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26th February 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	16697.29	+1.29%	-4.18%
S&P 500	1951.7	+1.13%	-4.51%
Nasdaq	4582.2	+0.87%	-8.49%
Nikkei	16140.34	+1.41%	-15.20%
Stoxx 600	326.541	+1.97%	-10.74%
CAC 40	4248.45	+2.24%	-8.38%
Oil /Gold			
Crude WTI	31.96	+4.86%	-14.09%
Gold (once)	1238.3	-0.81%	+16.56%
Currencies/Rates			
EUR/USD	1.1033	+0.10%	+1.56%
EUR/CHF	1.0913	+0.26%	+0.36%
German 10 years	0.133	-10.05%	-79.00%
French 10 years	0.507	-1.66%	-48.29%
Euribor	-	+-%	+-%

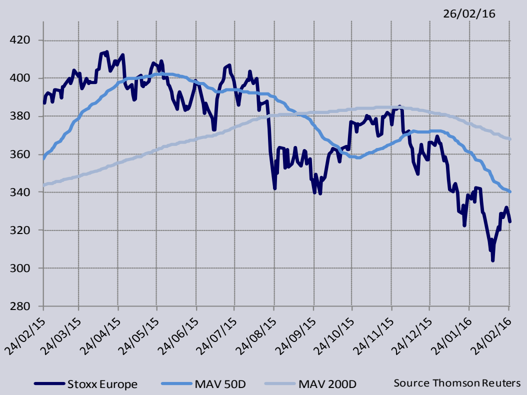
Upcoming BG events :

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



AXWAY SOFTWARE — **NEUTRAL, Fair Value EUR24 (+22%)**

FY15 conference call feedback: clarifying 2018 ambitions, 'reinventing' the company

BAYER — **NEUTRAL, Fair Value EUR113 vs. EUR126 (+18%)**

Has leverage been overestimated?

CARLSBERG — **SELL, Fair Value DKK520 vs. DKK485 (-13%)**

Making the case to Sell the stock

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

SEB will use the same recipe to make sure 2016 is another successful year

MELIA HOTELS — **BUY-Top Picks, Fair Value EUR15 (+63%)**

Feedback conf. call on FY results: ahead of forecasts (except on net). Positive outlook.

SAINT GOBAIN — **BUY, Fair Value EUR42 (+18%)**

FY 2015 in line for sales and operating income. Contrasting trends.

UCB — **NEUTRAL, Fair Value EUR78 (+9%)**

FY2015 results and guidance outstrip estimates

In brief...

ELIOR, *Q1 results: 2016 well engaged and guidance confirmed*

HUGO BOSS, *CEO Claus-Dietrich Lahrs resigns and will leave at the end of the month*

MATERIALS, *Strong figures for Sika in 2015.*

TMT

Axway Software

Price EUR19.60

FY15 conference call feedback: clarifying 2018 ambitions, 'reinventing' the company

Fair Value EUR24 (+22%) **NEUTRAL**

Bloomberg	AXW FP
Reuters	AXW PA
12-month High / Low (EUR)	25.7 / 17.6
Market Cap (EUR)	403
Ev (BG Estimates) (EUR)	393
Avg. 6m daily volume (000)	10.20
3y EPS CAGR	3.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-16.6%	-19.8%	-13.8%	-19.7%
Softw.& Comp.	-3.7%	-6.8%	8.2%	-6.7%
DJ Stoxx 600	-2.9%	-14.3%	-8.4%	-10.7%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	284.7	308.5	330.1	355.4
% change		*8.4%*	*7.0%*	*7.6%*
EBITDA	52.3	48.9	53.8	60.3
EBIT	27.4	32.5	41.3	47.8
% change		*18.5%*	*27.3%*	*15.7%*
Net income	41.1	37.2	41.3	46.4
% change		*-9.4%*	*11.1%*	*12.2%*

	2015	2016e	2017e	2018e
Operating margin	15.6	14.8	15.3	16.0
Net margin	9.8	8.3	9.8	10.6
ROE	8.2	7.2	8.5	9.1
ROCE	15.3	11.3	12.2	13.9
Gearing	-10.5	-2.8	-11.7	-20.7

(EUR)	2015	2016e	2017e	2018e
EPS	1.94	1.73	1.91	2.15
% change	*-*	*-11.0%*	*10.6%*	*12.2%*
P/E	10.1x	11.3x	10.2x	9.1x
FCF yield (%)	10.7%	6.5%	10.1%	11.4%
Dividends (EUR)	0.40	0.40	0.39	0.46
Div yield (%)	2.0%	2.0%	2.0%	2.3%
EV/Sales	1.3x	1.3x	1.1x	0.9x
EV/EBITDA	7.0x	8.0x	6.7x	5.3x
EV/EBIT	8.3x	8.6x	7.1x	5.6x

We reiterate our Neutral rating following the conference call held yesterday, and have fine-tuned our adj. EPS ests. (-3% for 2016, -2% for 2017 and +1% for 2018). Management provided more details on Axway's 2018 ambitions, but needs to deliver now. We consider the aim to double revenues over 2014-2018 an ambitious scenario, which relies on high expectations for licence sales growth, while the margin will be burdened by Appcelerator in 2016 and should recover thereafter.

ANALYSIS

- **High ambitions: doubling revenues between 2014 and 2018**. By 2018, Axway aims to double in size, preserve margins at current scope (incl. Appcelerator), achieve average growth of 30% p.a. in Ecosystem Engagement revenue (analytics, API management, community management, identity, mobile app development), keep its historic leadership in France, and be active in M&A both in the engagement and foundation domains. It is important to highlight that doubling size in terms of revenues uses 2014, not 2015, as a baseline, with clear emphasis put to the U.S. As such, Axway targets c. EUR520m revenues in 2018, i.e. an average 22% growth p.a. over 2015-2018, of which half organic (i.e. +11% p.a.) and half from acquisitions (EUR130m revenues). In order to reach 10-11% lfl revenue growth p.a., based on our assumptions of +7%/+8% p.a. on maintenance and +3%/+4% p.a. on services, we deem Axway has to deliver an impressive +15%/+20% p.a. on licence revenues to be in line with plan, which is an ambitious scenario in our view.

