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2nd March 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	16865.08	+2.11%	-3.21%
S&P 500	1978.35	+2.39%	-3.21%
Nasdaq	4689.59	+2.89%	-6.35%
Nikkei	16085.51	+0.37%	-15.49%
Stoxx 600	338.719	+1.44%	-7.41%
CAC 40	4406.84	+1.22%	-4.96%
Oil /Gold			
Crude WTI	34.41	+1.90%	-7.50%
Gold (once)	1233.38	+0.04%	+16.10%
Currencies/Rates			
EUR/USD	1.08595	-0.06%	-0.03%
EUR/CHF	1.08395	+0.16%	-0.32%
German 10 years	0.151	+37.30%	-76.27%
French 10 years	0.512	+9.94%	-47.86%
Euribor	-	+-%	+-%

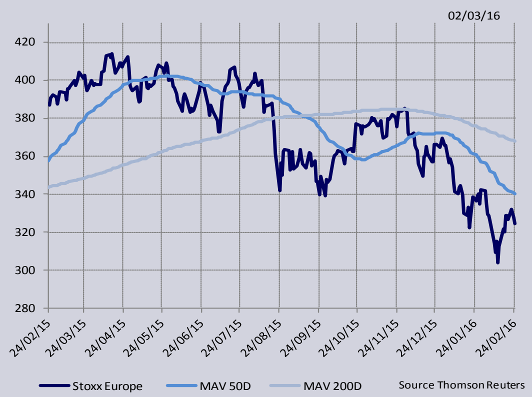
Upcoming BG events :

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



ALBIOMA — BUY, Fair Value EUR20 (+64%)

Good 2015 metrics after all, but timid 2016 outlook

Albioma posted relatively good 2015 metrics this morning with the high range EBITDA target beaten by 2.5%. EBITDA came out at EUR120m vs. EUR116m expected while net income stood at EUR30.2m in line with our expectations. As expected, Brazilian activities were affected by the lower BRL and lower power prices, although the healthy performance in traditional activities offset a part of this decline. The group's 2016 guidance nevertheless looks quite timid, with the group only targeting +5% for mid-range EBITDA growth vs. 2015 (BG at >10%). Negative.

BIOMÉRIEUX — BUY, Fair Value EUR121 (+3%)

Weak 2016 EBIT guidance provides buying opportunity

BioMérieux has published FY2015 results, after top-line data was issued in January (slightly above estimates). Contributive EBIT was below consensus estimates at EUR260m (vs EUR266m anticipated) albeit at the high-end of the company's guidance, while EUR46m in non-recurring items impacted earnings. Cautious contributive EBIT guidance has to be seen in the light of a window of opportunity left by GenMark as well as BioFire that should reach the group's profitability this year. We would buy on any share price weakness at opening.

CAMPARI — BUY vs. SELL, Fair Value EUR8,4 vs. EUR7,1 (+12%)

The wind in its sails

We think that Campari currently has the wind in its sails thanks to its portfolio. In 2016, this should enable the group to continue to post strong organic sales growth (+4.3% expected after +3% in 2015) and EBIT margin improvement (+70bps to 20.8%). In addition, its deleverage makes big acquisitions possible. We have upgraded our EPS estimates by 8% on average for the next three years and lifted our Fair Value from EUR7.1 to EUR8.4

LUXOTTICA — BUY, Fair Value EUR65 (+21%)

FY15 adj. op income 1.5% short of our expectations but a reassuring FY16-18 outlook!

Luxottica announced its 2015 results yesterday evening after releasing 2015 sales on 29th January (adj.: EUR9.011bn, +5.5% FX-n adjusted). 2015 adj. EBIT rose 22.5% to EUR1.443bn, 1.5% short of our EUR1.465bn forecast (no CS) and representing a 70bp-margin improvement to 16%. Ahead of today's Investor Day, the 2016-18 outlook is quite reassuring and consistent with our assumptions: sales are expected to grow 5-6% FX-n in 2016 (BG: +6%e) and mid to high single-digit over 2017-18. The op income target is a bit better than we expected as the group is guiding for a rise of "at least 1.5x sales" over 2016-18 vs. the previous rule-of-thumb of 2x sales, which has been reiterated for six consecutive years. Naturally, all eyes will be on the ID today as we hope LUX will provide more details about this "multi-year plan" and on the future governance structure (+ succession plan). Buy recommendation and FV of EUR65 confirmed.

