Please find our Research on Bloomberg BRYG <GO>)

3rd March 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	16899.32	+0.20%	-3.02%
S&P 500	1986.45	+0.41%	-2.81%
Nasdaq	4703.42	+0.29%	-6.07%
Nikkei	16746.55	+4.11%	-12.02%
Stoxx 600	340.967	+0.66%	-6.79%
CAC 40	4424.89	+0.41%	-4.58%
Oil /Gold			
Crude WTI	34.66	+0.73%	-6.83%
Gold (once)	1235.4	+0.16%	+16.29%
Currencies/Rates			
EUR/USD	1.0828	-0.29%	-0.32%
EUR/CHF	1.08325	-0.06%	-0.38%
German 10 years	0.214	+42.37%	-66.21%
French 10 years	0.556	+8.65%	-43.35%
Euribor	-	+-%	+-%

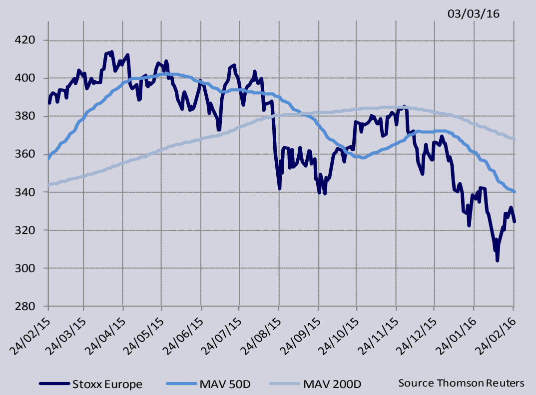
Upcoming BG events :

Date	
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)
12th-Apr	DBV TECH. (BG Paris roadshow with CEO)

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



BIOMÉRIEUX — BUY, Fair Value EUR118 vs. EUR121 (+17%)

BioMérieux still offers compelling growth profile

ADIDAS GROUP — BUY, Fair Value EUR104 (+5%)

FY15 results fairly in line with pre-announced items, solid FY16 outlook

ALBIOMA — BUY, Fair Value EUR16 vs. EUR20 (+26%)

Upside risks prevail

CRH — BUY, Fair Value EUR30 (+25%)

Solid 2015 performance

JERONIMO MARTINS — NEUTRAL, Fair Value EUR13,5 (+1%)

FY 2015 (first take): JM is very impressive but also very expensive…

LUXOTTICA — BUY, Fair Value EUR65 (+27%)

Investor Day Feedback: today's investments are tomorrow's robust sales and profit growth

FOOD RETAILING

FY Ahold (BUY) & Delhaize (Buy): strong end to the year (first take)

Return to front page

Healthcare

bioMérieux

Price EUR101.10

BioMérieux still offers compelling growth profile

Fair Value EUR118 vs. EUR121 (+17%) **BUY**

Bloomberg	BIM FP
Reuters	BIOX.PA
12-month High / Low (EUR)	118.7 / 88.6
Market Cap (EURm)	3,989
Ev (BG Estimates) (EURm)	4,379
Avg. 6m daily volume (000)	42.80
3y EPS CAGR	26.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-14.2%	-7.3%	2.1%	-8.0%
Healthcare	-1.7%	-11.1%	-5.9%	-9.0%
DJ Stoxx 600	1.9%	-11.2%	-3.6%	-6.8%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	1,965	2,056	2,186	2,315
% change		*4.7%*	*6.3%*	*5.9%*
EBITDA	388	417	459	515
EBIT	260.0	283.8	317.0	364.5
% change		*9.1%*	*11.7%*	*15.0%*
Net income	110.3	161.4	191.0	224.5
% change		*46.4%*	*18.3%*	*17.5%*

	2015	2016e	2017e	2018e
Operating margin	13.2	13.8	14.5	15.8
Net margin	5.6	7.9	8.7	9.7
ROE	7.3	9.9	10.8	11.6
ROCE	8.2	8.4	9.1	10.2
Gearing	14.9	24.1	19.0	11.0

(EUR)	2015	2016e	2017e	2018e
EPS	2.80	4.09	4.84	5.69
% change	*-*	*46.4%*	*18.3%*	*17.5%*
P/E	36.2x	24.7x	20.9x	17.8x
FCF yield (%)	1.8%	NM	3.0%	4.8%
Dividends (EUR)	1.00	1.02	1.21	1.42
Div yield (%)	1.0%	1.0%	1.2%	1.4%
EV/Sales	2.1x	2.1x	2.0x	1.8x
EV/EBITDA	10.9x	10.5x	9.4x	8.2x
EV/EBIT	16.2x	15.4x	13.6x	11.5x

BioMérieux reported FY2015 results yesterday which disappointed in terms of profitability for 2016, coming 10% below consensus expectations at mid-range. We have adjusted our estimates accordingly which translate into a EUR3 decrease of our fair value to EUR118. However, we still view yesterday's sell-off as excessive as investments around BioFire are necessary to 1/ take advantage of the window of opportunity left by GenMark, 2/ accelerate growth in international markets, and 3/ increase visibility on long term profitability. We reiterate our BUY rating.