- **Margin dilution in 2016 due to Appcelerator**. A stable operating margin over 2015-2018 means delivering an average operating margin of 15.6% over 2015-2018. Due to the acquisition of Appcelerator - which we understand was loss-making at c. EUR4-4.5m for an est. EUR9-10m revenues in 2015 -, Axway is very likely to see a fall of its operating margin in 2016 - but on a standalone basis it is likely to rise -, then pick up again. If we assume that, excluding Appcelerator, Axway may reach a margin of 16.1% (+0.5ppt) - thanks to R&D and sales rationalisation - and that Appcelerator posts EUR13m revenues for a EUR2m loss, the acquisition of Appcelerator would be dilutive by 1.3ppt to Axway's operating margin in 2016. Beyond 2016, at constant scope, Axway could keep increasing the margin, and, in order to reach an average 15.6% during the 3-year period, we expect the company could exit in 2018 with a 16% margin.

- **Where does Axway invest in Digital?** 1). Axway has increased R&D investment by 60% in API management (Dublin, new team in Paris), 36% in Analytics/Operational Intelligence (starting in Bucharest), 275% in Community Management (Phoenix, Annecy) and 60% in Track & Trace (Noida, Annecy); 2). The sales pipeline is weighted towards the US (41%) and France (27%), and, on a product basis, Digital Engagement (45%) and Managed File Transfer (28%), while B2B Integration accounts for only 13%; 3). Marketing campaigns have been oriented towards "Road to Digital" for digital business enablement, "Ready for Digital" for integration and "Digital Business Innovator" for the ecosystem; 4). Axway is also undergoing its own internal digital transformation.

- **Other topics.** 1). Axway had virtually no debt left at the end of 2015, the EUR125m credit line has been extended to mid-2020 and is available for paying acquisitions, and the company has the ability to increase the financial leverage up to 3x EBITDA; 2). API management and Operational Intelligence account for 25% of licence revenues; 3). Cloud revenues were up 44% to EUR10m.

VALUATION

- Axway's shares are trading at est. 8.6x 2016 and 7.1x 2017 EV/EBIT multiples.
- Net cash position on 31st December 2015 was EUR35.7m (net gearing: -11%).

NEXT CATALYSTS

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Healthcare

Bayer

Price EUR95.41

Has leverage been overestimated?

Fair Value EUR113 vs. EUR126 (+18%) — NEUTRAL

Bloomberg	BAY GY
Reuters	BAYG.F
12-month High / Low (EUR)	146.2 / 92.8
Market Cap (EUR)	78,899
Ev (BG Estimates) (EUR)	93,402
Avg. 6m daily volume (000)	2,404
3y EPS CAGR	7.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-9.8%	-23.5%	-19.8%	-17.6%
Healthcare	-6.2%	-12.1%	-8.3%	-11.2%
DJ Stoxx 600	-2.9%	-14.3%	-8.4%	-10.7%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	46,325	46,414	48,200	49,821
% change		*0.2%*	*3.8%*	*3.4%*
EBITDA	10,267	10,527	11,169	11,772
EBIT	8,851	9,296	9,874	10,430
% change		*5.0%*	*6.2%*	*5.6%*
Net income	5,687	5,851	6,515	6,980
% change		*2.9%*	*11.3%*	*7.1%*

	2015	2016e	2017e	2018e
Operating margin	19.1	20.0	20.5	20.9
Net margin	12.3	12.6	13.5	14.0
ROE	25.6	22.9	23.0	22.0
ROCE	11.6	12.4	13.3	14.1
Gearing	71.0	51.4	35.0	20.1

(EUR)	2015	2016e	2017e	2018e
EPS	6.88	7.08	7.88	8.44
% change	*-*	*2.9%*	*11.3%*	*7.1%*
P/E	13.9x	13.5x	12.1x	11.3x
FCF yield (%)	5.5%	7.8%	8.3%	8.9%
Dividends (EUR)	2.50	2.60	2.70	2.80
Div yield (%)	2.6%	2.7%	2.8%	2.9%
EV/Sales	2.1x	2.0x	1.9x	1.7x
EV/EBITDA	9.4x	8.9x	8.1x	7.3x
EV/EBIT	11.0x	10.0x	9.1x	8.2x

With a 6-6.5% CAGR for core EPS over 2015-2020, Bayer appears to stand out less from peers than we thought in terms of PEG ratio. As a consequence, and despite the recent share price correction, we do not see Bayer as a must-have in our universe. We are therefore maintaining our Neutral recommendation.

ANALYSIS

- Following the FY earnings release and conference call, we have the impression that leverage on operating profitability from top-line growth could be more limited than initially thought even though some elements in Q4 2015 and 2016 are not recurring. Obviously, the influence of FX, including adjustments for currency devaluations (notably for the Brazilian and Argentinian currencies), on EBITDA in Pharmaceuticals and in Crop Science was significant. Equally clear, Bayer acknowledged that revenue synergies from the integration of Merck's business did not materialise as quickly as hoped for in Consumer Care due to under-investment in the brands in the months before the transfer and because of tough market conditions in emerging markets. That said, it is also fair to say that Bayer needs to keep investing in sales and marketing expenses as well as in R&D costs in order to support continuous growth trends and this may limit EBITDA margin expansion, as illustrated by 2016 guidance calling for a near-100bp increase in LifeSciences and which could be reduced further to c. 50bp once Covestro is included.
- Product-wise, the mix effect should improve again in 2016 and beyond, while no update was made to guidance to exceed EUR7.5bn at peak with the "BIG 5" except to say that they should be in excess of EUR5bn in 2016, in line with our estimate of EUR5.2bn. Xarelto will remain a key driver but Bayer mentioned that Eylea and Xofigo are also expected to grow c.20% and c.50% respectively, very much in line with our expectations (BG: +24% and +50% respectively). Xarelto is a clear margin enhancer but its impact is partially offset by high-margin product declines (Yaz, Betaferon).

VALUATION

- In all, we expect the 50bp group core EBITDA margin improvement on slight top-line growth to translate into limited reported core EPS growth after factoring in a negative financial result of EUR1.2bn. We have cut our core EPS estimate by 4% on average over the 2016-2018 period, with the biggest impact on 2016. We have reintroduced Covestro into the sequence to make our estimates more easy to read when Bayer reports, but we still value it separately from the rest and on the basis of its share price.
- We have also adjusted our numbers to reflect capex assumptions (in fact EUR2.5bn includes EUR0.5bn for Covestro, hence our previous estimate). In terms of tax rate, 24% actually means a slight increase vs 23.4% in 2015 unlike our first feeling. Lastly, net debt at the end of 2016 of below EUR16bn is disappointing and we assume this is somewhat cautious.
- As well as guidance, we thought we would have had an update on the Pharma EBITDA margin if only because radiology (which has a 50bp dilutive impact) is added, but Bayer stuck to previous expectations (32-34%) and delayed a potential update until a new MMM (yet to be fixed).
- Currently, Bayer's share is worth EUR108 for the LifeScience business and EUR5 for the 69% stake in Covestro. Hence our new FV of EUR113.
- In view of limited forthcoming newsflow in terms of R&D and with this weak year in terms of growth and despite theoretical upside to our FV, we are maintaining our NEUTRAL recommendation.