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Utilities

Albioma

Price EUR12.20

Good 2015 metrics after all, but timid 2016 outlook

Fair Value EUR20 (+64%) **BUY**

Bloomberg	ABIO FP
Reuters	ABIO.PA
12-month High / Low (EUR)	19.6 / 11.9
Market Cap (EURm)	363
Ev (BG Estimates) (EURm)	946
Avg. 6m daily volume (000)	25.20
3y EPS CAGR	6.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.3%	-18.4%	-18.8%	-18.4%
Utilities	-5.7%	-9.7%	-2.9%	-6.8%
DJ Stoxx 600	-0.8%	-11.8%	-4.0%	-7.4%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	354.1	376.3	385.7	447.3
% change		*6.3%*	*2.5%*	*16.0%*
EBITDA	129	116	135	160
EBIT	74.8	66.4	79.6	99.4
% change		*-11.3%*	*19.9%*	*24.9%*
Net income	37.9	29.7	32.9	45.4
% change		*-21.6%*	*10.7%*	*38.0%*

	2014	2015e	2016e	2017e
Operating margin	21.1	17.6	20.6	22.2
Net margin	10.7	7.9	8.5	10.1
ROE	9.6	7.4	8.1	10.6
ROCE	4.8	4.8	4.6	5.2
Gearing	110.3	133.8	169.2	187.5

(EUR)	2014	2015e	2016e	2017e
EPS	1.30	1.02	1.13	1.56
% change	-	*-21.6%*	*10.7%*	*38.0%*
P/E	9.4x	12.0x	10.8x	7.8x
FCF yield (%)	19.3%	NM	NM	NM
Dividends (EUR)	0.64	0.64	0.59	0.78
Div yield (%)	5.2%	5.2%	4.8%	6.4%
EV/Sales	2.4x	2.5x	2.9x	2.7x
EV/EBITDA	6.6x	8.2x	8.2x	7.6x
EV/EBIT	11.4x	14.3x	13.8x	12.2x

Albioma posted relatively good 2015 metrics this morning with the high range EBITDA target beaten by 2.5%. EBITDA came out at EUR120m vs. EUR116m expected while net income stood at EUR30.2m in line with our expectations. As expected, Brazilian activities were affected by the lower BRL and lower power prices, although the healthy performance in traditional activities offset a part of this decline. The group's 2016 guidance nevertheless looks quite timid, with the group only targeting +5% for mid-range EBITDA growth vs. 2015 (BG at >10%). Negative.

ANALYSIS

- **2015 metrics**: 2015 EBITDA came out at **EUR120m** ahead of our **EUR116m** estimates and ahead of the group's EBITDA guidance (EUR113-117m - revised down during the year), while attributable net income stood at **EUR30.2m** in line with our expectations. Most of the EBITDA outperformance compared with our estimates came from the French overseas department business unit (*EUR89m*). EBITDA contributions from the solar business (*EUR33m*) and from Brazilian thermal activities (*EUR4.6m*) were in line with expectations. Reported net income (group share) was in line with annual guidance (*EUR31-33m*) and with our **EUR30.2m** forecast although the dividend proposed by the board was lower than we expected at **EUR0.57/share** (vs. our **EUR0.64/share** estimate, as in 2014) as the 50% pay-out ratio was maintained despite a atypical year *(negatively*) in 2015. Net debt increase by **EUR70m to EUR502m**, below our **EUR529m** estimate.
- **What about 2016?** The group announced it is targeting EBITDA of between **EUR122m** and **EUR130m**, representing growth of **5%** at mid-range, compared with 2015. However in our model, we were expecting an EBITDA contribution above this guidance, at **EUR135m** in line with the consensus. As for net income (*group share*) the target is to generate between **EUR25m and EUR30m** while we currently stand at **EUR33m**. We believe most of the difference with our estimates could be explained by assumptions for Brazilian activities (*spot power prices*) and by the group's load factor in its traditional overseas department thermal units (*no guidance unveiled*).
- **What to retain from this publication? 1/** The separation of the roles of **Chairman of the board of directors** and **CEO**, with the appointment of **Frédéric Moyne** as CEO of the group, while Mr. Pétry will remain **Chairman of board of directors. 2/** the signing of amendments to contracts with EDF for emission treatment at the Albioma Le Gol plant and for compensation for the extra costs incurred since 2013 by Albioma Le Gol in connection with combustion by-products and liquid effluents. **3/** The timid 2016 EBITDA and net income guidance, despite the likely full recovery in the group's thermal assets in French overseas departments, the commissioning (*end 2016*) of TAC La Réunion unit, and the progress of the industrial performance of the group's anaerobic digestion business unit. We assume the group's guidance is based on poor Brazilian power prices, and a poor EUR/BRL rate.
- **Conclusion**: We struggle to build the growth bridge for 2016 EBITDA and NRI (*group share*) when looking at the group's targets for the year since 2016 was supposed to be a recovery year for the group. We hope to get more details during the analysts' meeting at 09.00am CET.

