 2017 EV/EBIT multiples.

- Net cash position on 31st December 2015 was EUR17m (net gearing: -3%).

NEXT CATALYSTS

Q1 2016 sales on 28th April after markets open.

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Insurance

AXA

Price EUR19.50

Strong 2015 numbers

Fair Value EUR32 (+64%)

BUY-Top Picks

Bloomberg	CS FP
Reuters	AXAF.PA
12-month High / Low (EUR)	25.8 / 18.9
Market Cap (EURm)	47,316
Emb. Value (BG Est.)	47,157
Avg. 6m daily volume ('000)	7,280
3y EPS CAGR	4.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-13.1%	-20.4%	-7.5%	-22.7%
Insurance	-9.8%	-19.6%	-8.1%	-18.8%
DJ Stoxx 600	-5.4%	-14.8%	-6.4%	-12.5%

(EURm)	2014	2015e	2016e	2017e
Total gross prem.	86,266	88,544	90,879	93,278
% change		*2.6%*	*2.6%*	*2.6%*
Insurance op. profit	7,197	7,542	7,758	7,981
Total operating profit	7,108	7,838	8,086	8,304
Underlying PTP	7,550	8,293	8,506	8,724
% change		*9.8%*	*2.6%*	*2.6%*
Net attributable profit	*5,503*	*5,978*	*6,150*	*6,311*
% Change		*8.6%*	*2.9%*	*2.6%*

(EURm)	2014	2015e	2016e	2017e
Shareholders' equity	58,801	62,640	65,977	63,052
Technical reserves :				
-Life net (excl. UL)	337,649	354,531	372,258	390,871
-UL contracts	181,347	194,041	207,624	222,158
-P&C net	51,690	53,241	54,838	56,483
NAV net of intangibles	16,183	19,596	22,502	19,142
Embedded value	47,157	49,515	51,991	54,590

(EUR)	2014	2015e	2016e	2017e
EPS (€)	2.25	2.43	2.50	2.56
% change	-	*7.7%*	*2.9%*	*2.6%*
P/E	8.7x	8.0x	7.8x	7.6x
P/NAV (%)	0.8x	0.8x	0.7x	0.8x
ROE	10.3	9.8	9.6	9.8
Dividends	1.0	1.1	1.2	1.3
Div yield (%)	4.9%	5.6%	6.1%	6.6%

AXA has reported strong 2015 numbers, with underlying earnings up 2% yoy on a comparable basis to EUR5.57bn (consensus EUR5.56bn). The solvency II margin is 205%. The dividend was up to EUR1.10 (5.6% yield).

ANALYSIS

- FY 2015 group underlying earnings totalled EUR5,574m (consensus of EUR5.56bn), up 10% on a reported basis and 2% on a comparable basis. FY 2015 group adjusted earnings rose u2% to EUR6,008m, while net income was up 3% to EUR5,617m.
- In Life, underlying earnings stood at EUR3.5bn (consensus EUR3.37bn), up 3% at constant FX.
- In P&C, underlying earnings totalled EUR2.23bn (consensus of EUR2.30bn), down 1% at constant FX. The reported combined ratio stood at 96.2% vs. 96.9% in 2014, with lower nat cats and higher run-offs. The combined ratio excluding nat cats (0.6 points vs. 1.9 points last year) and run-offs (1.0 point vs. 0.6 point last year) was 96.6% vs. 95.6% in 2014. Premiums rose 1%, driven by prices up 2.8%.
- In Asset Management, underlying earnings rose 1% to EUR458m at constant FX (consensus EUR0.46bn).
- The solvency II margin came in at 205% (consensus 206%) vs. 201% at end-2014, mainly driven by a strong operating return contribution net of dividend, partially offset by financial market impacts.
- Cost savings were delivered according to the revised plan (EUR1.9bn over the 2011-2015 period vs. EUR1.5bn originally planned).
- Group operating free cash flows totalled EUR5.8bn vs. EUR5.5bn in 2014, mostly driven by XX. Over 2011-2015, the company generated a total of EUR25.4bn in operating free cash flows (vs. EUR24bn 2011-2015 target).
- The dividend totalled EUR1.10 (consensus EUR1.10) vs. EUR0.95 last year, offering a 47% pay-out ratio (company guidance is 45-55%) and a 5.6% yield.
- Debt gearing stood at 23% vs. 24% at end-2014, in line with company guidance (23-25%).
- Embedded value worked out to EUR21.1 vs. EUR19.3 at end-2014.

VALUATION

- Based on our current 2016 estimates, our SOTP valuation is EUR32.

NEXT CATALYSTS

- AGM on 27th April. Q1 2016 sales on 4th May. Investors' Day on 21st June.

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TMT

Axway Software

Price EUR22.29

Bloomberg	AXW FP
Reuters	AXW PA
12-month High / Low (EUR)	25.7 / 17.6
Market Cap (EUR)	458
Ev (BG Estimates) (EUR)	442
Avg. 6m daily volume (000)	9.60
3y EPS CAGR	2.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.2%	-6.9%	3.0%	-8.6%
Softw.& Comp.	-4.9%	-7.4%	10.7%	-8.7%
DJ Stoxx 600	-5.4%	-14.8%	-6.4%	-12.5%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	284.7	308.5	330.1	353.6
% change		*8.4%*	*7.0%*	*7.1%*
EBITDA	52.3	50.7	54.5	59.3
EBIT	27.4	34.3	42.0	46.8
% change		*25.2%*	*22.4%*	*11.5%*
Net income	41.1	38.5	41.8	45.7
% change		*-6.3%*	*8.7%*	*9.4%*

	2015	2016e	2017e	2018e
Operating margin	15.6	15.4	15.5	15.8
Net margin	9.8	8.7	10.0	10.4
ROE	8.2	7.5	8.6	8.9
ROCE	15.3	11.8	12.5	13.9
Gearing	-10.5	-4.6	-13.4	-22.0

(EUR)	2015	2016e	2017e	2018e
EPS	1.94	1.79	1.94	2.12
% change	*-*	*-8.0%*	*8.2%*	*9.4%*
P/E	11.5x	12.5x	11.5x	10.5x
FCF yield (%)	9.4%	6.0%	9.0%	9.9%
Dividends (EUR)	0.40	0.40	0.40	0.45
Div yield (%)	1.8%	1.8%	1.8%	2.0%
EV/Sales	1.5x	1.4x	1.2x	1.0x
EV/EBITDA	8.1x	8.7x	7.5x	6.2x
EV/EBIT	9.5x	9.3x	8.0x	6.6x