NEXT CATALYSTS

- 26th April 2016: Q1 results

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Food & Beverages

Carlsberg

Price DKK595.00

Bloomberg	CARLB DC
Reuters	CARCb.CO
12-month High / Low (DKK)	648.5 / 490.6
Market Cap (DKKm)	90,771
Ev (BG Estimates) (DKKm)	146,647
Avg. 6m daily volume (000)	382.9
3y EPS CAGR	-8.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.6%	1.0%	19.8%	-2.9%
Food & Bev.	-2.0%	-9.3%	7.0%	-5.5%
DJ Stoxx 600	-2.9%	-14.3%	-8.4%	-10.7%

YEnd Dec. (DKKm)	2015	2016e	2017e	2018e
Sales	65,354	64,108	65,441	65,698
% change		*-1.9%*	*2.1%*	*2.1%*
EBITDA	12,614	12,234	12,940	12,145
EBIT	7,940	7,560	8,314	7,843
% change		*-4.8%*	*10.0%*	*13.0%*
Net income	4,557	4,051	4,767	4,239
% change		*-11.1%*	*17.7%*	*18.9%*

	2015	2016e	2017e	2018e
Operating margin	12.1	11.8	12.7	11.9
Net margin	7.0	6.3	7.3	6.5
ROE	10.5	8.8	9.7	7.1
ROCE	5.5	5.6	6.2	5.2
Gearing	79.9	71.1	57.9	47.5

(DKK)	2015	2016e	2017e	2018e
EPS	29.78	26.48	31.16	27.70
% change	-	*-11.1%*	*17.7%*	*18.9%*
P/E	20.0x	22.5x	19.1x	21.0x
FCF yield (%)	8.1%	3.3%	6.0%	5.8%
Dividends (DKK)	6.48	6.48	6.80	7.50
Div yield (%)	1.1%	1.1%	1.1%	1.3%
EV/Sales	2.3x	2.3x	2.2x	2.2x
EV/EBITDA	11.7x	12.0x	11.0x	11.7x
EV/EBIT	18.7x	19.4x	17.2x	18.1x

Making the case to Sell the stock

Fair Value DKK520 vs. DKK485 (-13%) SELL

Despite the company delivering better results than I anticipated, they were still bad and I keep my recommendation to sell the stock. The huge restructuring charges are artificially improving operating margins (they do take away depreciation and negative operating gearing), profits will be down again in 2016 and the new strategic plan SAIL'22 is likely to focus on organic growth – which is the area where Carlsberg has not failed in the past. The company's problem has been value destructive acquisitions whereas the other brewers have done better on the front. My earnings forecasts for Carlsberg were too prudent and I am updating those. My fair value estimate of the company increases by 7% to DKK520 from DKK485.

Post the results statement from 10 February, we are updating our forecasts. Although the results came in well ahead of my forecasts with an EBIT of DKK8,457m compared to my low estimate of DKK7,817, I don't feel particularly inclined to upgrade my sell recommendation. Indeed:

ANALYSIS

- Results in both Western and Eastern Europe were better than I was anticipating (both about 10% better) but that does not mean that they were good results. In Western Europe operating margin operating profit was down 3% (on a revenue increase of 3%) and operating margin declined to 13.7% from 14.5%. In Eastern Europe operating profit was down 36% (19% decline organic) and operating margin declined to 17.4% from 21%. The better 2015 starting point allows us to increase our profit estimates going forward and drives our increased fair value of DKK520 (up from DKK485)

- Operationally, the business has more difficulties than the 8.4% decline in operating profit suggests: a significant amount of operational loss has been shifted into the exceptional DKK8.7bn restructuring charge. One example is the loss of the low profitable Tesco contract (delisting). In going-concern we would expect the assets needed to brew, distribute, sell those lost volumes to continue to weight on the UK profitability. However, a DKK43m impairment on machines and equipment in the UK, moves the depreciation charge and negative operational gearing into special items. This is perfectly in accordance to accounting rules (that is not the point), the point is that in total a 2015 impairment of DKK1.6bn for property, plant and equipment impairment after already a DKK0.9bn in 2014, seems to be moving quite a lot of value loss into special items. And more (as I understand it another DKK1.3bn) is going to come in 2016 and 2017.

- Whatever the forecast scenario, operating profit in 2016 is going to be lower than in 2015. Yes there is some organic growth of low single digit (we estimate 3.5%) but if ones exclude the impact of devaluation driven inflation, true organic operating profit growth is nought. Including the impact of the devaluations (especially Russia and Ukraine), operating profit is forecasted to be down by another 3%. Adjusted net profit (with higher financial costs (and interest charge), more tax and higher minorities) should fall by 10% in 2016 to DKK4,075m (vs DKK4,557 in 2015). With that profits will be back down to the 2009 levels. Even assuming a gradual uptick in profitability (the company is guiding to save DKK1.5-DKK2.0 bn by 2018 (but with the majority of savings being reinvested) we derive a fair value of DKK520.

- Currently the new CEO Cees 't Hart is still moulding his strategic review which should culminate in the big SAIL'22 plan which is to be be communicated on 16 of March. It has already been speculated that there will be a lot about organic growth in that plan. However, that is not going to drive superior returns. In my view, Carlsberg has not really failed on that level (although one could highlight poor operational performance – in terms of market share - in Russia). Comparing the organic operating performance in Western Europe Carlsberg delivered on average over the past five years organic sales growth of 0.8% and operating profit growth of 2.8%. Its larger European competitor Heineken delivered an average organic sales decline of 0.9% and operating profit growth of 2.6%. So all pretty similar.

- Where it went wrong is the couple of expensive, badly timed acquisitions in Russia and China. Equally so, Carlsberg's competitors AB InBev, Heineken, Asahi, Molson Coors do not really create a lot of value with their organic growth. They do however, create value with big acquisitions and integrated them smoothly: Modelo, Femsa, APB, MillerCoors to name a few. And on that level, we suspect that the new big strategic plan will disappoint.