VALUATION

- At the current share price, the stock trades at 8.1x its 2016e EBITDA and offers a 5% yield
- Buy, FV @ EUR20

NEXT CATALYSTS

- Analyst meeting at 9.00 am CET

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Healthcare

bioMérieux

Price EUR117.25

Bloomberg	BIM FP
Reuters	BIOX.PA
12-month High / Low (EUR)	118.7 / 88.6
Market Cap (EURm)	4,626
Ev (BG Estimates) (EURm)	4,927
Avg. 6m daily volume (000)	39.40
3y EPS CAGR	13.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.1%	8.0%	16.1%	6.7%
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	1,698	1,926	2,031	2,149
% change		*13.4%*	*5.5%*	*5.8%*
EBITDA	337	397	429	468
EBIT	226.8	271.5	296.5	328.7
% change		*19.7%*	*9.2%*	*10.9%*
Net income	134.8	158.7	176.3	199.0
% change		*17.7%*	*11.1%*	*12.9%*

	2014	2015e	2016e	2017e
Operating margin	13.4	14.1	14.6	15.3
Net margin	7.9	8.2	8.7	9.3
ROE	9.7	10.5	10.7	11.1
ROCE	8.9	9.1	9.7	10.5
Gearing	18.0	20.0	13.7	7.0

(EUR)	2014	2015e	2016e	2017e
EPS	3.42	4.02	4.47	5.04
% change	-	*17.7%*	*11.1%*	*12.9%*
P/E	34.3x	29.1x	26.2x	23.2x
FCF yield (%)	2.7%	1.2%	2.9%	3.5%
Dividends (EUR)	1.00	1.01	1.12	1.26
Div yield (%)	0.9%	0.9%	1.0%	1.1%
EV/Sales	2.9x	2.6x	2.4x	2.2x
EV/EBITDA	14.5x	12.4x	11.3x	10.1x
EV/EBIT	21.5x	18.1x	16.4x	14.5x

Weak 2016 EBIT guidance provides buying opportunity

Fair Value EUR121 (+3%) **BUY**

BioMérieux has published FY2015 results, after top-line data was issued in January (slightly above estimates). Contributive EBIT was below consensus estimates at EUR260m (vs EUR266m anticipated) albeit at the high-end of the company's guidance, while EUR46m in non-recurring items impacted earnings. Cautious contributive EBIT guidance has to be seen in the light of a window of opportunity left by GenMark as well as BioFire that should reach the group's profitability this year. We would buy on any share price weakness at opening.

ANALYSIS

- As a reminder, Biomerieux reported FY2015 sales on 21st January (please see here) with sales at EUR1965m (7.1%CER, 15.7% reported) driven by Biofire in NA, which contributed 6pp of growth on a reported basis. NA sales grew 19%CER. A good performance in western and northern Europe alongside a recovery in southern European countries was offset by consolidation of labs in France. EMEA sales grew 0.3%CER. APAC sales growing 3.3%CER were still impacted by weak Chinese sales despite a reorganisation of distributors in the region. Sales were dynamic in all LatAm countries 7.4%CER except Brazil.

