Please find our Research on Bloomberg BRYG <GO>)

1st March 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	16516.5	-0.74%	-5.21%
S&P 500	1932.23	-0.81%	-5.47%
Nasdaq	4557.95	-0.71%	-8.98%
Nikkei	16026.76	-1.00%	-15.80%
Stoxx 600	333.924	+0.72%	-8.72%
CAC 40	4353.55	+0.90%	-6.11%
Oil /Gold			
Crude WTI	33.77	+2.24%	-9.22%
Gold (once)	1232.88	+1.42%	+16.05%
Currencies/Rates			
EUR/USD	1.08655	-0.56%	+0.02%
EUR/CHF	1.0822	-0.81%	-0.48%
German 10 years	0.11	-25.08%	-82.72%
French 10 years	0.465	-9.14%	-52.57%
Euribor	-	+-%	+-%

Economic releases :

Date	
1st-Mar	EUR - German Unemployment Rate JPY - Japan Jobless Rate CNY - China Manufacturing PMI

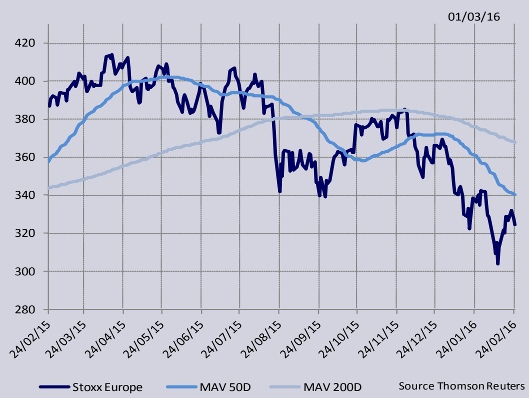
Upcoming BG events :

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



GAMELOFT — BUY, Fair Value EUR6.7 (-1%)

Vivendi raises the price of its hostile takeover bid for Gameloft by 20% to EUR7.2

As we expected, Vivendi has raised the price of its public tender offer for Gameloft to above our FV of EUR6.7, which we considered as a minimum price. We think the new offer is now attractive enough to convince shareholders to tender their securities (Vivendi should reach the 50% voting rights needed). We continue to believe in the speculation surrounding both video game companies run by the Guillemot brothers. Vivendi really wants to add a fifth pillar to its French media group. The hostile takeover bid for Gameloft is a first phase to force a discussion with the Guillemot family and finally operate a friendly takeover on Ubisoft (Buy, FV of EUR34, also a minimum price). Vivendi's net cash position of EUR6bn should help reach an agreement.

INDRA SISTEMAS — BUY vs. SELL, Fair Value EUR11 vs. EUR10 (+30%)

FY15 results in line with consensus, net debt below expectations, realistic outlook

We have upgraded the stock to Buy from Sell and increased our DCF-derived Fair Value to EUR11 from EUR10. Yesterday evening Indra reported FY 2015 results in line with the consensus, while net debt was slashed thanks to an impressive WCR reduction of 51 days of sales - partly driven by one-offs. While revenues in 2016 will be negatively impacted by greater selectivity in IT contracts, restructuring is advancing according to plan. We expect the share price to react positively short-term.

IPSEN — Under Review vs. BUY, Fair Value Under Review

FY2015 in-line, Licensing deal likely to impact mid-term profitability

Ipsen released FY2015 results with sales standing at EUR1,444m growing 21.3% CER (22.3% reported), 2% ahead of consensus estimates. Specialty care sales grew 25.8%CER to EUR289.7m while Primary care sales grew 8.4%CER to EUR85.5m. 2016 guidance came in line with consensus when adjusted for the agreement to develop and commercialize Cabozantinib. However, Ipsen should invest heavily to support sales growth in 2016 and 2017, which might delay leverage by 12-18months.

SOPRA STERIA GROUP — BUY, Fair Value EUR113 vs. EUR115 (+27%)

FY15 analysts' meeting feedback: the story cannot be summed up by a dividend cut

We are reiterating our Buy rating while cutting our DCF-derived Fair Value from EUR115 to EUR113 following the analysts' meeting held yesterday. Our change stems from the integration of Cassiopae into our model (+1% to our adj. EPS ests. = +EUR1/share) and new EUR/GBP assumptions (0.79 vs. 0.73, -EUR3). Lfl growth is expected to accelerate, synergies with Steria have been implemented faster than planned, and free cash flow is set to improve. While the share price fell 5% yesterday in view of a dividend cut to EUR1.70, these positive elements show that the momentum remains solid.