VALUATION

- Carlsberg trades on 22.5x 2016 EPS and 19.1x 2017 EPS, compared to Heineken at 19.7x and 18.0x and AB InBev at 23.5x and 19.6x respectively.
- Our fair value of DKK520 is driven by a RRE of 8.4% and a long term growth rate of 3%

Return to front page

NEXT CATALYSTS

- 16 March 2016: publication of revised strategy SAIL'22

2015 results and forecast changes

	FY2015				FY2016e			
DKKm	Old	Published	% chge	% Incr.	Old	New	% chge	% Incr.
Net sales	64988	65354	0.6%	1.3%	64355	64108	-0.4%	-1.9%
North & Western Europe	38532	39000	1.2%	3.3%	39011	39290	0.7%	0.7%
Eastern Europe	10684	10963	2.6%	-22.2%	8787	8505	-3.2%	-22.4%
Asia	15614	15339	-1.8%	22.8%	16394	16259	-0.8%	6.0%
Non allocated	158	52	-67.0%	-66.0%	162	54	-67.0%	3.0%
Operating profit	7817	8457	8.2%	-8.4%	7629	8213	7.7%	-2.9%
North & Western Europe	4842	5325	10.0%	-2.7%	4980	5463	9.7%	2.6%
Eastern Europe	1698	1908	12.3%	-35.6%	1054	1121	6.4%	-41.2%
Asia	2697	2799	3.8%	27.5%	3028	3195	5.5%	14.1%
Non allocated	-1295	-1426	10.1%	11.2%	-1308	-1440	10.1%	1.0%
Other	-125	-149			-125	-125		
Special items	-7400	-8659		540.0%	-300	-500		-94.2%
Operating profit margin	12.0%	12.9%		-9.6%	11.9%	12.8%		-1.0%
North & Western Europe	12.6%	13.7%		-5.7%	12.8%	13.9%		1.8%
Eastern Europe	15.9%	17.4%		-17.2%	12.0%	13.2%		-24.3%
Asia	17.3%	18.2%		3.8%	18.5%	19.6%		7.7%
Net interest	-1414	-1531	8.3%	28.5%	-1286	-1581	23.0%	3.3%
PBT	-997	-1733	73.9%	-125.9%	6044	6132	1.5%	-453.8%
Tax	-850	-849	-0.1%	-51.5%	-1692	-1717	1.5%	102.2%
Minority interests	-450	-344	-23.6%	-34.2%	-605	-500	-17.4%	45.3%
Net profit - published	-2297	-2926	27.4%	-166.3%	3747	3915	4.5%	-233.8%
Net profit - adjusted	3779	4557	20.6%	-17.1%	3592	4051	12.8%	-11.1%
Number of fully diluted shares	153.0	153.0	0.0%	0.0%	153.0	153.0	0.0%	0.0%
Diluted EPS - Published	-15.0	-19.1	27.4%	-166.3%	24.5	25.6	4.5%	-233.8%
Diluted EPS - adjusted	24.7	29.8	20.6%	-17.1%	23.5	26.5	12.8%	-11.1%
Net dividend (DKK)	6.5	6.5	0.0%	0.0%	6.5	6.5	0.0%	0.0%

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Luxury & Consumer Goods

Groupe SEB

Price EUR85.25

SEB will use the same recipe to make sure 2016 is another successful year

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

Bloomberg	SK FP
Reuters	SEBF.PA
12-month High / Low (EUR)	96.9 / 65.3
Market Cap (EURm)	4,277
Ev (BG Estimates) (EURm)	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%*
EBITDA	368	430	473	504
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
Operating 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

The analysts' meeting was an opportunity for SEB to go deeper into the initiatives that drove top-line growth (+8% LFL) and profitability (op margin up 270bp LFL to 11.4%). Against the successful operating performance, management is confident it can more than offset the negative FX impact of EUR130-140m and guided for an increase in op profit in both reported and organic terms. This optimism was eventually shared by the market after a surprising negative reaction before the event. We leave our FY16 assumptions unchanged. Buy recommendation and FV of EUR105 confirmed.

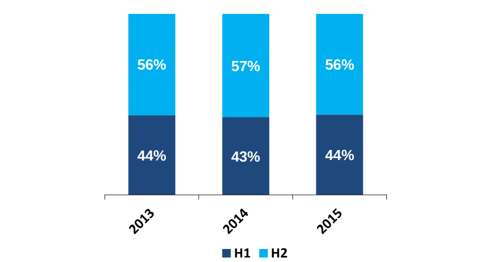
ANALYSIS

- **2015: a healthy and balanced top-line performance.** SEB achieved broad-based growth across the group's **eight categories** (all of them in positive territory) and across the **regions**: sales in mature countries (~54% of sales) increased 7% LFL and revenues in emerging markets were up 9% LFL, driven by China (+17% LFL) while the group held up well in Russia and Brazil (flat LFL in both markets). The **top 20 countries**, which account for 86% of sales, increased 9.3% LFL. All channels contributed to growth but it is worth highlighting the ~35% FX-n growth in **online sales** that now represent 15% of total revenue (vs ~12% the prior year).

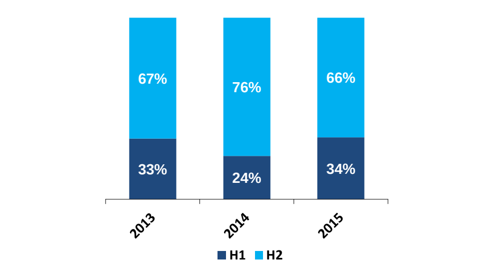
- **2015 was a busy year in terms of loyalty programmes.** Indeed management admitted that LPs amounted to EUR130m in 2015, while the average is traditionally close to EUR80m, thanks to several partnerships across Europe (France and Germany mainly) and in Mexico. **These LPs contributed 1pp out of the 8% LFL growth**. For 2016, the group expects to be close to the normative level of EUR80m, leaving us comfortable with **our LFL growth assumption of 4.5%.**

- **Was the market disappointed by the cautious outlook?** Arguably some investors might have considered the outlook as too conservative at first sight. Note however, that SEB never provides quantified targets at this stage given low visibility and the **highly seasonal business** which is clearly weighted towards H2 (3-yr average: ~56% of FY sales and ~70% of FY op profit).

SEB's cyclicality: FY sales (%)…



… and FY operating profit (%):



Source: Company Data, BG ests

- **Is SEB able to fully offset the EUR130-140m FX headwind?** Admittedly, the anticipated negative FX impact for 2016 might frighten some investors as it is set to be the highest in five years (*see table below*), but management only confirmed the forecast that was communicated during the 2015 sales conference call on 19th January. Moreover SEB usually provides a precise assumption: e.g. the FX impact of EUR100m in 2015 was in line with the forecast delivered in February 2015.