FY 2015 results below our estimates, new three-year plan with flattish margins ahead

Fair Value EUR24 vs. EUR30 (+8%) **NEUTRAL vs. BUY**

We have downgraded our recommendation to Neutral from Buy, and reduced our DCF-derived Fair Value to EUR24 from EUR30. We have cut our adj. EPS ests. by 10% for 2015, 13% for 2017 and 15% for 2018 (-EUR4/share), reduced our medium-term adj. EBIT margin to 16% from 19% (-EUR3), and adjusted our WCR assumptions (+EUR1). Yesterday evening Axway reported FY15 results below our forecasts, with France affected in Q4 15 by longer-than-expected sales cycles in API and Operational Intelligence. The new 3-year plan targets strong sales growth but steady op. margins on a lfl basis, while Axway is still investing in its offering. We expect a negative share price reaction short-term.

ANALYSIS

- **FY15 results below our estimates**. For 2015, Axway reported sales up 8.8% (flat lfl) to EUR284.6m, licence sales down 7% lfl to EUR95.2m, operating profit up 12.1% to EUR44.5m or 15.6% of sales (+0.4ppt), EBIT down 12.5% to EUR27.4m after EUR10.5m non-recurring costs (essentially restructuring), and net profit up 4.5% to EUR27.9m. These results were below our forecasts (sales of EUR292.2m, operating profit of EUR48m or 16.4% of sales, EBIT of EUR32.4m), except for net profit (BG est.: EUR25.3m) thanks to a negative tax rate due to the activation of tax loss carry-forwards. Maintenance and Services were up 4.3% lfl and 0.1% lfl. In Q4 15, sales were down 4.1% (-8.6% lfl) to EUR83.7m, with licence sales down 20.7% lfl to EUR31.4m, maintenance up 2.6% lfl and services down 3% lfl. FY15 free cash flow was up 4.9% to EUR49.6m or 17.4% of sales.

- **Q4 details: very tough comps and API/OI delays in France**. On a lfl basis, Q4 sales were down 31.4% in France, up 12.9% in America, down 1.8% in the Rest of Europe, and up 33.4% in Asia Pacific. All the regions were in line with expectations, except France. In France, Axway had very tough comps in Q4, since in Q4 2014 the company signed several three-year generic licence renewals (>EUR1m each) for an est. EUR11m. In addition, several licence deals experienced longer-than-expected sales cycles in Operational Intelligence (Systar) - requires a lot of pre-sales activity - and APIs (Vordel) - tough competition with CA Technologies (Layer7). In America, Axway performed particularly well while signings in October were encouraging. In the Rest of Europe, the performance was soft in Q4 due to the UK, while in Ireland Axway benefited from a significant OEM order from a software vendor embedding Axway's API management software.

- **New three-year plan: strong growth but stable margins**. The arrival of new CEO Jean-Marc Lazzari in June 2015 was the starting point of a new strategy for Axway, based on the expansion of the traditional middleware offer (Managed File Transfer and B2B Integration) towards solutions that support digital transformation. In 2015, efforts were made to fine-tune sales and marketing organisation, streamline R&D, focus on North America and the API/OI offers, and speed up the positioning towards a digital ecosystem. For the next three years, Axway is targetting strong revenue growth and steady operating margins on a lfl basis (incl. Appcelerator acquired in January), while continuing to invest in the evolution of its offering. The medium-term plan will combine organic growth and the acquisition of technologies and installed bases.

VALUATION

- Axway's shares are trading at est. 9.3x 2016 and 8.0x 2017 EV/EBIT multiples.
- Net cash position on 31st December 2015 was EUR35.7m (net gearing: -11%).

NEXT CATALYSTS

Conference call today at 3.30pm CET / 2.30pm BST / 9.30am EDT (France: +33 1 70 91 86 61; UK: +44 20 34 27 19 30; USA: +1 646 254 33 76).

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Healthcare

Bayer

Price EUR94.79

Disappointing

Fair Value Under Review

NEUTRAL

Bloomberg	BAY GY
Reuters	BAYG.F
12-month High / Low (EUR)	146.2 / 92.8
Market Cap (EURm)	78,386
Ev (BG Estimates) (EURm)	95,139
Avg. 6m daily volume (000)	2 425
3y EPS CAGR	5.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-10.2%	-22.9%	-15.6%	-18.1%
Healthcare	-7.4%	-12.7%	-6.9%	-12.8%
DJ Stoxx 600	-5.4%	-14.8%	-6.4%	-12.5%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	42,239	45,215	34,365	35,955
% change		*7.0%*	*-24.0%*	*4.6%*
EBITDA	8,847	9,974	9,069	9,598
EBIT	7,562	8,699	8,370	8,946
% change		*15.0%*	*-3.8%*	*6.9%*
Net income	4,977	5,546	5,361	5,886
% change		*11.5%*	*-3.3%*	*9.8%*

	2014	2015e	2016e	2017e
Operating margin	17.9	19.2	24.4	24.9
Net margin	11.8	12.3	15.6	16.4
ROE	24.4	26.6	23.6	23.6
ROCE	10.3	11.9	12.6	13.6
Gearing	99.0	76.9	40.4	26.4

(EUR)	2014	2015e	2016e	2017e
EPS	6.02	6.71	6.48	7.12
% change	*-*	*11.5%*	*-3.3%*	*9.8%*
P/E	15.8x	14.1x	14.6x	13.3x
FCF yield (%)	4.4%	6.6%	12.9%	7.3%
Dividends (EUR)	2.25	2.35	2.60	2.70
Div yield (%)	2.4%	2.5%	2.7%	2.8%
EV/Sales	2.3x	2.1x	2.6x	2.4x
EV/EBITDA	11.1x	9.5x	9.7x	8.9x
EV/EBIT	13.0x	10.9x	10.5x	9.5x

Bayer reported this morning lower-than-expected earnings for the last quarter of 2015 with a meaningful miss to consensus expectations on core EPS (EUR1.07 vs EUR1.21) despite in-line sales thanks to strong US operations for CropScience. Based on these light numbers, Bayer is forming a first cautious guidance that should be another disappointment for the investment community. The group is guiding towards low-single digit growth in sales and mid-single digit growth in adjusted EBITDA with Fx playing slightly negative where CS anticipates reported 8.5% growth. Capex for 2016 is also higher than expected whereas net debt should stay well above our expectations. We are far from the strong growth profile market was expecting from Bayer in the decade. FV under review.