UCB — NEUTRAL, Fair Value EUR82 vs. EUR78 (+20%)

Adjusting our estimates post FY2015 results

After the publication of 2015 results slightly ahead of our estimates, we are updating our numbers with regards to the ambitious guidance set for 2016, viewed as management's commitment to mid-termtargets. In terms of pipeline, management communicated extensively on romosozumab's FRAME results. However, the path to filing appears clear as we would have considered, with potential delays as UCB might be willing to wait for the BRIDGE and ARCH trials to readout.

In brief...

AMOÉBA, *Almost ready to start marketing in France and the European Union*

TMT

Gameloft

Price EUR6.79

Vivendi raises the price of its hostile takeover bid for Gameloft by 20% to EUR7.2

Fair Value EUR6.7 (-1%) **BUY**

Bloomberg	GFT FP
Reuters	GLFT.PA
12-month High / Low (EUR)	7.0 / 3.2
Market Cap (EURm)	580
Ev (BG Estimates) (EURm)	551
Avg. 6m daily volume (000)	363.9
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	34.2%	17.5%	95.1%	12.0%
Softw.& Comp.	-3.2%	-6.7%	9.7%	-5.5%
DJ Stoxx 600	-2.4%	-13.4%	-8.0%	-8.7%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	227.3	256.2	269.0	287.8
% change		*12.7%*	*5.0%*	*7.0%*
EBITDA	13.7	7.8	46.4	56.8
EBIT	-4.2	-3.0	28.0	34.9
% change		*29.1%*	*NS*	*24.7%*
Net income	-5.9	-16.8	19.2	24.8
% change		*NS*	*NS*	*29.4%*

	2014	2015e	2016e	2017e
Operating margin	-1.8	-1.2	10.4	12.1
Net margin	-2.8	-8.9	6.6	8.6
ROE	-4.6	-19.7	13.4	15.7
ROCE	-3.5	-2.5	21.6	24.6
Gearing	-38.6	-25.1	-30.3	-36.0

(EUR)	2014	2015e	2016e	2017e
EPS	-0.07	-0.19	0.22	0.28
% change	*-*	*NS*	*NS*	*29.4%*
P/E	NS	NS	31.3x	24.2x
FCF yield (%)	NM	NM	3.1%	4.1%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	2.3x	2.2x	2.0x	1.8x
EV/EBITDA	38.4x	70.7x	11.6x	9.2x
EV/EBIT	NS	NS	19.3x	15.0x

As we expected, Vivendi has raised the price of its public tender offer for Gameloft to above our FV of EUR6.7, which we considered as a minimum price. We think the new offer is now attractive enough to convince shareholders to tender their securities (Vivendi should reach the 50% voting rights needed). We continue to believe in the speculation surrounding both video game companies run by the Guillemot brothers. Vivendi really wants to add a fifth pillar to its French media group. The hostile takeover bid for Gameloft is a first phase to force a discussion with the Guillemot family and finally operate a friendly takeover on Ubisoft (Buy, FV of EUR34, also a minimum price). Vivendi's net cash position of EUR6bn should help reach an agreement.