- Contributive EBIT in 2015 was slightly below consensus estimates at EUR260m but at the high-end of the company's guidance range of EUR240-265m. SG&A as well as R&D expenses were in line with last year's levels at 26.9% and 12% of sales respectively. Below the EBIT line, two non recurring items impacted earnings. Firstly, a EUR33m non-deductible impairment loss related to the depreciation of the minority participation in bioTheranostic following the acquisition of bioTheranostic shares by private investors. As a reminder, bioTheranostic sells cancer tests to CLIA labs in the US, which has long been considered as a non-core molecular diagnostic activity (bioMérieux focuses on infectious diseases). Secondly, a EUR13m earnout linked to an employee retention plan. We would highlight that the latter implies that bioMérieux is ahead of its business plan for BioFire.

BIM (EURm ex	FY14	FY15	y/y	FY15 cs*	Delta	FY16 Guid.	FY16 cs*
Sales	1 698	1 965	15,7%	1 965	0,0%	6,0%-8,0%	7,3%
contributive EBIT	227	260	14,6%	266	-2,3%	265-290	307
EBIT margin %	13,4%	13,2%		13,5%			
Net results	135	110	-18,8%	139	-20,9%		
Adjusted EPS	3,42	2,80	-18,1%	3,45	-13,8%		

- Organic sales growth guidance for 2016 is 6-8%, with the consensus already within this range at 7.3%. Cautious profitability guidance is for a contributive operating EBIT within the EUR265-290m range whereas the consensus was at EUR307m (BGe EUR296.5). This might put the share price under pressure at opening. However, this should be seen in the light of a window of opportunity left by GenMark as well as BioFire that should reach the group's profitability this year. Long term growth prospects intact.

VALUATION

- The share price could come under pressure at opening in view of the bottom-line miss caused by non-recurring items and we would use any weakness to add.

NEXT CATALYSTS

- Today 02.30pm CET : conference call on FY2015 results (FR +33 1 70 48 01 66, Europe +44 20 3427 1906, US +1 212 444 0896, code FR: 904 1545, code US: 514 5951)

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Food & Beverages

Campari

Price EUR7.51

Bloomberg	CPR IM
Reuters	CPR.MI
12-month High / Low (EUR)	8.4 / 6.1
Market Cap (EUR)	4,359
Ev (BG Estimates) (EUR)	5,185
Avg. 6m daily volume (000)	1 675
3y EPS CAGR	12.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.4%	-10.3%	14.8%	-6.2%
Food & Bev.	-3.3%	-7.3%	10.2%	-3.4%
DJ Stoxx 600	-0.8%	-11.8%	-4.0%	-7.4%

YEnd Dec. (EURm)	2014	2015	2016e	2017e
Sales	1,560	1,657	1,643	1,718
% change		*6.2%*	*-0.8%*	*4.6%*
EBITDA	338	390	391	415
EBIT	298.2	332.7	341.5	363.0
% change		*11.6%*	*2.7%*	*6.3%*
Net income	129.0	175.4	193.0	220.6
% change		*36.0%*	*10.0%*	*14.3%*

	2014	2015	2016e	2017e
Operating margin	19.1	20.1	20.8	21.1
Net margin	8.3	10.6	11.7	12.8
ROE	8.2	10.1	10.4	11.0
ROCE	5.3	7.0	7.7	8.8
Gearing	61.9	48.6	-39.3	-33.7

(EUR)	2014	2015	2016e	2017e
EPS	0.27	0.30	0.33	0.38
% change	-	*14.0%*	*10.0%*	*14.3%*
P/E	28.3x	24.8x	22.6x	19.7x
FCF yield (%)	4.1%	4.6%	4.5%	5.3%
Dividends (EUR)	0.08	0.09	0.09	0.10
Div yield (%)	1.1%	1.2%	1.2%	1.3%
EV/Sales	3.4x	3.1x	3.1x	2.9x
EV/EBITDA	15.8x	13.3x	13.0x	12.1x
EV/EBIT	17.9x	15.6x	14.9x	13.8x