ANALYSIS

- Bayer reported in-line revenues for Q4 2015, with CropScience above estimates, largely driven by strong performance in North America (+24%) whereas other divisions were roughly in line. Within Pharmaceuticals, there is no major surprise to report. The "5 BIG" totalled EUR1.2bn, slightly more than we had anticipated as both Xarelto and Eylea came above estimates (EUR650m and EUR354m respectively in Q4 2015, +28% and +58%).
- However, all divisions made much lower-than-expected EBITDA contributions in the last quarter of the year with the exception of Covestro but which reported two days ago as a stand-alone company. Pharmaceuticals, Consumer Healthcare and CropScience all missed consensus forecasts. The major difference is coming from CropScience where EBITDA margin was 13.7% for the quarter when consensus was expecting 16.9%. All in all, restated EBITDA for the group came out at EUR1.9bn whereas consensus expected EUR2,029m to be reported. This difference is also reflected into the core EPS as reported EUR1.07 compares to estimated EUR1.21. We had been more cautious and we have a much limited difference with Bayer's reported numbers.
- But we expect the focus to be on the guidance for 2016. Not only are 2015 figures soft but Bayer is making a cautious guidance for 2016 both in terms of sales (low-single digit percentage increase) and in terms of adjusted EBITDA and core EPS (growth by a mid single digit percentage). This should come as a significant disappointment to the investment community. Before looking at the numbers, the general comment would be that it leaves Bayer far from a profile of a fast-growing company in the short-term whereas it has to invest heavily in R&D to revive its pipeline, which is reflected into an estimated R&D budget of EUR4.5bn (vs EUR4.2bn BG est.). Back to the numbers, consensus was expecting EBITDA to grow by 8.5% on a reported basis, which is not supported by the guidance, considering also that if anything currencies should play slightly negatively. To note also is that Capex of EUR2.5bn is about EUR0.5bn higher than we had anticipated, financial result (exp. -EUR1.2bn, 200m more negative) and net financial debt at the end of 2016 anticipated "below EUR16bn" when we had slightly above EUR12bn.

VALUATION

- Clearly, we have to revisit the whole set of numbers because guidance is disappointing on all fronts (with the exception of tax rate?). Hence the decision to suspend our FV. The cut in the sequence of core EPS can be expected as fairly significant.
- Bayer appeared cheap and share price performance (-18% YTD) raised questions about the attractiveness of the stock. But like with Sanofi and Novartis, we think it is too early. All the more so with Bayer than it was supposed to exhibit higher-than-peers growth as BIG 5 was growing fast. We keep our NEUTRAL rating and do favour others names in the space like GSK and AstraZeneca.

NEXT CATALYSTS

- Today at 2pm: Conference Call

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Business Services

Bureau Veritas

Price EUR17.63

FY 2015 results: In line except net result. Resilient 2016 results expected.

Fair Value EUR22 (+25%) **NEUTRAL**

Bloomberg	BVI FP
Reuters	BVI.PA
12-month High / Low (EUR)	21.8 / 16.1
Market Cap (EURm)	7,781
Ev (BG Estimates) (EURm)	9,782
Avg. 6m daily volume (000)	864.7
3y EPS CAGR	7.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.3%	-7.3%	-7.9%	-4.2%
Inds Gds & Svs	-2.0%	-11.9%	-4.0%	-9.2%
DJ Stoxx 600	-5.4%	-14.8%	-6.4%	-12.5%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	4,172	4,643	4,797	5,024
% change		*11.3%*	*3.3%*	*4.7%*
EBITDA	778	896	928	985
EBIT	694.0	777.2	802.3	848.6
% change		*12.0%*	*3.2%*	*5.8%*
Net income	391.3	446.9	462.8	492.5
% change		*14.2%*	*3.6%*	*6.4%*

	2014	2015e	2016e	2017e
Operating margin	16.6	16.7	16.7	16.9
Net margin	9.4	9.6	9.6	9.8
ROE	35.3	33.8	31.2	29.6
ROCE	13.0	13.6	13.6	13.7
Gearing	164.7	147.2	128.4	113.3

(EUR)	2014	2015e	2016e	2017e
EPS	0.90	1.02	1.06	1.13
% change	-	*13.6%*	*3.6%*	*6.4%*
P/E	19.6x	17.2x	16.6x	15.6x
FCF yield (%)	5.9%	6.3%	6.5%	7.0%
Dividends (EUR)	0.48	0.54	0.56	0.60
Div yield (%)	2.7%	3.1%	3.2%	3.4%
EV/Sales	2.3x	2.1x	2.0x	1.9x
EV/EBITDA	12.4x	10.9x	10.5x	9.9x
EV/EBIT	13.9x	12.6x	12.1x	11.4x

Results were in line with expectations except net result due to exceptional charges amounting to EUR121m. 2016 should be challenging again due to oil & gas and minerals. Nevertheless, management expects lfl revenue growth of between 1% and 3% (our forecast is 1.6% vs. consensus at 2.1%) with a gradual improvement in H2 (notably due to construction in France representing around 5% of consolidated revenue). Adjusted EBITA margin should be maintained at a high level between 16.5% and 17% after 16.7% in 2015. Our forecast is flat at 16.7% compared with the consensus of 16.8%. Management will propose a dividend of EUR0.51, up 6.3%.

ANALYSIS

- **Results were in line except net result, affected by exceptional charges: Total revenue** reached EUR4,635m up 11.1% in reported terms with lfl growth of 1.9%, which compared with the consensus at EUR4,648m with organic growth of 2.1% and BG estimates of EUR4,643m up 1.8% (Q4 alone was flat on a lfl basis vs. -0.5% anticipated by us). **Adjusted EBITA** reached EUR775m (consensus EUR776m and EUR777 from BG) i.e. an EBITA margin of 16.7% representing an improvement of 10bps. **Net profit** at EUR255m was down 13.3% vs. last year largely affected by exceptionals of EUR121m o/w EUR100m of impairment of goodwill relating to commodities business and EUR21m restructuring charges (EUR20m in 2014) mainly in the Americas and in Australia for Industry and Commodities. Strong Operating Cash Flow up 16.4% to EUR706m (our expectation was EUR639m) and free cash flow of EUR462m vs. EUR402m in 2014. Finally, adjusted net debt was EUR1,863m i.e. representing a leverage of 2.02x vs. 2.16x in December 2014.
- **Resilient results anticipated in 2016 with improvement in H2:** The economic environment is still challenging and volatile especially in the oil & gas and minerals segments (24% of consolidated revenue o/w c.8% is linked to client capex and about 90% of this 8% concern the industry segment). Nevertheless, management expects **lfl revenue growth** of between 1% and 3% (our forecast is 1.6% vs. consensus at 2.1%) with a gradual improvement in H2 (notably due to construction in France representing around 5% of consolidated revenue). **Adjusted EBITA margin** should be maintained at a high level between 16.5% and 17% after 16.7% in 2015. Our forecast is flat at 16.7% compared with consensus of 16.8%.