ANALYSIS

- Yesterday after trading, **Vivendi raised the price of its public tender offer for Gameloft by 20%, to EUR7.2 per share** (vs. EUR6.0 on 18th February). This hostile takeover bid for 100% of GFT's capital represents **a premium of 6% to yesterday's closing price, 20% to the previous offer and 80.5% to the share price prior to Vivendi being a shareholder.** We estimate the offer values Gameloft at an **EV/sales multiple of 2.1x over 12m rolling** (vs. 1.7x for the previous offer). Note that we played the speculation and were betting on an increase in the offer price. Indeed, our EUR6.7 FV was more a target price than a fair value and was calculated as a minimum for a successful takeover bid (hostile or friendly). Even if Gameloft's Board of Directors rejects this new offer, **the price is now attractive enough to convince shareholders to tender their shares.** Vivendi owns 30.01% of the capital and 26.72% of the voting rights vs. the Guillemot family 20.47% and 28.57% respectively. To be successful, Vivendi's offer needs at least 50% of the voting rights.
- **We maintain our view:** our scenario was that Vivendi could try to takeover Gameloft and Ubisoft starting with **Gameloft in the short term** (in mobile gaming a hostile takeover is possible since success is not linked to a few key developers), in order to force Ubisoft to enter into discussions and convince the Guillemot family that there are synergies and that they can be partners. **And finally Ubisoft**, but via a friendly bid (in the console gaming industry, some developers are stars and they generally prefer to build up their own studios than be bought by a raider), meaning that Vivendi would have to make a generous off (we see our FV of EUR34 as a minimum). **For Ubisoft, it will probably take some time but, in the end, we believe Vivendi's EUR6bn net cash position should help reach a friendly agreement.** Vivendi yesterday announced it has increased its stake in Ubisoft to 15.66% and 13.9%e of voting rights (14.9% before and 13.2%e before) vs. the Guillemot family's 9.4% and 10.15% respectively.
- **We believe Vivendi really wants to add a fifth pillar to its French media group: 1/** Canal+ (TV), **2/** Studiocanal (movie), **3/** Universal Music Group (music), **4/** Dailymotion (Internet), and **5/** Ubisoft/Gameloft (video games is the only production field in which Vivendi was not already positionned). The recent moves by Vivendi (in UBI and GFT) and Activision Blizzard (in mobile gaming via King Digital and in film and TV via its own production studio) highlight the **themes of dematerialisation and convergence between platforms in the whole entertainment industry**. They offer visibility in a sector with a traditionally very short-term vision.

VALUATION

- **The new offer from Vivendi is above our FV of EUR6.7** (that we considered as a minimum price for a successful takeover bid), **so it should be attractive enough to convince current shareholders**.
- **Our FV of EUR6.7 was derived from an EV/sales of 2x** (a 20% discount to the recent acquisition multiple of King Digital by Activision Blizzard) **that we applied to Gameloft in 2016e**. Vivendi's new offer of EUR7.2 shows a discount of only 16% to this latest transaction multiple in the mobile gaming segment (King is 3x more profitable than our expectation for Gameloft in 2016e).

NEXT CATALYSTS

- **FY15 earnings results**: 21st March 2016 (after trading).

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TMT

Indra Sistemas

Price EUR8.44

FY15 results in line with consensus, net debt below expectations, realistic outlook

Fair Value EUR11 vs. EUR10 (+30%) **BUY vs. SELL**

Bloomberg	IDR SM
Reuters	IDR.MC
12-month High / Low (EUR)	11.5 / 7.7
Market Cap (EURm)	1,386
Ev (BG Estimates) (EURm)	2,014
Avg. 6m daily volume (000)	897.7
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.7%	-13.2%	-20.2%	-2.6%
Softw.& Comp.	-3.2%	-6.7%	9.7%	-5.5%
DJ Stoxx 600	-2.4%	-13.4%	-8.0%	-8.7%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	2,850	2,733	2,769	2,854
% change		*-4.1%*	*1.3%*	*3.1%*
EBITDA	131	241	306	345
EBIT	-642.0	169.0	240.0	275.0
% change		*NS*	*42.0%*	*14.6%*
Net income	-74.0	102.0	153.0	178.0
% change		*NS*	*50.0%*	*16.3%*

	2015	2016e	2017e	2018e
Operating margin	1.6	6.6	8.7	9.6
Net margin	-22.5	3.3	5.4	6.1
ROE	-208.1	22.8	27.3	24.1
ROCE	-21.5	14.1	18.8	21.3
Gearing	227.0	157.0	83.0	35.0

(€)	2015	2016e	2017e	2018e
EPS	-0.41	0.56	0.84	0.98
% change	*-*	*NS*	*50.0%*	*16.7%*
P/E	NS	15.1x	10.1x	8.6x
FCF yield (%)	NM	4.4%	15.2%	16.7%
Dividends (€)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	0.7x	0.7x	0.7x	0.6x
EV/EBITDA	15.9x	8.4x	6.0x	4.8x
EV/EBIT	46.3x	11.3x	7.7x	6.0x

We have upgraded the stock to Buy from Sell and increased our DCF-derived Fair Value to EUR11 from EUR10. Yesterday evening Indra reported FY 2015 results in line with the consensus, while net debt was slashed thanks to an impressive WCR reduction of 51 days of sales - partly driven by one-offs. While revenues in 2016 will be negatively impacted by greater selectivity in IT contracts, restructuring is advancing according to plan. We expect the share price to react positively short-term.