EURm	2012	2013	2014	2015	2016e
FX impact	-33	-35	-94	-100	-130/-140

Source: Company Data, BG ests

In our opinion, **rarely has management been so optimistic about the group's capacity to offset this negative FX impact in 2016** since SEB expects to achieve an increase in Op profit in both reported and organic terms. CEO Thierry de la Tour d'Artaise even declared that SEB would return to the record margin of 12% (2010) "quickly enough", as evidenced by the 11.4% operating margin achieved in 2015 (+270bp) excluding FX and despite a 16% LFL increase in advertising & marketing expenses.

(Continued on next page)

For 2016 **we leave our margin assumption unchanged (+50bp to 9.5%)**. Indeed the company counts on: **(i)** a more flexible and lean cost structure which has been facing an unfavorable FX impact for the fifth year in a row, **(ii)** a even more harmful impact for its competitors which are producing virtually everything in Asia (vs. ~60% for SEB), **(iii)** its significant pricing power which enables SEB to increase prices in many markets and **(iv)** further sourcing and efficiency gains.

VALUATION

- The negative market reaction before the start of the Analysts' Meeting clearly surprised us in light of a solid top line/operating performance in 2015 and a quite optimistic op result guidance for 2016 (Op result to increase in reported terms despite the EUR130-140m FX headwind).
- However the optimistic message delivered by the management during the presentation eventually rubbed onto investors and the stock closed up 1.4%. We leave our FY16 assumptions unchanged and confirm our Buy recommendation with a FV of EUR105.

NEXT CATALYSTS

- Groupe SEB is to release its Q1 20 16 Sales on 28th April 2016.

2015 vs. 2014: Op result bridge and margin tailwinds/headwinds:

Source: Company Data

2016 targets:

	2013	2014	2015
Sales	+5.4%	+4.6%	+8.0%
ORfA	410 M€ +7% à LFL	368 M€ +13% LFL	428 M€ +43% LFL
Currency effect on ORfA	- 35 M€	- 94 M€	- 100 M€

2016

- Achieve another year of organic sales growth
- Ensure growth in OrfA despite currency effect currently estimated at -€130 / 140m

Source: Company Data

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Virginie Roumage

Hotels

Melia Hotels

Price EUR9.19

Feedback conf. call on FY results: ahead of forecasts (except on net). Positive outlook.

Fair Value EUR15 (+63%) **BUY-Top Picks**

Bloomberg	MEL SM
Reuters	MELL.MC
12-month High / Low (EUR)	13.7 / 8.4
Market Cap (EUR)	1,829
Ev (BG Estimates) (EUR)	2,597
Avg. 6m daily volume (000)	638.7
3y EPS CAGR	44.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-9.6%	-21.0%	-27.1%	-24.5%
Travel&Leisure	0.4%	-5.1%	2.2%	-8.5%
DJ Stoxx 600	-2.9%	-14.3%	-8.4%	-10.7%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	1,464	1,658	1,701	1,866
% change		*13.2%*	*2.6%*	*9.7%*
EBITDA	229	287	305	359
EBIT	132.8	196.7	202.1	245.7
% change		*48.1%*	*2.7%*	*21.6%*
Net income	31.1	78.2	94.6	130.8
% change			*21.0%*	*38.2%*

	2014	2015e	2016e	2017e
Operating margin	9.1	11.9	11.9	13.2
Net margin	2.1	4.7	5.6	7.0
ROE	2.6	7.1	6.6	8.9
ROCE	5.2	8.4	8.8	11.0
Gearing	77.5	67.8	28.1	20.7

(EUR)	2014	2015e	2016e	2017e
EPS	0.20	0.38	0.45	0.61
% change	-	*87.3%*	*19.1%*	*35.2%*
P/E	45.3x	24.2x	20.3x	15.0x
FCF yield (%)	11.1%	9.8%	10.9%	13.1%
Dividends (EUR)	0.05	0.05	0.06	0.07
Div yield (%)	0.5%	0.6%	0.7%	0.8%
EV/Sales	1.9x	1.6x	1.3x	1.1x
EV/EBITDA	12.3x	9.0x	7.3x	6.0x
EV/EBIT	21.2x	13.2x	11.1x	8.7x

After Q3 results on 4th November, management upgraded its FY RevPAR guidance to double digit growth vs. high single digit. Finally, reported RevPAR was up 15.1% o/w 90% explained by ADR and all operating metrics were ahead of expectations. Revenue was up 16% (consensus 13%), EBITDA improved by 29% to EUR293m (consensus EUR281m) and EBITDA w/o asset rotation by 16% to EUR246m (consensus EUR242m). Net result, up 18.3%, was largely impacted by higher taxes (provisions) of EUR33m. Net debt was reduced by EUR216m to EUR769m. Finally, management sounds reasonably confident for 2016 with mid-to-high single digit RevPAR growth in Q1 and mid single digit for FY. A strategy plan for 2016-2018 will be presented soon.

ANALYSIS

- **All geographies contributed to EBITDA growth notably Spain (city): the Americas** (18% of available rooms of owned & leased hotels) reported an increase of 35% to EUR108m benefiting from the positive USD impact for EUR17m, **EMEA** (30%) was up 31.5%, **Mediterranean** (22%) was down 35% to EUR16.5m after the Starwood deal early last year impacting EBITDA by EUR14m. Excluding this, **Mediterranean** would have been up by 20%. Finally the most impressive was the recovery of **Spain city** (29%) which was confirmed with a positive contribution of EUR8m vs. a negative EUR6.5m last year.
- **Significant net debt reduction:** With **operating cash flow** of EUR271m vs. EUR188m last year (excluding asset rotation operating cash flow was up by EUR49m), **net debt** was down by EUR216m at EUR769m (in line with our estimate) representing financial leverage on EBITDA w/o asset rotation of 3.1x vs. 3.5x in 2014. Remember that management's goal is a level below 3x which should be reached in 2016 (taking into account the convertible bond that could be forced, net debt on EBITDA could reach 1.5x).
- **Reasonably confident for 2016:** Despite a cautious stance regarding the economic environment or certain headwinds, management expects **mid single-digit RevPAR growth for FY 2016** bearing in mind that last year at the same period, management expected high single-digit growth for the year ahead. Our 2016 estimates are based on 6.9% o/w 80% explained by ADR remembering that 1% RevPAR growth has an impact of over 2% on EBITDA). **For Q1 2016**, management is guiding towards a mid-to-high single digit growth benefiting from strong business in **America** (high season) which is up to now not impacted by Zika. In **Europe**, positive expectation except in **Paris** where occupancy is still under pressure (between 15% to 18% in hotels most oriented leisure) but bookings seem to be improving with a return to normal anticipated in Q2. Finally, **Melia's pipeline** reached 62 hotels with 16,000 rooms (19% of current number of rooms) and the group expects to add 20-25 new hotel contracts over the year.