VALUATION

- At the current share price, the stock is trading on 2016e and 2017e EV/EBIT of 12.1x and 11.4x, compared with the median historical multiple of 14.4x and an EBIT CAGR 2014-2017 of c.7%.
- We have based our forecasts on lfl revenue growth of 1.6% in 2016e (consensus 2.1%) after 1.9% in 2015 and 3% in 2017e (consensus 3.9%).

NEXT CATALYSTS

- Meeting at 3.00pm (Paris time)
- Q1 2016 revenue on 12th May 2016

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Construction & Building Materials

Eiffage

Price EUR61.85

Dividend: 25% increase to EUR1.50 following eight years of stability

Fair Value EUR71 (+15%) **BUY**

Bloomberg	FGR FP
Reuters	FOUG.PA
12-month High / Low (EUR)	63.9 / 47.8
Market Cap (EUR)	5,903
Ev (BG Estimates) (EUR)	20,923
Avg. 6m daily volume (000)	289.4
3y EPS CAGR	17.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.9%	10.0%	23.6%	3.9%
Cons & Mat	-3.5%	-9.9%	-0.4%	-9.0%
DJ Stoxx 600	-5.4%	-14.8%	-6.4%	-12.5%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	13,987	13,281	13,717	13,953
% change		*-5.0%*	*3.3%*	*1.7%*
EBITDA	2,035	2,181	2,281	2,381
EBIT	1,347	1,371	1,471	1,571
% change		*1.8%*	*7.4%*	*6.8%*
Net income	275.0	308.6	381.1	470.1
% change		*12.2%*	*23.5%*	*23.3%*

	2014	2015e	2016e	2017e
Operating margin	9.6	10.3	10.7	11.3
Net margin	2.5	3.0	3.6	4.3
ROE	11.8	11.7	13.0	14.2
ROCE	4.7	4.4	4.8	5.1
Gearing	428.7	366.7	324.4	279.7

(EUR)	2014	2015e	2016e	2017e
EPS	3.09	3.28	4.01	4.95
% change	-	*6.2%*	*22.3%*	*23.3%*
P/E	20.0x	18.9x	15.4x	12.5x
FCF yield (%)	12.5%	6.2%	5.6%	7.3%
Dividends (EUR)	1.20	1.20	1.20	1.20
Div yield (%)	1.9%	1.9%	1.9%	1.9%
EV/Sales	1.5x	1.6x	1.5x	1.5x
EV/EBITDA	10.4x	9.6x	9.1x	8.6x
EV/EBIT	15.8x	15.3x	14.1x	13.0x

Eiffage has reported decent 2015 results with lfl sales down a slight 1.3%. However EBIT margin was pretty strong at 10.3% (+70bps), with the combination of lower profitability for contracting but a strong performance by the concession business. Attributable net profit rose 13.5%, thanks to a 15% reduction in the cost of the debt. The order book was solid and up 1.2% excluding BPL, but top line growth in contracting is set to fall slightly in 2016. However, net earnings will continue to increase significantly. 25% increase in the dividend to EUR1.50.

ANALYSIS

- In 2015, Eiffage was penalised by its exposure to the French Construction market. The 4.4% lfl decline in contracting revenues in France mostly explained the slight decline in consolidated revenues at -1.3% lfl. Sales were EUR13.9bn, above our estimates but we were conservative here, and 1% above IBES consensus. EBIT rose 6% to EUR1431, 4% above our estimates.
- EBIT margin for the Contracting division was under pressure in 2015, by more than we expected actually, with a 30bp decline at 3.0%. Construction (incl. property) margin was resilient at 3.9% (-30°bps) and the energy division strong with a 20bps improvement at 3.7%, but infrastructure have was affected by a very difficult roadworks market in France, with the metal business impacted by the oil and gas slowdown. As such Infrastructure margin was down 70bp to 1.7%
- The concessions business was very strong. This was due to the continuous improvement of APRR EBITDA margin (+110bps at 71.8%), lower depreciation related to the concession life extension and healthy improvement in other concessions EBIT (+25% at EUR142m).
- Due to the positive impact of APRR/Eiffarie refinancing and lower debt (FCF is up 30% at EUR482m), financial results fell cEUR100m, with the cost of net debt down 15%. This should be the case in 2016 as well, albeit to a lesser extent. Net profit was solid at EUR312m, up +13.5%.
- The outlook is correct with an order book down 2.8% y/y but up 1.2% excluding BPL. This represents 12 months of revenues. 2016 top line is set to drop slightly but earnings should improve massively, thanks to further low interest charges and margin improvement, notably in contracting thanks to cost control efforts. In addition, we understand that the cycle trough in construction is behind us in France, while residential sales are strong. Roadworks should stabilise and civil works should benefit from the attribution of Ile de France infrastructures projects. Traffic increase in 2016 YTD is similar to the trend at the end of last year, which is promising (in Q4, y/y traffic was up 2.9%). Finally, we understand the group is keen to be more active on the M&A side.
- In all, management seems to be fairly confident in the future. Hence the proposal of a significantly higher dividend per share at EUR1.50, up 25% y/y vs EUR1.20 previously. The last increase in the dividend was seen after 2007 results.

Key figures

2015	Revenues	l-f-l %	EBIT	Margin%	~Delta in bps
Construction	3514	-5.8	136	3.9	-30
Infra	4374	-6.1	75	1.7	-70
Energy	3578	7.5	132	3.7	20
CONTRACTING	11466	-	343	3.0	-30
CONCESSIONS	2443	2.8	1106	45.3	385
Total	**13909**	**-1.3**	**1431**	**10.3**	**70**

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

VALUATION

- EUR71 derived from a SOTP

NEXT CATALYSTS

- AGM on 20th April 2016 and APRR Q1 revenues on 19 April 2016

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Utilities

Engie

Price EUR13.49

2015 earning - first take: Transformers!