ANALYSIS

- **FY15 results in line with consensus**. For 2015, Indra reported sales down 3% (-2% lfl, or -1% lfl excluding elections) to EUR2,850.4m, while non-IFRS operating profit was down 78% to EUR45.2m (1.6% of sales, -5.3ppt), EBIT was a negative EUR641.5m (vs. a negative EUR246.4m in 2014) after EUR686.6m of non-recurring items (EUR196m on restructuring, EUR371m on provisions, impairments and overruns, EUR104m on goodwill impairment o/w EUR83m for Brazil), and the net loss was EUR641.2m (vs. a net loss of EUR91.9m in 2014). Sales were 1% below our EUR2,883m estimate and consensus (EUR2,882m), while we expected a non-IFRS operating profit of EUR61.1m or 2.1% of sales (consensus: EUR43.7m or 1.5% of sales). For Q4, Indra posted sales down 8.3% to EUR781.1m (-6% lfl) and non-IFRS op. profit down 3.3% to EUR46.6m or 6% of sales (+0.3ppt). As indicated for Q3 15 results, Indra recorded in Q4 an additional non-recurring charge, which amounted to EUR130m, o/w EUR64m on Brazil and EUR66m on a set of specific contracts.

- **Net debt below expectations**. Net debt on 31st December 2015 was EUR699.7m (net gearing: 227%) or 5.4x EBITDA, while we expected EUR861m (consensus: EUR904m). Excluding personnel cash costs (EUR78m), it would have reached EUR622m. Free cash flow was a negative EUR49.8m (vs. a positive EUR47.1m in 2014), or a positive EUR28m ex-restructuring. Net working capital decreased to EUR232m from EUR648m, or to 30 days of sales from 81, o/w -20% days on inventory, -28 days on accounts receivables and -3 days on accounts payables. However, EUR287m of this improvement was related to non-recurring adjustments, better collections, and new measures put in place on suppliers. The underlying improvement in NWC was EUR130m or 16 days of sales. Non-recourse factoring lines in 2015 amounted to EUR187m, i.e. the same as in 2014.

- **Details on FY15 lfl growth**. **By geography**, Spain (43% of sales) +7% (-2% in Q4), LatAm (26%) -3% (-19%/Q4), EU/USA (19%) -9% (-10%/Q4), and AMEA (12%) -13% (+16%/Q4). **By vertical**, Transport/Traffic (22%) +1% (flat/Q4), Defence/Security (19%) +7% (+11%/Q4), Energy/Industry (15%) -7% (-22%/Q4), Financial Services (17%) +6% (flat/Q4), Government/Healthcare (16%) -10% (-14%/Q4), and Telecom/Media (10%) -13% (-19%/Q4).

- **FY16 outlook: sales set to fall lfl, operating margin to surge, net debt to reduce**. Indra expects FY16 sales down lfl, notwithstanding c. EUR100m fx headwinds, while we expected +1.6% lfl, on the back of: 1) delays in transport/traffic projects in some countries dependent on oil and commodities, 2) more selectivity in IT contracts (financial services, government…), 3) eventual delays in government tenders in Spain, 4) fewer contracts related to elections. On the other hand, the restructuring plan is well advanced, with 60% of layoffs completed in Spain (100% in LatAm), and all cost savings (EUR120m by 2017) and cash flow impacts (EUR150-160m by 2018) on target, which means a surge in operating margin is confirmed - the consensus was at 6.5%. Finally, while it expected net debt could peak some time in 2016 (Q2 or Q3), management now estimates this peak happened in Q3 2015, and free cash flow should be positive both in Q1 and 2016.

VALUATION

Indra's shares are trading at est. 11.3x 2016 and 7.7x 2017 EV/EBIT multiples.