VALUATION

- At the current share price, the stock is trading at 7.3x EV/EBITDA 2016e and 6.0x 2017e which compares with a 10y median historical of 9.8x. European peers are trading at 8.1x for 2016e.
- Our FV is based on a DCF using a WACC of 6.6% with a long-term growth rate of 2.5% and an EBIT margin of 10%.

NEXT CATALYSTS

- Q1 results mid-May 2016

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Construction & Building Materials

Saint Gobain

Price EUR35.54

FY 2015 in line for sales and operating income. Contrasting trends.

Fair Value EUR42 (+18%) **BUY**

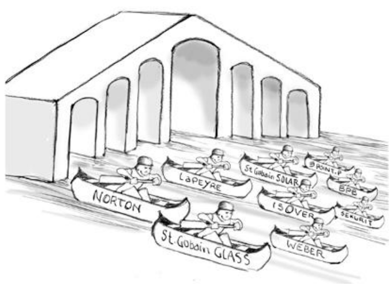
Bloomberg	SGO FP
Reuters	SGOB.PA
12-month High / Low (EUR)	44.5 / 32.1
Market Cap (EURm)	19,933
Ev (BG Estimates) (EURm)	26,624
Avg. 6m daily volume (000)	2,191
3y EPS CAGR	19.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.9%	-12.6%	-9.8%	-10.8%
Cons & Mat	-0.9%	-9.1%	-1.4%	-6.7%
DJ Stoxx 600	-2.9%	-14.3%	-8.4%	-10.7%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	41,054	39,429	39,575	40,996
% change		*-4.0%*	*0.4%*	*3.6%*
EBITDA	4,151	3,987	4,104	4,628
EBIT	2,797	2,648	2,904	3,378
% change		*-5.3%*	*9.7%*	*16.3%*
Net income	1,103	1,282	1,502	1,875
% change		*16.2%*	*17.2%*	*24.8%*

	2014	2015e	2016e	2017e
Operating margin	6.8	6.7	7.3	8.2
Net margin	2.4	2.6	3.2	4.0
ROE	6.1	7.2	8.2	9.8
ROCE	6.3	6.5	7.0	8.0
Gearing	39.2	27.5	24.7	19.6

(EUR)	2014	2015e	2016e	2017e
EPS	1.97	2.27	2.68	3.34
% change	-	*14.9%*	*18.2%*	*24.8%*
P/E	18.0x	15.7x	13.3x	10.6x
FCF yield (%)	NM	4.3%	5.6%	7.7%
Dividends (EUR)	1.24	1.24	1.30	1.40
Div yield (%)	3.5%	3.5%	3.7%	3.9%
EV/Sales	0.7x	0.7x	0.7x	0.6x
EV/EBITDA	6.9x	6.7x	6.4x	5.5x
EV/EBIT	10.3x	10.1x	9.1x	7.6x



2015 figures were in line with our expectations. Sales were roughly flat (0.4% l-f-l) at EUR39,623m while operating income rose 2.2% l-f-l to EUR2,636m, thanks notably to good weather conditions at the end of 2015. Flat glass was strong but pipes were under pressure. France looked better at the end of 2015, which is promising. Unsurprising outlook for a "like-for-like improvement in operating income". More colour should be provided at the 8.30am analyst meeting today.

Saint-Gobain has reported unsurprising figures for 2015. Revenues increased by 3.3% to EUR39,623m thanks to a positive FX impact (3% for the FY, 1.4% in H2), while EBIT rose 4.5% to EUR2,636m. Attributable net profit increased by 36% to EUR1,295m, thanks in particular to much lower income tax (-38%) and lower financial expenses (-5%), despite further significant asset write-downs (-EUR933m following –EUR802m in 2014) impacting the Lapeyre, flat glass, pipes and proppants divisions. By business, Flat Glass continue to perform very strongly, with a 215bps operating margin improvement to 8.1%, thanks to better volumes, underpinned by decent automotive figures in Europe and good trends in EM and Asia, except Brazil. Note the poor performance from the Exterior solutions divisions, penalised by the pipe business which has negatively impacted by the macro environment in Brazil, the subdued infrastructures market in Europe and fewer contracts from Middle-Eastern countries (oil). HPM was resilient despite the proppant business. By region, operating margin in France fell 145bps to just 2.9%. North America was affected by the difficult situation in proppants, "sluggish" US industrial markets, the Canadian market decline and, surprisingly in our view, unfavouble roofing prices. In contrast, Europe was well-oriented, with improving trends in Germany, Spain and Netherland especially. Emerging & Asian sales growth remained positive, despite the slowdown in Brazil and China, although growth was admittedly lower in Q4 at 1.3% lfl.

Key figures

2015 - EURm	Revenues	FY l-f-l %	Q4 l-f-l %	EBIT	Split%	Margin %	y/y bps FY	y/y bps H2
Flat glass	5127	5.1	3.3	413	16	8.1	215	220
HPM	4502	-1.0	-1.0	602	23	13.4	2	-20
Interior	6485	1.9	2.3	576	22	8.9	8	-30
Exterior	5599	-1.0	-3.5	446	17	8.0	-110	-110
B. distribution	18849	-0.6	0.7	603	23	3.2	-32	-40
Total	**39623**	**0.4**	**0.4**	**2636**	**100**	**6.7**	**-16**	**0**
France	10326	-4.1	-3.1	297	11	2.9	-145	-172
Other Europe	17414	2.1	3.5	984	37	5.7	75	79
NAM	5366	-2.0	-2.4	490	19	9.1	-101	-64
EM&Asia	8375	4.1	1.3	865	33	10.3	90	71

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

ANALYSIS

- Despite contrasting trends, overall figures were bang in line with our estimates. The Brazilian slowdown is not a surprise and even combined with the decline in China, the Emerging Markets contribution was still positive, both in terms of top line organic growth or operating margin improvement. Asset write-downs remained significant, as in 2014, although it was lower than the EUR500m seen in 2013.
- Guidance is not very precise, but Saint-Gobain has released a new cost cutting target (EUR800m cumulated for the 2016-18 period, of which EUR250m for 2016 and vs. EUR360m in 2015). Flat dividend at EUR1.24 (as expected by the consensus) but to be 100% paid in cash.
- Overall an unsurprising publication combined with a cautious outlook, although France's outlook is admittedly improving. Hopefully the 8.30am analyst meeting today will provide more information.

VALUATION

- Our EUR42 FV is based on historical EV/EBIT applied to our 2017 estimates, discounted back.