Fair Value EUR19 (+41%) **BUY**

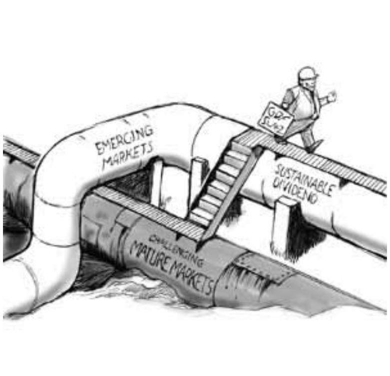
Bloomberg	GSZ FP
Reuters	GSZ.PA
12-month High / Low (EUR)	19.9 / 13.1
Market Cap (EUR)	32,840
Ev (BG Estimates) (EUR)	75,135
Avg. 6m daily volume (000)	6 355
3y EPS CAGR	5.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.5%	-16.7%	-10.5%	-17.4%
Utilities	-5.8%	-11.0%	-3.5%	-10.1%
DJ Stoxx 600	-5.4%	-14.8%	-6.4%	-12.5%

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	14.3x	13.6x	12.7x	12.2x
FCF yield (%)	9.3%	4.5%	3.7%	4.3%
Dividends (EUR)	1.00	1.00	1.00	1.00
Div yield (%)	7.4%	7.4%	7.4%	7.4%
EV/Sales	1.1x	0.9x	1.0x	1.1x
EV/EBITDA	6.9x	6.6x	7.1x	7.2x
EV/EBIT	12.9x	11.7x	12.6x	12.9x



Engie has posted a poor 2015 earnings performance this morning, as expected. Most of the deterioration came from merchant activities, which obliged the group to book massive impairments. The outlook for 2016 is prudent, as we anticipated, as the group will continue to suffer from the deterioration in commodities prices. The most interesting element of the publication was the announcement of a transformation plan set to adapt Engie to the new world. Asset rotation should be massive and combined with a EUR1bn cost-reduction programme (EUR0.3bn/year, over the new group). Management committed to distributing a EUR1/share dividend in 2015 and 2016, and a EUR0.7/share dividend in 2017 and 2018 once Mr. Mestrallet has left the group and once significant disposals have been made. This first indications of this plan look quite interesting. We expect a positive share price reaction this morning.

ANALYSIS

- **Main 2015 metrics**: The group posted EBITDA of **EUR11.3bn** (*-7.2% YoY*), close to our **EUR11.39bn** estimate, and short of its 2015 EBITDA guidance of **EUR11.45-12.05bn**, albeit due to a negative climate effect. As expected, most of the earnings detererioration came from merchant activities (Global Gas & LNG, Enery Europe), which incurred yoy EBITDA declines of **-27% and -20%** respectively**.** The positive contributions from the Infrastucture and Energy Services businesses (respectively +3.9% and +4% YoY in EBITDA growth) were not sufficient to offset the decline in other activities. The group's net recurring income came in ahead of our EUR2.48bn estimate, at EUR2.6bn, again short of the group's 2015 guidance (EUR2.75-3.05bn). EUR8.7bn in impairments were booked by the group following the massive deterioration in commodities prices that affected both the E&P and LNG businesses. These impairments took a toll on the group's net reported income, leading **to a net loss of EUR4.6bn**. As for net debt, the group was able to maintain its 2.5x net debt/EBITDA ratio with net debt at **EUR27.7bn** while we expected EUR28.6bn.

- **What to retain from this publication?** The group unveiled its new three-year strategic plan which is based on **1/ EUR22bn of capex** over the period o/w **EUR7bn** for maintenance, implying **EUR5bn** in growth capex/year (vs. EUR4-5bn over past years), **2/ on EUR15bn** in asset rotation, **o/w 1/3** is already signed by the group, as of today (US thermal assets notably), **3/ EUR1bn** from a net performance gain through the launch of the "Lean 2018" plan (at the EBITDA level), **4/**a net debt/EBITDA ratio which is set to remain **≤ 2.5x as over past years**. With this strategy, the group's financial structure is set to change considerably, notably due to significant disposals. Engie unveiled it will distribute a stable dividend for 2015 and 2016 at EUR1/share while distributing a EUR0.7/share dividend in 2017 and 2018, as the group will be in its transformation phase. As for 2016, the group unveiled it is targeting EBITDA of between **EUR10.8bn and EUR11.4bn**, below our **EUR11.7bn** estimate, but in line with the current consensus (EUR11.4bn) that should allow it to report net recurring income of between **EUR2.4bn and EUR2.7bn**, in line with our estimates (consensus at EUR2.8bn).

- **Conclusion**: The group's guidance for 2016 **is in line with our estimates** (on net recurring income), confirming the operational deterioration is set to continue beyond 2015, as expected. **The three-year strategic plan just** unveiled by the group seems quite interesting as it will adapt Engie to the new world. **We confirm the Buy rating.**

VALUATION

- At the current share price Engie is trading at 12.7x its 2016e EPS
- Buy, with FV @ EUR19

NEXT CATALYSTS

- Analyst meeting at 08.00am CET: +33 (0)1 76 77 22 24

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Luxury & Consumer Goods

Groupe SEB

Price EUR85.25

FY 2015 results in line with expectations but very solid!