NEXT CATALYSTS

Q1 results in late April

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Healthcare

Ipsen

Price EUR53.02

FY2015 in-line, Licensing deal likely to impact mid-term profitability

Fair Value Under Review **Under Review vs. BUY**

Bloomberg	IPN FP
Reuters	IPN.PA
12-month High / Low (EUR)	62.0 / 43.4
Market Cap (EURm)	4,414
Ev (BG Estimates) (EURm)	4,331
Avg. 6m daily volume (000)	69.70
3y EPS CAGR	18.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.2%	-12.8%	-11.3%	-13.1%
Healthcare	-3.9%	-12.1%	-9.4%	-10.3%
DJ Stoxx 600	-2.4%	-13.4%	-8.0%	-8.7%

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

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

(€)	2014	2015e	2016e	2017e
EPS	2.22	2.63	3.12	3.70
% change	-	*18.6%*	*18.5%*	*18.7%*
P/E	23.9x	20.1x	17.0x	14.3x
FCF yield (%)	4.5%	4.3%	5.8%	6.9%
Dividends (€)	0.85	0.90	1.00	1.10
Div yield (%)	1.6%	1.7%	1.9%	2.1%
EV/Sales	3.4x	3.0x	2.8x	2.5x
EV/EBITDA	14.0x	11.0x	9.7x	8.3x
EV/EBIT	16.7x	12.9x	11.4x	9.6x

Ipsen released FY2015 results with sales standing at EUR1,444m growing 21.3% CER (22.3% reported), 2% ahead of consensus estimates. Specialty care sales grew 25.8%CER to EUR289.7m while Primary care sales grew 8.4%CER to EUR85.5m. 2016 guidance came in line with consensus when adjusted for the agreement to develop and commercialize Cabozantinib. However, Ipsen should invest heavily to support sales growth in 2016 and 2017, which might delay leverage by 12-18months.

ANALYSIS

- Ipsen released FY2015 results with sales standing at EUR1,444m growing 21.3% CER (22.3% reported), 2% ahead of consensus estimates. Specialty care sales grew 25.8%CER to EUR289.7m while. All of Ipsen's three key products within Specialty Care came above estimates. Somatuline sales growth accelerated to EUR110m (44.4% CER) following NA launch of the neuroendocrine tumour indication, Europe boosted sales growth to a lesser extent. Decapeptyl sales amounted to EUR83.2m (11%CER) and were impacted in 2015 by slowdown and pricing pressure in China as well as price cuts in Europe. In Neurology, Dysport sales reached EUR70.7m (26.1%CER). Primary care sales grew 8.4%CER to EUR85.5m
- Profitability in 2015 came at 22.3%, in-line with expectations as is diluted core EPS which stands at EUR2.78
- Alongside its FY2015 numbers, Ipsen announces that it entered into an agreement to commercialize and develop Cabozantinib outside North America and Japan for USD200m upfront plus up to USD655m in regulatory and commercial milestones. The drug is already available for patients the 1,500 European patients suffering from advanced or metastatic medullary thyroid (MTC). Phase III in renal cell carcinoma (readout mid-2016) and HCC are ongoing. Preliminary data suggest that cabozantinib could be superior a PD-1 checkpoint blocker such as nivolumab in RCC, at least in terms of median PFS improvement for both drugs when compared to everolimus (HR of 0.58 vs 0.88 respectively).
- We believe that a EUR300-400m peak sales should be reached for the drug upon positive results and approval in Europe in renal and prostate cancer.
- Turning to 2016, EUR25m should be invested to support sales growth (-150bp impact on core EBIT margin) while FX should represent a -100bp drag. All in all, core EBIT margin is expect to be at 21% vs 22.3% in 2015. This disruption in leverage trend at Ipsen is likely to be seen in 2017 also as further investment might be necessary, (-300/400bp impact on margins). While this should be offset to maintain flat margins, areas of gains have not been identified yet.
- Together with the questions around corporate governance, this in-licensing deal is making Ipsen's investment case less clear as it delays by at least 18 months the return to a growth trend. Hence our decision to put our FV and rating under review until we make a full assessment of the new situation. The main question for us is 2017 because we think the market would accept one year of flat EPS but 2017 looks uncertain too. And if EUR60-70m extra costs are required next year to build a sales force in Oncology (about 120 people), we are not sure at all that Ipsen will be able to absorb that while maintaining core EBIT margin flat at 21% because this would represent 300-400bp dilutive impact if not offset by cost cutting or other M&A transaction.