The wind in its sails

Fair Value EUR8,4 vs. EUR7,1 (+12%) **BUY vs. SELL**

We think that Campari currently has the wind in its sails thanks to its portfolio. In 2016, this should enable the group to continue to post strong organic sales growth (+4.3% expected after +3% in 2015) and EBIT margin improvement (+70bps to 20.8%). In addition, its deleverage makes big acquisitions possible. We have upgraded our EPS estimates by 8% on average for the next three years and lifted our Fair Value from EUR7.1 to EUR8.4

ANALYSIS

- **2015 results**. Campari's Q4 net sales rose 2.5% to EUR512m (consensus: EUR515m and our estimate: EUR514m). **Organic sales growth over the quarter stood at 4.2% (consensus: +2.1% and our estimate: +2.5%), far faster than the 9M trend (+2.5%).** The performance in the **Americas (42% of group's sales)** was inflated by some positive technical effects: an easy comparison base in Canada related to a change in distribution in Q4 2014 and trade loading in Brazil before an excise duty hike at the beginning of December 2015. Organic sales in the region grew 11% in Q4. **Southern Europe, Middle East and Africa (32% of group's sales)** returned into positive territory, with organic sales up 1.4% in Q4 after -2.8% in Q3. This was driven by an improvement in Italy and continued growth of the seeding markets ie Spain, France and South Africa. In **North, Central and Eastern Europe (19% of group's sales)**, Q4 sales dropped 6.3% organically (-0.6% in Q3), due to Russia (10% of the region's sales) which was down 33% in Q4. **Asia Pacific (7% of group's sales)** increased 17.3% organically in Q4 thanks to a pick-up in Australia. **2015 EBIT pre one-offs amounted to EUR332.7m (consensus: EUR328m and our estimate: EUR323m), up 11.6% reportedly and 6.1% on an organic basis**. The group benefited from: 1/ a positive sales mix arising from both geography and portfolio, 2/ the reversal of overlapping production costs in the United States, and 3/ favourable input cost movements. The reported margin rose 100bps to 20.1%. The company has proposed a dividend of EUR0.09, up 12.5% vs last year.

- **More good news in 2016**. **We think that Campari currently has the wind behind it thanks to its portfolio. Bitters account for c.30% of the group's sales vs around 2% for the competitors. This category is currently growing high single-digit**. Campari has shown strong innovative capabilities with Aperol Spritz**. The Aperol brand (10% of the group's sales) grew 11.8% organically in 2015, with a very impressive performance in some seeding markets: France (+96%), Spain (+119%) , the UK (+233%)…It stabilised in 2015 in Germany**. The company has plans for Aperol and Campari on this market in 2016. **Campari is also the only European spirit group to have a strong bourbon brand, i.e Wild Turkey (8% of the group's sales)**. This brand grew 8.8% organically in 2015 and should accelerate in 2016. There is no need to point out the fact that bourbon is one of the best performing categories in the key US market. **We expect 4.3% organic sales growth in 2016 (+3.5% previously), ahead of the 2015 trend (+3%).** This acceleration should be driven by 1/ Southern Europe/Middle East/Africa which should benefit from a return to growth in Italy (low single digit expected following a flattish performance in 2015) and continued good momentum in the seeding markets and 2/ North/Central/Eastern Europe with less drag coming from Russia (high single digit drop expected in 2016 vs -41% in 2015). **The EBIT margin should continue to increase in 2016 (+70bps to 20.8% vs 19.8% previously) thanks to the positive sales mix arising from growth in the global priorities and especially the aperitifs (Aperol and Campari) and Wild Turkey**. The group has also indicated that the cash tax rate in 2016 fall to 23% due to the geographical mix. **Overall our EPS estimates are revised upwards by 8% on average over the next three years.** EPS should increase by 12% each year on average between 2015 and 2018. **Another positive element is the likely return to the the group's strategy of generating half of its growth though perimeter effects**. Net debt declined EUR152m to EUR825.8m in 2015, exceeding our expectations (EUR888m) and implying a net debt/EBITDA ratio of 2.2x vs 2.9x in 2014. It can rise until 3.5x and even 4.25 for a limited period of time (18 months). Management said that acquisitions wil be bigger in terms of size than Forty Creek and Fratelli Averna. We think they should be well received by the market as the group's track record is good (Aperol, Wild Turkey, SKYY…).