NEXT CATALYSTS

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Healthcare

UCB

Price EUR71.36

Bloomberg	UCB BB
Reuters	UCBBt.BR
12-month High / Low (EUR)	85.6 / 61.5
Market Cap (EURm)	13,880
Ev (BG Estimates) (EURm)	13,630
Avg. 6m daily volume (000)	302.8
3y EPS CAGR	30.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-12.4%	-12.3%	8.0%	-14.3%
Healthcare	-6.2%	-12.1%	-8.3%	-11.2%
DJ Stoxx 600	-2.9%	-14.3%	-8.4%	-10.7%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	3,344	3,753	4,118	4,702
% change		*12.2%*	*9.7%*	*14.2%*
EBITDA	609	807	904	1,177
EBIT	379.0	544.9	637.4	890.4
% change		*43.8%*	*17.0%*	*39.7%*
Net income	229.0	322.0	416.7	509.4
% change		*40.6%*	*29.4%*	*22.2%*

	2014	2015e	2016e	2017e
Operating margin	11.3	14.5	15.5	18.9
Net margin	6.8	8.6	10.1	10.8
ROE	4.1	12.5	7.7	11.7
ROCE	5.3	6.8	8.0	11.3
Gearing	33.3	5.2	8.3	3.8

(EUR)	2014	2015e	2016e	2017e
EPS	1.69	2.14	2.62	3.70
% change	-	*27.1%*	*22.2%*	*41.4%*
P/E	42.3x	33.3x	27.2x	19.3x
FCF yield (%)	3.1%	3.1%	1.1%	4.2%
Dividends (EUR)	0.91	1.14	1.36	1.93
Div yield (%)	1.3%	1.6%	1.9%	2.7%
EV/Sales	3.7x	3.6x	3.3x	2.9x
EV/EBITDA	20.2x	16.9x	14.9x	11.6x
EV/EBIT	32.4x	25.0x	21.1x	15.4x

FY2015 results and guidance outstrip estimates

Fair Value EUR78 (+9%) **NEUTRAL**

UCB has released a good set of results slightly above consensus expectations. All three core products drove growth and Keppra was strong. Sales reached EUR3.88bn (+9%CER). 2016 sales guidance is in line with the consensus. However, EBITDA and EPS guidance (at midpoint) are 10% and 15% above consensus expectations respectively. This should increase overall confidence in seeing UCB reaching its 30% rEBITDA guidance towards 2018.

(EURm exc. PS data)	FY14	FY15	y/y	FY15 cs	Delta	FY16 guidance	FY16 cs
Cimzia	797	1083	35,9%	1064	1,8%		
Vimpat	471	679	44,2%	676	0,4%		
Neupro	200	258	29,0%	263	-1,9%		
Total CVN	**1468**	**2020**	**37,6%**	**2003**	**0,8%**		
Keppra	665	737	10,8%	693	6,3%		
Revenue	**3344**	**3876**	**15,9%**	**3793**	**2,2%**	**4000-4100**	**4093**
Rec. EBITDA	609	821	34,8%	801	2,5%	970-1010	896
Margin %	18,2%	21,2%		21,1%			21,9%
Net Profit	209	623	198,1%	610	2,1%		
Core EPS	1,69	2,17	28,4%	2,08	4,3%	2,90-3,20	2,65

Source : Company Data; Ellinghorst consensus.

ANALYSIS

- UCB has released FY2015 results at EUR3.88bn, up 9% at CER (16% on a reported basis), ahead of consensus estimates. Not only was growth driven by all of the company's three key drugs (Cimzia Vimpat and Neupro (up 38% on a reported basis representing 52% of sales) but also by strong resistance in Keppra sales (off-patent since 2008). Keppra sales rose 2% at CER reaching EUR737m or 19% of sales. We would expect them to be flat in 2016 as the short supply situation that benefitted UCB in the US in 2015 is set to return to normal during 2016. Cimzia sales rose 21% CER at EUR1083 (28% of sales) continuously growing and boosted in Q4 by Japanese partner Astellas' ordering pattern. Vimpat sales reached EUR679m up 26% CER (18% of sales). Note that as Vimpat was available as a monotherapy in the US in late 2014, we would expect basis comps to be higher in 2016. Looking to 2017, sales should again be underpinned by potential approval of monotherapy in Europe (filed in January 2016). Finally, Neupro sales reached EUR258m (7% of sales) and grew 22% at CER.
- Profitability was good with rEBITDA margin at 21.1% up 300bp, benefitting from positive back-end loaded effect in H2 2016 of the internalisation of Cimzia as well as OPEX expanding to a lower pace. EPS comes at EUR2.17 vs EUR2.08 as expected by consensus.
- 2016 guidance is ambitious and should restore confidence in the company's ability to reach its mid-term rEBITDA guidance of 30%. This should be appreciated in current market conditions. Indeed, while 2016 sales guidance of EUR4.00-4.01bn is in-line with consensus estimates, rEBITDA and EPS guidance are, at mid-range, 10% and 15% ahead of consensus expectations respectively. rEBITDA guidance is EUR970-1.10bn and EPS is expected to be within the EUR2.90-3.20 range. We are pleased to see UCB executing on its profitability targets which should be welcomed, however, recent mixed-publication of romosozumab phase III results makes us doubt as to the group's ability to find new growth source in the long-run.

VALUATION

- The share price should react positively to the publication and especially to 2016 guidance (at low-point) which should trigger a >10% upward revision in EPS estimates from consensus.
- We reiterate our NEUTRAL rating and would modify our numbers following conference call.

NEXT CATALYSTS

- Today 02.00pm: conference call on FY2015 results (FR +33 1 72 04 00 33, UK +44 20 77 509 926, US +1 866 676 5866, Pin code 30353172#)

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Business Services

ELIOR

Price EUR17.73

Bloomberg	ELIO FP
Reuters	ELIO.PA
12-month High / Low (EUR)	19.8 / 14.6
Market Cap (EURm)	3,055
Avg. 6m daily volume (000)	192.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.3%	-1.2%	1.3%	-8.1%
Travel&Leisure	0.4%	-5.1%	2.2%	-8.5%
DJ Stoxx 600	-2.9%	-14.3%	-8.4%	-10.7%

	09/15	09/16e	09/17e	09/18e
P/E	22.3x	15.7x	12.4x	11.4x
Div yield (%)	1.8%	2.2%	2.9%	3.2%