VALUATION

- We move our Fair Value Under Review

NEXT CATALYSTS

- Today 2.30pm conference call on FY2015 results (FR +33 1 70 99 32 09, UK +44 207 1312 711, US +1 646 461 1757, ID: 957325)

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TMT

Sopra Steria Group

Price EUR89.22

FY15 analysts' meeting feedback: the story cannot be summed up by a dividend cut

Fair Value EUR113 vs. EUR115 (+27%) **BUY**

Bloomberg	SOP FP
Reuters	SOPR.PA
12-month High / Low (EUR)	112.0 / 68.9
Market Cap (EUR)	1,821
Ev (BG Estimates) (EUR)	2,358
Avg. 6m daily volume (000)	23.70
3y EPS CAGR	13.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-10.8%	-17.4%	-4.9%	-17.6%
Softw.& Comp.	-3.2%	-6.7%	9.7%	-5.5%
DJ Stoxx 600	-2.4%	-13.4%	-8.0%	-8.7%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	3,584	3,677	3,835	3,981
% change		*2.6%*	*4.3%*	*3.8%*
EBITDA	295	332	374	401
EBIT	152.6	241.7	280.8	307.2
% change		*58.4%*	*16.2%*	*9.4%*
Net income	150.9	175.1	202.6	218.7
% change		*16.1%*	*15.7%*	*7.9%*

	2015	2016e	2017e	2018e
Operating margin	6.8	7.7	8.4	8.8
Net margin	2.4	3.9	4.4	4.7
ROE	6.8	10.7	11.5	11.5
ROCE	11.0	10.7	11.9	12.9
Gearing	43.0	40.0	28.9	16.7

(€)	2015	2016e	2017e	2018e
EPS	7.38	8.55	9.89	10.67
% change	-	*15.9%*	*15.7%*	*7.9%*
P/E	12.1x	10.4x	9.0x	8.4x
FCF yield (%)	2.7%	2.9%	10.6%	13.4%
Dividends (€)	1.70	1.90	2.10	2.30
Div yield (%)	1.9%	2.1%	2.4%	2.6%
EV/Sales	0.7x	0.6x	0.6x	0.5x
EV/EBITDA	8.0x	7.1x	6.0x	5.2x
EV/EBIT	9.6x	8.4x	7.0x	6.0x

We are reiterating our Buy rating while cutting our DCF-derived Fair Value from EUR115 to EUR113 following the analysts' meeting held yesterday. Our change stems from the integration of Cassiopae into our model (+1% to our adj. EPS ests. = +EUR1/share) and new EUR/GBP assumptions (0.79 vs. 0.73, -EUR3). Lfl growth is expected to accelerate, synergies with Steria have been implemented faster than planned, and free cash flow is set to improve. While the share price fell 5% yesterday in view of a dividend cut to EUR1.70, these positive elements show that the momentum remains solid.