VALUATION

- **Our Fair Value is revised upwards to EUR8.4, reflecting the change in EPS estimates and the stronger than expected balance sheet. At yesterday's share price, the stock is trading at 14.9 EV/EBIT 2016e and 13.8x EV/EBIT 2017, 14% and 15% below the peer average.** On 12th November, we downgraded the stock on valuation grounds. Since then, its has increased 1% vs DJ Stoxx (Diageo: 10%, Rémy Cointreau: +13% and Pernod Ricard: +3%). We think the risk-return profile is now much more attractive and **we upgrade the stock to Buy**.

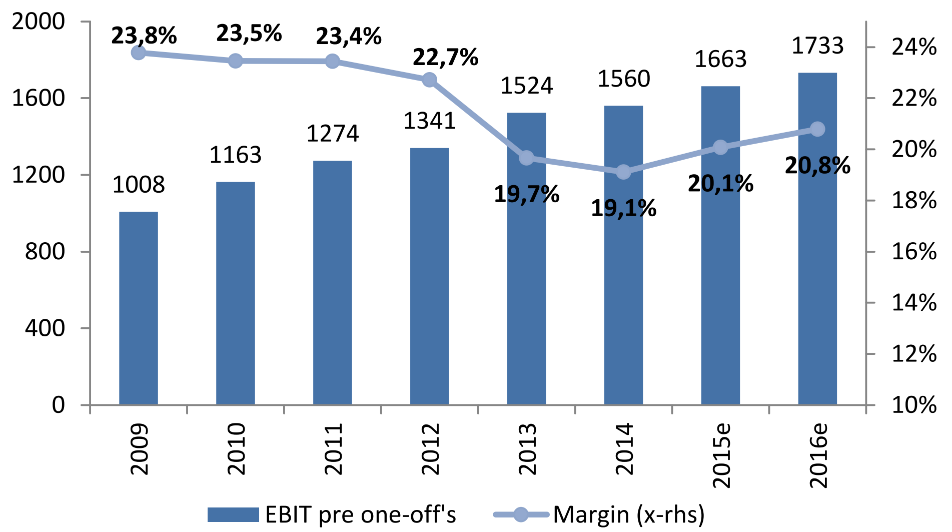
NEXT CATALYSTS

- Q1 2016 results due on 9th May

Organic sales growth

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2015	2016
Group	**4,2%**	**1,7%**	**2,1%**	**4,1%**	**3,0%**	**4,3%**
Americas	4,8%	2,3%	8,9%	10,8%	7,0%	4,7%
Southern Europe, Middle East and Africa	6,0%	3,8%	-2,8%	1,2%	1,9%	3,6%
North, Central and Eastern Europe	-1,5%	-4,1%	-0,6%	-6,4%	-3,7%	4,4%
Asia Pacific	7,2%	2,8%	-3,9%	17,4%	6,4%	5,0%

EBIT pre one-offs



Source: Campari, Bryan, Garnier & Co

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Luxury & Consumer Goods

Luxottica

Price EUR53.75

FY15 adj. op income 1.5% short of our expectations but a reassuring FY16-18 outlook!