Q1 results: 2016 well engaged and guidance confirmed

Fair Value EUR23.5 (+33%) **BUY-Top Picks**

ANALYSIS

- **Q1 results were sustained with good progress in the group's strategy: Total revenue** reached EUR1,483m up 4.5% in reported terms with lfl growth of 1% taking into account the termination or the disposal of insufficiently profitable contracts of 2.1% (higher than our forecast). **EBITDA** was up 6.9% at EUR114m, bang in line with our estimate, generating an **EBITDA margin** of 7.7% up 20bps. By segment, revenue in **contract catering** was up 5.1% with lfl of 0.2%, affected by the group's strategy to withdraw from low or non-profitable contracts and EBITDA reached EUR90m with EBITDA margin down 10bps to 8.2%. Regarding **concession catering**, total revenue was up 2.7% at EUR387m with lfl of 3.4% and EBITDA reached EUR26m from EUR22m with an EBITDA margin up 80bps to 6.7%
- **FY 2016 guidance confirmed:** The transformation is well engaged with the review of contracts and the implementation of the Tsubaki plan with a positive commercial development both in Contract and concession. After Q1 results, **management confirmed its FY guidance** with lfl revenue growth of more than 3% excluding the impact of voluntary contract exits (expected to be less than 150bps) with an EBITDA margin up 20bps at least to 8.6%. We are anticipating 1.9% lfl revenue growth taking into account contract exits with EBITDA margin of 8.65%.

VALUATION

- At the current share price, the stock is trading 8.7x EV/EBITDA 15-2016e and 7.8x 16-2017e.
- Note that our FV is currently derived from our "Base case" scenario with total revenue of EUR7,498m in 2020 and an EBITDA margin of 9.3%. Our "Blue sky" scenario based on total revenue of EUR8,121m in 2020 and an EBITDA margin of 9.7% derive a DCF valuation of EUR30.5.

NEXT CATALYSTS

- Conference call at 9.00am (Paris time)
- H1 results on 27th May 2016

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Luxury & Consumer Goods

Hugo Boss

Price EUR51.68

Bloomberg	BOSS GR
Reuters	BOSG_p.DE
12-month High / Low (EUR)	120.0 / 51.3
Market Cap (EUR)	3,638
Avg. 6m daily volume (000)	328.1

	1 M	3 M	6 M	31/12/15
Absolute perf.	-29.1%	-36.0%	-48.8%	-32.5%
Pers & H/H Gds	0.9%	-7.5%	3.4%	-3.4%
DJ Stoxx 600	-2.9%	-14.3%	-8.4%	-10.7%

	2014	2015e	2016e	2017e
P/E	10.2x	11.0x	12.6x	11.2x
Div yield (%)	7.0%	7.3%	8.1%	9.0%

CEO Claus-Dietrich Lahrs resigns and will leave at the end of the month

Fair Value EUR87 (+68%) **NEUTRAL**

ANALYSIS

- Yesterday Hugo Boss announced the resignation of its CEO Claus-Dietrich Lahrs who will leave the helm on 29th February. Naturally no successor has been appointed but the Supervisory Board will now find him/her "without delay". In the meantime, Mr Lahrs' responsibilities are taken over by the other members of the Managing Board which should welcome a new member as of 1st March: Bernd Hake, currently Senior VP EMEA, Middle East and India who should be appointed as member of the Managing Board responsible for sales and Retail.
- Following the two PWs announced in less than six months (15th October and 23th February), which wiped approx. 50% of the share price, his departure does not totally come as a surprise in our view. Despite successful achievements during his tenure (over 2008-15: retail channel rose from 27% to 60% of sales, revenue increased by 67% and adj. EBITDA expanded ~400bp), 2015 proved to be a very difficult year, the group being swept away by challenging US and Chinese markets.
- Beyond Hugo Boss, the recent PW of Ralph Lauren (4th February) shows that this premium positioning is more and more difficult to hold, as they are caught between the pure-luxury brands and the "fast-fashion" brands (e.g. Sandro, Maje, The Kooples, Ted Baker, etc.), which have an opportunistic affordable positioning in apparel markets that are heavily promotional like the US or in some European countries. Moreover these high-street brands have a cost structure suitable for this positioning.

VALUATION

- In our opinion, the departure of Mr Lahrs leaves more questions than answers. In order to regain some brand control and pricing power in these deflationary markets, the new CEO will have to: **(i)** decide whether to accelerate the category migration in the US (i.e. replace BOSS brand by HUGO and BOSS Green) or to simply stop the partnerships with department store chains that are participating to this price war and **(ii)** carry on the price harmonization between China and Europe without endangering the high brand's image amid Chinese customers. Last but not least, the new CEO might call into question some targets of the 2020 Strategic Plan.

NEXT CATALYSTS

- FY15 Results and Analysts' Conference on 10th March 2016

Cédric Rossi, crossi@bryangarnier.com

Sector View

Materials

Strong figures for Sika in 2015.

	1 M	3 M	6 M	31/12/15
Cons & Mat	-3.5%	-9.9%	-0.4%	-9.0%
DJ Stoxx 600	-5.4%	-14.8%	-6.4%	-12.5%

*Stoxx Sector Indices

Companies covered		
CRH	**BUY**	**EUR30**
HEIDELBERGCEMENT	**BUY**	**EUR86**
LAFARGEHOLCIM	**BUY**	**CHF50**
SAINT GOBAIN	**BUY**	**EUR42**
VICAT	**NEUTRAL**	**EUR56**

Sika has reported strong figures in 2015, in line with consensus expectations. Sales rose 6.2% to CHF5489m (in local currencies, as the strong CHF had a negative impact) and EBIT rose 6.3% at CHF673m, corresponding to a 12.3% margin (+90bps). All regions reported sales growth but sales in China were in decline. CHF78 dividend per bearer share proposed (+8% y/y). Sika is still planning to expand with investments in six/eight new factories per year, including in 2016.

ANALYSIS

- Sika was penalised by the strength of the Swiss Franc and reported sales are actually declining by 1.5%. Besides, the 6.2% growth in local currencies is not an organic growth, as the group has made some acquisitions last year (equivalent to CHF115m in 2014).
- The group remained dynamic, with nine new factories opened in 2015 as well as three new subsidiaries. The objective is apparently to continue with a sustained trend.
- All regions' sales in local currencies are well-oriented: +5.6% y/y in EMEA, +9.5% in LatAm and +8.4% in North America. In Asia, growth is only +2.1% due to China but Southeast Asia and Pacific have reported double-digit growth.
- More ambitious 2018 targets were revealed (notably a 12%-14% EBIT margin vs. >10%)
- No new comments regarding the Saint-Gobain deal. This morning, the French group indicated that a decision in first instance regarding the voting rights of SWH is expected in summer 2016.

NEXT CATALYSTS

Press conference at 9.00am today, Analyst meeting at 12.00pm. Sika Q1 2016 sales on 12 April. *Click here to download*

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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 62.2% NEUTRAL ratings 28.9% SELL ratings 8.9%

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