Fair Value EUR105 (+23%) **BUY**

Bloomberg	SK FP
Reuters	SEBF.PA
12-month High / Low (EUR)	96.9 / 65.3
Market Cap (EUR)	4,277
Ev (BG Estimates) (EUR)	4,700
Avg. 6m daily volume (000)	59.10
3y EPS CAGR	17.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.1%	-7.1%	6.8%	-9.9%
Consumer Gds	-2.4%	-10.0%	4.4%	-8.2%
DJ Stoxx 600	-5.4%	-14.8%	-6.4%	-12.5%

YEnd Dec. (€m)	2014	2015e	2016e	2017e
Sales	4,253	4,770	4,976	5,228
% change		*12.2%*	*4.3%*	*5.1%*
Recurring Op profit	368.0	430.2	472.7	504.1
EBIT	334.7	401.2	442.4	472.3
% change		*19.9%*	*10.3%*	*6.7%*
Net income	170.0	208.7	252.8	275.2
% change		*22.8%*	*21.1%*	*8.9%*

	2014	2015e	2016e	2017e
EBIT margin	7.9	8.4	8.9	9.0
Net margin	4.0	4.4	5.1	5.3
ROE	11.9	14.9	15.3	15.2
ROCE	11.0	12.9	13.9	14.6
Gearing	26.2	23.5	13.8	5.2

(€)	2014	2015e	2016e	2017e
EPS	3.46	4.24	5.14	5.59
% change	-	*22.8%*	*21.1%*	*8.9%*
P/E	24.7x	20.1x	16.6x	15.2x
FCF yield (%)	5.1%	4.0%	6.1%	6.5%
Dividends (€)	1.44	1.57	1.75	1.95
Div yield (%)	1.7%	1.8%	2.1%	2.3%
EV/Sales	1.1x	1.0x	0.9x	0.8x
EV/EBITDA	12.9x	10.9x	9.6x	8.7x
EV/EBIT	14.1x	11.7x	10.3x	9.3x

Groupe SEB has released 2015 results with recurring operating result up 16.3% to EUR428m, fairly in line with market expectations (CS: EUR430m), representing a first margin expansion (+30bp to 9%) since 2010, despite another significant FX headwind of EUR100m. Although this pressure is set to worsen in 2016 (EUR130-140m), SEB expects to increase its recurring operating result further. Buy recommendation and FV of EUR105 reiterated. Analysts' meeting today at 2.30pm (Paris time).

ANALYSIS

- **2015 sales, pre-announced on 19th January, came in at EUR4,770m (+12.1% and +8% LFL) or 2% above expectations.** In Q4 alone, LFL growth amounted to 7.2% (CS: +5.5%), boosted by a double-digit increase in **Western Europe** (+15.8%) and in **Asia-Pacific** (+11.8%) while business remained quite resilient in **LatAm** (-0.8% o/w mid single-digit decline in Brazil) and in **Central & Eastern Europe** (+2.1% with a slight decrease in Russia).
- **2015 recurring operating result (EUR428m) matched estimates.** After a EUR94m negative FX impact in 2014, SEB had to cope with another significant adverse currency effect in 2015 (EUR100m), representing a negative 210bp impact on the op margin! The group also increased marketing expenses by 16% FX-n (vs. +8% FX-n for the top line) but enjoyed some tailwinds such as a positive volume effect, a favourable price-mix and savings from sourcing and operating efficiency programmes. Consequently operating margin widened 30bp to 9%.
- **2015 net debt stood at EUR316m vs. EUR453m the previous year** thanks to solid FCF generation of EUR257m (+47%), leading to net gearing of 17% vs. 26% the previous year. **The proposed dividend for 2015 is EUR1.54 (+7%)**.

Groupe SEB 2015 results:

EURm	2014	2015	% change
Sales	4,253	4,770	*12.1*
Recurring Op result	368	428	*+16.3*
In % of sales	*8.7*	*9.0*	*+30pb*
Group net income	170	206	*21.2*

Source: Company Data

- **Analysts' meeting today at 2.30pm: adverse currencies to again focus investor attention.** At the 2015 sales conference call in January, CFO Vincent Leonard confirmed that currencies will remain a challenge, mainly due to the stronger USD (+1% in the EUR/USD **=>** -EUR5m gross impact). As such, he guided for a higher headwind to EUR130-140m (2015: EUR100m). On the positive side, Mr Leonard already declared that it should be entirely offset by the same successful initiatives as those implemented in 2015 (i.e. price hikes, efficiency gains, procurement savings, etc.).
- **Why is management so confident? 1/** SEB has adapted its cost structure to this adverse FX environment which represented an aggregated negative impact of EUR262m over the last four years! **2/** the stronger USD is affecting the whole industry and particularly SEB's competitors, creating more favourable market conditions for price increases. As such, the group passed on some price hikes in many countries recently (Russia, Brazil, etc.) and **3/** SEB maintains significant pricing power given its powerful and sucessful brands and its strategy based on on innovation.
- **FY16 outlook: minor adjustments to our FY16 assumptions.** We maintain our relatively cautious LFL growth forecast of 4.5% given demanding comps (+8% in 2015) and our scope effect (integration of OBH Nordica: ~1%) but we have factored in a higher negative FX impact (-1.1% vs. -0.5% initially). As for the profitability, we stick to our margin forecast (+50bp to 9.5%).

VALUATION

- Although these results matched expectations, we expect a positive reaction today in light of a strong operating performance stripping out the significant FX headwind and the reassuring

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TMT

Sopra Steria Group

Price EUR88.96

Bloomberg	SOP FP
Reuters	SOPR.PA
12-month High / Low (EUR)	112.0 / 68.9
Market Cap (EUR)	1,815
Ev (BG Estimates) (EUR)	2,361
Avg. 6m daily volume (000)	23.20
3y EPS CAGR	14.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-11.6%	-16.2%	-1.5%	-17.9%
Softw.& Comp.	-4.9%	-7.4%	10.7%	-8.7%
DJ Stoxx 600	-5.4%	-14.8%	-6.4%	-12.5%

YEnd Dec. (€m)	2014	2015e	2016e	2017e
Sales	2,280	3,592	3,791	3,933
% change		*57.5%*	*5.5%*	*3.8%*
EBITDA	220	292	340	384
EBIT	148.2	161.3	230.9	273.7
% change		*8.8%*	*43.2%*	*18.5%*
Net income	129.9	142.6	174.9	204.4
% change		*9.8%*	*22.7%*	*16.8%*

	2014	2015e	2016e	2017e
Operating margin	8.5	6.8	7.7	8.5
Net margin	4.3	2.4	3.5	4.1
ROE	9.0	7.5	10.8	12.1
ROCE	10.1	11.5	13.3	15.2
Gearing	40.7	48.5	31.3	18.3

(€)	2014	2015e	2016e	2017e
EPS	6.61	6.97	8.54	9.97
% change	-	*5.4%*	*22.5%*	*16.8%*
P/E	13.4x	12.8x	10.4x	8.9x
FCF yield (%)	6.1%	NM	7.3%	11.2%
Dividends (€)	1.90	1.90	2.26	2.76
Div yield (%)	2.1%	2.1%	2.5%	3.1%
EV/Sales	1.0x	0.7x	0.6x	0.5x
EV/EBITDA	10.3x	8.1x	6.5x	5.4x
EV/EBIT	11.7x	9.7x	7.6x	6.2x

Acquisition of Cassiopae by Sopra Banking Software

Fair Value EUR115 (+29%) **BUY**

Yesterday evening Sopra Steria announced an agreement for the acquisition of 75% of Cassiopae, a French software vendor active in specialised finance and real estate management solutions, for an undisclosed sum and an option to purchase the remaining 25% by 2020. We estimate Cassiopae could add 2% to Sopra Steria's revenues. The acquisition price and operating margin have not been disclosed, but we are confident that Sopra Steria will pay a reasonable price, and we would not be surprised if the deal had a slight accretive impact on EPS over 2016-17.