Fair Value EUR65 (+21%) **BUY**

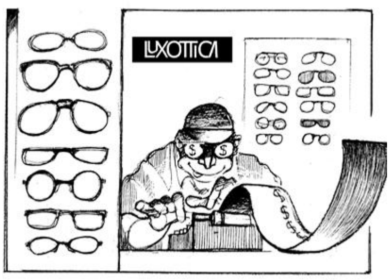
Bloomberg	LUX IM
Reuters	LUX.MI
12-month High / Low (EUR)	67.5 / 49.1
Market Cap (EURm)	25,997
Ev (BG Estimates) (EURm)	27,051
Avg. 6m daily volume (000)	779.5
3y EPS CAGR	15.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.9%	-15.5%	-8.5%	-11.0%
Consumer Gds	-0.8%	-8.0%	6.3%	-3.9%
DJ Stoxx 600	-0.8%	-11.8%	-4.0%	-7.4%

YEnd Dec. (€m)	2014	2015e	2016e	2017e
Sales	7,652	8,837	9,550	10,209
% change		*15.5%*	*8.1%*	*6.9%*
EBITDA	1,542	1,853	2,078	2,265
EBIT	1,158	1,376	1,564	1,716
% change		*18.9%*	*13.7%*	*9.7%*
Net income	642.6	804.1	957.7	1,066
% change		*25.1%*	*19.1%*	*11.3%*

	2014	2015e	2016e	2017e
Operating margin	15.1	15.6	16.4	16.8
Net margin	8.4	9.1	10.0	10.4
ROE	13.1	16.1	17.6	18.0
ROCE	10.4	12.6	14.5	15.9
Gearing	20.6	21.0	11.6	3.2

(€)	2014	2015e	2016e	2017e
EPS	1.44	1.68	2.00	2.22
% change	-	*16.1%*	*19.1%*	*11.3%*
P/E	37.2x	32.1x	26.9x	24.2x
FCF yield (%)	2.8%	3.0%	3.9%	4.3%
Dividends (€)	0.72	0.92	1.05	1.20
Div yield (%)	1.3%	1.7%	2.0%	2.2%
EV/Sales	3.5x	3.1x	2.8x	2.6x
EV/EBITDA	17.5x	14.6x	12.8x	11.6x
EV/EBIT	23.3x	19.7x	17.0x	15.3x



Luxottica announced its 2015 results yesterday evening after releasing 2015 sales on 29th January (adj.: EUR9.011bn, +5.5% FX-n adjusted). 2015 adj. EBIT rose 22.5% to EUR1.443bn, 1.5% short of our EUR1.465bn forecast (no CS) and representing a 70bp-margin improvement to 16%. Ahead of today's Investor Day, the 2016-18 outlook is quite reassuring and consistent with our assumptions: sales are expected to grow 5-6% FX-n in 2016 (BG: +6%e) and mid to high single-digit over 2017-18. The op income target is a bit better than we expected as the group is guiding for a rise of "at least 1.5x sales" over 2016-18 vs. the previous rule-of-thumb of 2x sales, which has been reiterated for six consecutive years. Naturally, all eyes will be on the ID today as we hope LUX will provide more details about this "multi-year plan" and on the future governance structure (+ succession plan). Buy recommendation and FV of EUR65 confirmed.

ANALYSIS

- **FY15 sales, released on 29th January, rose 5.5% adj. FX-n and +6.8% stripping out negative calendar effects in Q4.** While FX-n growth seemed disappointing at first glance, **the US retail calendar was nine days shorter than in Q4 2014 (53rd week), representing a negative sales impact of ~EUR90m** (US retail: +7.7% FX-n excl. this calendar effect instead of -2.7% in Q4). By region, we highlight the good performance of **Europe** (+6.8% FX-n / Q4: +6.4%) and the robust momentum of **Latin America** (+15.1% FX-n / Q4: +15%).

Adjusted FX-n growth by division (%):

Adj. FX-neutral growth *	Q3 15	9M 15	Q4 15	2015
Wholesale division (~42% of sales)	6.8	6.9	7.1	6.9
Retail division (~58% of sales)	4.7	6.1	0.1 / 8.1 **	4.5 / 6.6 **
Group total	**5.5**	**6.4**	**2.7 / 7.7 ****	**5.5 / 6.8 ****