ANALYSIS

- **Positive trends ahead, despite Q1**. For Q1 2016, the company agrees with a scenario of around 0-1% lfl sales growth due to tough comps for Sopra Banking Software (La Banque Postale in Q1 2015), but sees an acceleration thereafter. In France, C&SI looks to start 2016 in good shape with growth ahead and the op. margin is likely to keep increasing, while the I2S business is likely to see a revenue decline in 2016 as a result of the refocus on value-added services but should return to growth over H2 and 2017 with the target to restore a 'normative' operating margin within two years. In the UK, lfl growth is set to stand at 0-2% with the commercial sector expected to improve efficiency, while the SSCL JV may see sales eroding - due to a quick ramp-up in 2015 - and grow again in 2017. In the "Other Europe" division, the trend should continue to reverse in Germany. For Sopra Banking Software, the goal is to keep investing heavily in R&D in order to keep up with customer demand, such that the operating margin is unlikely to deviate from 10% for 2016 and 2017. NB. Cassiopae (EUR50m revenues), to be acquired in Q2 16, generates a double-digit operating margin.
- **Synergies targets reiterated for end 2016**. Sopra Steria delivered EUR45m in cost synergies in 2015, or EUR10m ahead of the EUR35m guidance announced in 2014, for implementation costs of EUR46m in line with the EUR45m initial target. That said, management confirmed its goal for synergies of EUR62m by end 2016 for a total cost of EUR65m. In other words, the synergies plan with Steria is not supposed to exceed expectations but synergies were unlocked faster than planned. Restructuring costs related to the integration of Steria should only total c. EUR10-15m in 2016. NB. The tax rate is likely to stand at 34-35% in the years ahead.
- **Free cash flow to increase significantly but in line with expectations**. Free cash flow reached EUR49m in 2015, while the company guided for zero. In fact, WCR increased by 'only' EUR81.9m (vs. EUR150m guided in August) as the DSOs fell to 64 days. For 2016, reaching EUR100m looks to be a fair assumption as DSOs should continue to decrease, cash consumption of SSCL is expected to be at zero, and WCR is likely to increase in line with 2015, including a EUR30m drag from a change in the timing of social security payments in France (monthly vs. quarterly, 2/3 of the drag) and new regulations in the UK regarding payment terms to suppliers (1/3 of the drag).
- **Medium-term ambitions unchanged**. Sopra Steria still backs its differentiating positioning and specific assets (solutions and customer intimacy), and reiterates its priority for vertical solutions and large accounts, while strengthening in consulting. It is also comfortable with its strategy on Sopra Banking Software, while banks are renovating their IT systems. With EUR1.1m in available credit lines and a net debt/EBITDA bank covenant of 3x (1.8x reached end 2015), Sopra Steria is keen on pursuing acquisitions, especially on the Sopra Banking Software side.

VALUATION

- Sopra Steria's shares are trading at est. 8.4x 2016 and 7.0x 2017 EV/EBIT multiples.
- Net debt on 31st December 2015 was EUR530.8m (net gearing: 43%).

NEXT CATALYSTS

Q1 16 sales on 3rd May before markets open.

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Healthcare

UCB

Price EUR68.46

Adjusting our estimates post FY2015 results

Fair Value EUR82 vs. EUR78 (+20%) **NEUTRAL**

Bloomberg	UCB BB
Reuters	UCBBt.BR
12-month High / Low (EUR)	85.6 / 61.5
Market Cap (EURm)	13,316
Ev (BG Estimates) (EURm)	12,899
Avg. 6m daily volume (000)	311.8
3y EPS CAGR	37.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-12.9%	-19.0%	1.4%	-17.7%
Healthcare	-3.9%	-12.1%	-9.4%	-10.3%
DJ Stoxx 600	-2.4%	-13.4%	-8.0%	-8.7%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	3,344	3,876	4,117	4,689
% change		*15.9%*	*6.2%*	*13.9%*
EBITDA	609	821	982	1,248
EBIT	379.0	577.0	720.7	947.0
% change		*52.2%*	*24.9%*	*31.4%*
Net income	229.0	322.0	417.0	589.2
% change		*40.6%*	*29.5%*	*41.3%*

	2014	2015e	2016e	2017e
Operating margin	11.3	14.9	17.5	20.2
Net margin	6.8	8.3	10.1	12.6
ROE	4.1	12.2	7.9	11.0
ROCE	5.3	6.2	7.4	9.9
Gearing	33.3	7.5	7.2	8.1

(EUR)	2014	2015e	2016e	2017e
EPS	1.69	2.17	3.13	4.40
% change	-	*28.8%*	*44.3%*	*40.4%*
P/E	40.6x	31.5x	21.8x	15.6x
FCF yield (%)	3.3%	1.3%	3.0%	3.1%
Dividends (EUR)	0.91	1.10	1.63	2.29
Div yield (%)	1.3%	1.6%	2.4%	3.3%
EV/Sales	3.5x	3.3x	3.1x	2.7x
EV/EBITDA	19.2x	15.7x	13.1x	10.3x
EV/EBIT	30.9x	22.4x	17.9x	13.6x

After the publication of 2015 results slightly ahead of our estimates, we are updating our numbers with regards to the ambitious guidance set for 2016, viewed as management's commitment to mid-termtargets. In terms of pipeline, management communicated extensively on romosozumab's FRAME results. However, the path to filing appears clear as we would have considered, with potential delays as UCB might be willing to wait for the BRIDGE and ARCH trials to readout.