ANALYSIS

- **Cassiopae, a leader in specialised finance and real estate management software**. Sopra Steria plans to acquire 75% of KSEOP/Cassiopae through Sopra Banking Software. The founder and his family, and certain managers including the current chairman, Emmanuel Gillet, will retain 25% of the share capital. A subsequent acquisition of this 25% is envisaged by 2020. Founded in 1987 as Orfi, and initially a real estate leasing software vendor based in Paris, Cassiopae offers comprehensive solutions for specialised finance and real estate management. The company, which has 300 customers in Europe, the US, Asia-Pacific, the MEA region and LatAm, posted EUR50.2m revenues in 2014. The operating margin has not been disclosed. The deal is expected to close in Q2 2016 once the usual legal conditions have been satisfied.
- **Rationale of the deal**. As previously mentioned, Sopra Banking Software aims to double its revenues between 2014 and 2019 from EUR271m. The acquisition of Cassiopae should provide Sopra Banking Software the following: 1). A range of business-specific solutions in distribution, account-keeping, lending, payments and compliance, while addressing specialised finance requirements (real estate and equipment leasing, consumer credit, car loans, factoring and guarantees…), 2). A consolidation of its leadership in the Banking sector, with revenues augmented by 18% to a 2014 pro forma of EUR320m; 3). Potential accretion to Sopra Steria's margins, as Sopra Banking Software would account for an est. 14% of group revenues (vs. 12% previously); 4). Potential synergies on revenues and costs.
- **A deal which looks mildly EPS accretive at first glance**. We estimate Cassiopae would add 2% to Sopra Steria's revenues. The acquisition price and the operating margin have not been disclosed, but we are confident that Sopra Steria will pay a reasonable price for it (less than 1x revenues) and we would not be surprised the deal could be slightly accretive to EPS from 2016-17. The analysts' meeting which will take place on 29th February for presenting FY15 results will bethe chance to get more details on this acquisition.

VALUATION

- Sopra Steria's shares are trading at est. 7.6x 2016 and 6.2x 2017 EV/EBIT multiples.
- Net debt on 30th June 2015 was EUR618.1m (net gearing: 55%).

NEXT CATALYSTS

FY15 results on 29th February before markets open.

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Utilities

Veolia Environnement

Price EUR21.18

2015 earning - first take: Good, although bang in line!

Fair Value EUR22,5 (+6%) **NEUTRAL**

Bloomberg	VIE FP
Reuters	VIE.PA
12-month High / Low (EUR)	22.9 / 16.8
Market Cap (EURm)	11,932
Ev (BG Estimates) (EURm)	19,611
Avg. 6m daily volume (000)	2 113
3y EPS CAGR	78.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.3%	-2.4%	16.6%	-3.1%
Utilities	-5.8%	-11.0%	-3.5%	-10.1%
DJ Stoxx 600	-5.4%	-14.8%	-6.4%	-12.5%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	23,880	24,970	25,495	26,148
% change		*4.6%*	*2.1%*	*2.6%*
EBITDA	2,164	2,960	3,151	3,341
EBIT	414.1	1,292	1,398	1,564
% change		*NM*	*8.2%*	*11.9%*
Net income	123.1	548.6	548.9	698.9
% change		*NM*	*0.1%*	*27.3%*

	2014	2015e	2016e	2017e
Operating margin	4.6	5.4	5.5	6.0
Net margin	1.0	2.5	2.4	2.9
ROE	1.3	6.2	6.2	7.8
ROCE	5.8	8.0	8.0	8.5
Gearing	86.5	98.9	98.1	95.5

(EUR)	2014	2015e	2016e	2017e
EPS	0.22	0.98	0.98	1.24
% change	-	*NM*	*0.1%*	*27.3%*
P/E	96.8x	21.7x	21.7x	17.0x
FCF yield (%)	1.8%	6.5%	5.4%	5.9%
Dividends (EUR)	0.70	0.73	0.76	0.89
Div yield (%)	3.3%	3.4%	3.6%	4.2%
EV/Sales	0.6x	0.8x	0.8x	0.7x
EV/EBITDA	6.5x	6.6x	6.2x	5.9x
EV/EBIT	33.9x	15.2x	14.0x	12.5x

Veolia has posted solid 2015 earnings, helped by a strong cost-reduction contribution and by a positive FX effect. Net recurring income was perfectly in line with our estimates at EUR580m (BG at EUR589m) as was the 2015 dividend proposal (EUR0.73/share). Management reached its 2015 targets easily, although this was no surprise. For 2016, the overall tone is quite cautious (on macro) as expected, putting the new cost-cutting programme even more at the centre of the group's earnings growth strategy. We appreciate the case, yet continue to think most of the equity story is already well priced in by market. Neutral, FV @ EUR22.5.