** Before the change in accounting method at EyeMed (FY15: -EUR174m)*

*** FX-n growth excluding the retail calendar effect*

Source: Company Data

- **2015 adj. EBIT grew 22.5% to EUR1,443m, 1.5% short of our expectations due to Retail (calendar adjustments) and higher-than-expected intra-group restatements.** By division: **Wholesale's impressive adj. op. margin improvement (+120bp to 23.9%),** driven by the positive volume effect and productivity gains, more than offset the price adjustments implemented in China in Q3. In **Retail, adj. operating margin was up "just" 60bp to 14.7% (BG: 15%e)** thanks to a good performance in US retail in addition to ongoing efficiency gains in the main retail banners but the FY performance showed a negative impact from calendar adjustments (*see above*) as profitability narrowed 100bp in Q4 after +90bp over the first 9M. Last but not least, intra-group restatements were also higher than our forecast (adj.: ~EUR215m vs. BG ests at ~EUR203m).

- **Reassuring 2016-18 outlook, especially for earnings.** Management repeated several times that the historical **op. income** rule-of-thumb ("to increase it 2x faster than top line") would hardly be repeated for a seventh year in a row, especially since 2016 will be marked by significant investments (e.g. a new retail concept in all LensCrafters' US stores + roll-out of corners @ Macy's, increase in manufacturing/distribution capacity, etc.). As such, Luxottica's guidance is for "operating income and net income to grow at 1.5x sales", which is slightly ahead of our forecasts. However we leave the pace of margin improvement unchanged at this stage (**2016e**: +40bp vs. 2015 adj. to 16.4% and +40bp to 16.8% in **2017e**).

- We are pretty much in line with the **sales growth guidance**: LUX anticipates 5-6% FX-n revenue increase for **2016e** (BG: +6%e) while top line growth is set to run at a mid to high single-digit rate over 2017-18 (BG: +7%e).

VALUATION

- Although the 2015 operating income was 1.5% shy of our expectations, we expect a limited market reaction as investors will certainly focus on: **(i)** the reassuring 2016-18 outlook which shows that momentum is still favourable for LUX and **(ii)** the Investor Day (today 9.30-1pm CET), at which we expect management to provide more details concerning on the project for the new governance structure (+ succession plan).

- Following our comment of 16th February, note that the BoD appointed Mr Francesco Milleri, a close adviser to Mr Del Vecchio, as a Group Director to assist the Executive Chairman.

(To be continued next page)

- Following the slight operating income miss in 2015, we have nudged down our 2016-17 earnings forecasts by 1%, but maintain our pace of margin improvement over the period. Buy recommendation and FV of EUR65 reiterated.

NEXT CATALYSTS

- Investor Day today in Turin // Q1 Results on 29th April 2016.

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Table1: Luxottica 2015 Adjusted results:

EURm	2014	2015
Wholesale Division		
Net sales	**3,194**	**3,593**
FX-neutral change (%)	*8.6*	*6.9*
Reported change (%)	*6.8*	*12.5*
Adj. operating income **	**724.5**	**859.8**
% of sales	22.7	23.9
Retail Division		
Adjusted Net sales *	**4,505**	**5,418**
FX-neutral change (%)	*5.4*	*4.5*
Reported change (%)	4.3	20.3
Adj. operating income	**636.3**	**797.8**
% of sales	14.1	14.7
Adj. intra-group EBIT restat. **	**-183.2**	**-214.9**
Group total		
Adjusted Net sales *	**7,699**	**9,011**
FX-neutral change (%)	*6.7*	*5.5*
Reported change (%)	*5.3*	*17.0*
Adj. operating income **	**1,177.6**	**1,442.8**
% of sales	15.3	16.0

** Change in the contractual terms of an insurance underwriting agreement at EyeMed (Net sales vs. gross sales previously => EUR174m negative impact in 2015)*
*** One-off charges related to Oakley integration project + other minor reorganisation activities across the group (total negative impact on EBIT: EUR66.4m in 2015)*

Table 2: Outlook for 2016-18:

EURm	2016	2017-18
Sales growth (FX-n)	+5-6%	Mid to high single-digit
Operating income and net income	At least 1.5x sales	At least 1.5x sales

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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.
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Distribution of stock ratings

BUY ratings 62.7% NEUTRAL ratings 29.1% SELL ratings 8.2%

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