ANALYSIS

- The conference call focused on the recent publication of romosozumab FRAME phase III results which should support filing in the US. As a reminder, Romosozumab phase III results met the primary endpoint of reducing the incidence of new vertebral fractures at 12 and 24 months in women with PMO. However secondary the endpoint of reduction in non-vertebral fracture through 12 and 24 months was not met. CMO, Iris Low-Friedrich gave detailed explanations for those results, viewed as mixed by investors. Among the reasons invoked note that 1/since romosozumab is an innovative treatment, 12 months was considered the maximum time of exposure to the drug and ending study at 24 months might not be enough to assess the full effect of treatment. 2/ the patient population included in the trial did not focus on severe post-menopausal osteoporotic patients with a low event rate in the placebo arm (placebo for severe patients hardly conceivable). Although management was reassuring on results, the path to filling is not straight forward in our view. Indeed, with the BRIDGE and ARCH studies reporting results in H1 2016 and 2017 respectively, both UCB and AMGEN might wait for them to file in the US. As a reminder, the BRIDGE trial should support filing in Japan (inc. of men population) and will assess BMD as a primary endpoint while the ARCH study compares romosozumab to alendronate in a more severe population and should support European filing. On top of that, two cases of osteonecrosis of the jaw might cast doubt over the future safety label of the drug although the overall safety profile appears clear with no hearing loss or cardiovascular events.
- Despite a mixed outlook for romosozumab, we were pleased to see that management reiterated its 2018 target for rEBITDA at 30% of sales, with 2016 guidance as a clear sign of confidence. From 21% rEBITDA margin in 2015, we should reach 24% in 2016 (BGe EUR982m). Towards 2018, we have lifted our rEBITDA margin from 28.5% to 30%. This should be enabled by both the internalisation of Cimzia and OPEX growing at a slower pace than topline. We estimate a 10% 2015-18 CAGR for the topline while EPS should grow far faster at 35% CAGR.
- UCB is delivering on profitability which should accelerate in the next two years. However, having divested its US Generic business, it is now a pure specialty pharma for which pipeline development does not appear as clear as we would have considered a few months ago. M&A and/or a licensing agreement to bring in-house a mid/late stage asset might be key to sustain long term growth. Cimzia is performing well and the next key clinical update should be the H2H study versus Humira, should offer support to sales in the light of increasing price pressure from biosimilars. We would remain on the sideline at the moment.

VALUATION

- We have adjusted our 2016 numbers upward in the light of both a good set of results in 2015 and ambitious 2016 guidance. As a reminder, the later came as followed. Sales EUR4.0-4.1bn (BGe EUR4.12bn), rEBITDA EUR970-1,010m (BGe EUR982m) and Core EPS EUR2.9-3.2 (BGe EUR3.13)
- Our Fair Value is up from EUR78 to EUR82.

NEXT CATALYSTS

- H1 2016: BRIDGE study results (osteoporosis in men) and EXXELERATE study results (Cimzia H2H trial vs. Humira)

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Utilities

Amoéba

FV @ EUR65m

Almost ready to start marketing in France and the European Union

FV @ EUR65m **CORPORATE**

ANALYSIS

- The French producer of a biological biocide capable of eliminating waterborne bacterial risk, **Amoéba**, announced yesterday after market that it will ask for commercial approval of its active substance (*Willaertia Magna*) for France and other European markets at the same time, while it firstly expected a delay between the demand for France and for other European markets. The group mentioned in its press release that as soon as the French regulatory authority (ANSES) gives a favorable opinion for registration of the active substance (*Willaertia magna*), during H1 2016, Amoéba will ask for **provisional market approval** by France's ANSES and other European Union members' respective regulatory authorities. Amoéba aims to receive approval from ANSES for the French market one month after its demand, and approval for other European Union members three months after its application to the respective regulatory authorities, which could imply a marketing start **in August 2016** in France and in EU member countries **in October 2016**.
- **In our model, we have anticipated a marketing start in H2 2016 in France and H1 2017 in Europe. Positive.**

VALUATION

- FV @ EUR65m

NEXT CATALYSTS

- 21st March 2016: 2015 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 62.2% NEUTRAL ratings 28.9% SELL ratings 8.9%

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