ANALYSIS

- **Main 2015 metrics**: 2015 EBITDA came out at **EUR3bn**, slightly ahead our **EUR2.96bn** estimate, reflecting11.3% YoY growth *(+5.3% LfL*) thanks to a solid cost-cutting contribution (*EUR223m*). Most of the earnings growth came from European activities, excluding France *(+9.1% YoY*), and from Water France. Veolia posted current EBIT of **EUR1.31bn**, in line with our **EUR1.29bn** estimate for the year, reflecting **25.5%** YoY growth. Net recurring income (Veolia definition) also surged as anticipated, to **EUR580m**, in line with our **EUR589m** adjusted estimate. Like Suez, the group suffered harshly from the deterioration in commodities prices and from a less favourable contractual indexation. Net debt came out at **EUR8.17bn**, below the 2014 level and below our **EUR8.8bn** estimates, leading the group to a **2.7x** leverage ratio. As for the dividend, the amount distributed by the group rose in line with EPS, by 4% to **EUR0.73/share**, in line with our estimate. This dividend will **be paid 100%** in cash, as promised by management. It is worth mentioning that post tax ROCE strongly increased last year, to **6.8%,** compared with 5.5% in 2014 and 5% in 2013. As a reminder the group aims to further raise it, to 9% by 2-3 years.
- **What to retain from this publication?** As for 2016, the group mentioned, like Suez yesterday, that global macro conditions remain difficult, with very limited inflation (*deflation?*) and sliggish economic growth. Yet thanks to further cost-cutting, Veolia aims to generate **EUR650m** in FCF, and **EUR600m** in net recurring income, while in our model we target **EUR648m**. As for 2018, the group confirmed its **EUR1bn** FCF generation and its **EUR800m** net income targets, thanks to a minimum EBITDA growth of 5%/year between 2016 and 2018. The group reiterated its target to reduce its costs base by at least EUR600m.
- **Conclusion**: The 2015 performance was quite impressive, as expected, with the group reaching its targets easily. 2016 global outlook is cautious, at least when excluding new restructuring programmes, and 2016 operational guidance implies net recurring income slightly below our estimates. **At this stage we confirm our Neutral rating, with FV unchanged at EUR22.5/share. This is good, but bang in line.**

VALUATION

- At current share price Veolia is trading at 22.2x its 2016e EPS
- Neutral, with FV @ EUR22.5

NEXT CATALYSTS

- Analyst meeting at 3.00pm CET

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Healthcare

bioMérieux

Price EUR115.85

Bloomberg	BIM FP
Reuters	BIOX.PA
12-month High / Low (EUR)	117.8 / 88.6
Market Cap (EURm)	4,571
Avg. 6m daily volume (000)	39.20

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.1%	8.2%	21.5%	5.4%
Healthcare	-7.4%	-12.7%	-6.9%	-12.8%
DJ Stoxx 600	-5.4%	-14.8%	-6.4%	-12.5%

	2014	2015e	2016e	2017e
P/E	33.9x	28.8x	25.9x	23.0x
Div yield (%)	0.9%	0.9%	1.0%	1.1%

FilmArray torch cleared by the FDA with the respiratory panel

Fair Value EUR121 (+4%) **BUY**

ANALYSIS

- BioMérieux announced this morning that the FDA cleared FilmArray Torch with the respiratory panel, less than one month and a half only after the filing of special 510 (k) (please see here) which dossier also relies on the previous clearance of the FilmArray platform and constitute in a label modification. The instrument and bioMérieux' flagship panel in the MDx field should be made available in the US during the summer, right in time to benefit from hospitals equipment campaigns for the 2016/2017 flu season.
- As a reminder FilmArray Torch features an increased throughput compared to FilmArray 2.0 alongside a reduced footprint in laboratories which ties in well with physicians' needs. We would expect the GI, ME and Sepsis panel have been filed and should be approved within the upcoming weeks.
- Competition is struggling. Indeed, GenMark which reported FY2015 numbers on Tuesday evening announced that manufacturing problems for its ePlex platform might trigger some delays. Being commercially available in the US for the 2016/2017 flu season is not likely to happen in our view

VALUATION

- The share price should react positively to the news
- We reiterate our BUY rating and EUR121 fair value ahead of FY2015 results

NEXT CATALYSTS

- March 2nd 2016 : FY2015 results (FY2015 sales released on January 21st, please see here)

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Hugo Solvet, hsolvet@bryangarnier.com

Healthcare

GlaxoSmithKline

Price 1,361p

ViiV advances with new compounds

Fair Value 1670p (+23%) **BUY**

Bloomberg	GSK LN
Reuters	GSK.L
12-month High / Low (p)	1,642 / 1,238
Market Cap (GBP)	66,258
Avg. 6m daily volume	8,376

	1 M	3 M	6 M	31/12/15
Absolute	-2.2%	1.3%	6.1%	-0.9%
Healthcare	-7.4%	-12.7%	-6.9%	-12.8%
DJ Stoxx 600	-5.4%	-14.8%	-6.4%	-12.5%

	2014	2015e	2016e	2017e
P/E	14.3x	18.0x	15.7x	14.6x
Div yield (%)	5.9%	7.4%	5.9%	5.9%

ANALYSIS

- Since the beginning of the week, Viiv Healthcare has announced a series of positive news items that are helping to reinforce its pipeline and increase visibility on a continuous growth trend for this fast-growing entity majority-owned by GSK.
- Yesterday, ViiV Healthcare disclosed first phase II data for investigational long-acting injectable cabotegravir (ÉCLAIR study) for HIV prevention. Three cycles of IM injections over three weeks were preferred by 74% of patients over daily oral cabotegravir and did not result in any major side effects. However drug concentration at the end of the period was lower than expected and as a consequence, an alternative higher concentration of 600mg every eight weeks will be tested. Viiv still anticipates cabotegravir IM to move into phase III later this year.
- Earlier this week, Viiv announced that it had finalised the acquisition of BMS's HIV assets for an upfront payment of USD317m (+ development and commercial milestones of up to USD518m and royalties on sales), mainly composed of attachment inhibitors, the most advanced of which (fostemsavir) is already in phase III, has received BTD and is expected to be filed in 2018.
- Last but not least, Viiv also announced full results from the LATTE-2 phase IIb trial that was comparing two drug regimens of long-acting injectable drugs (cabotegravir 600mg + rilpivirine 900mg) every 4 to 8 weeks to oral cabotegravir + 2 NRTIs daily after a 20-week induction period. Viral load suppression rates were similar. Side effects look manageable (serious AE occurred in 6% of patients in the iv arms vs 5% with oral drugs).

VALUATION

- ViiV Healthcare has the highest operating profitability of all GSK's businesses with more than 70% and GSK said recently that despite the prospect of further strong growth in dolutegravir-based products (Triumeq could still double in size), margin should not grow further. Incremental profits will be reinvested into BD and R&D to keep momentum going. The news reported this week was a good illustration of this.
- We have kept Viiv operating margin roughly flat over coming years while we have not yet factored any new drug (cabotegravir, fostemsavir) into our sales model. We see clear upside here.

NEXT CATALYSTS

- 27th April 2016: Q1 2016 results

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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% NEUTRAL ratings 28.1% SELL ratings 8.9%

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