ANALYSIS

- Previously communicated organic growth guidance of 6% to 8% growth was is in-line with consensus (7.3%), but the 2016 contributive EBIT guidance range was quite disapointing (EUR265-290m) as it came 10% below consensus expectations and 6% below our estimates (BGe EUR296m) at mid range. We believe that increased investments in sales and R&D in 2016 brings confidence as to the company's ability to accelerate BioFire growth and long term profitability prospects.

- Investments to unlock FilmArray's potential in new markets and develop panels. >90% of BioFire sales are derived from the US. Europe is opening slowly for BioFire with the ME panel as a premium priced flagship panel which enables to trigger labs interest. Gaining KOL's acceptance is key in the European market and BioMerieux decided to invest into clinical studies to prove the clinical value added of the FilmArray. R&D investments should also support the future launch of new panels. As a reminder, the infectious disease diagnostic market is worth USD2.3bn (growing 20% CAGR) and BIM's available panels address 70% of the market with the following indications (in USD market size): GI (USD800m), Respiratory (USD250m), Sepsis (USD400m) and Central Nervous System (USD140m). While the respiratory panel should keep the lion's share of FilmArray's panel sales in 2016, management start to see traction from sales of the Gastro-intestinal (GI) panel. Moreover, management plans to increase its direct sales force to benefit from the window of opportunity left by Genmark. Note that no switch is expected to arise in the ST from the gradual launch of FilmArray Torch (large volume laboratories). FilmArray should continue to benefit from a leading position on the market and we do not expect GenMark to be on the market during the summer when hospital will place order for the 2016/2017 flu season. Finally, FilmArray's production is transitioning to automated lines which might further help gross margin (60bp progression in 2015)

- Immunoassays. US competition on VIDAS B.R.A.H.M.S PCT (immunoassays instrument; 7% of BIM's sales) should materialize in late 2016 and management is prepared. Sales for the platform are continuously growing in all regions where BIM faces competition. The company has been able to retain or even gain market shares.

- In China (8% of sales), the company is revamping its access to final customers and believes that it can go back to high single digit growth within 2 years. This statement has to be read cautiously as many diagnostic companies are struggling in the country. We believe that an acquisition bringing-in a local distributor network might be a pre-requisite. Our estimates are on the cautious side as we estimate that BIM should come back to the above mentionned levels in ¾ years

VALUATION

- We have increased our OPEX for 2016 which decreases our contributive EBIT from EUR296 to EUR283.8m. While CAPEX are expected to peak to ~EUR285m in 2016, they should gradually go back to historical levels (8-9% of sales) from 2017 onwards (vs. 11% and 13.5% in 2015 and 2016 respectively.

NEXT CATALYSTS

- April 21th: Q1 2016 sales

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Luxury & Consumer Goods

adidas Group

Price EUR98.88

Bloomberg	ADS GY
Reuters	ADSG.F
12-month High / Low (EUR)	100.9 / 63.7
Market Cap (EUR)	20,687
Ev (BG Estimates) (EUR)	21,607
Avg. 6m daily volume (000)	1 180
3y EPS CAGR	19.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.1%	5.9%	50.4%	10.0%
Consumer Gds	-0.2%	-8.4%	5.8%	-4.1%
DJ Stoxx 600	1.9%	-11.2%	-3.6%	-6.8%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	14,534	16,864	18,226	19,470
% change		*16.0%*	*8.1%*	*6.8%*
EBITDA	1,205	1,452	1,631	1,851
EBIT	961.0	1,065	1,212	1,403
% change		*10.8%*	*13.8%*	*15.7%*
Net income	490.0	644.2	809.3	942.4
% change		*31.5%*	*25.6%*	*16.4%*

	2014	2015e	2016e	2017e
Operating margin	6.6	6.3	6.6	7.2
Net margin	3.4	3.8	4.4	4.8
ROE	8.7	12.0	15.5	16.4
ROCE	9.7	10.8	12.2	13.6
Gearing	3.3	17.1	26.3	19.5

(EUR)	2014	2015e	2016e	2017e
EPS	2.72	3.33	4.01	4.67
% change	-	*22.5%*	*20.2%*	*16.4%*
P/E	36.3x	29.7x	24.7x	21.2x
FCF yield (%)	0.5%	0.8%	2.4%	3.1%
Dividends (EUR)	1.50	1.60	1.85	2.15
Div yield (%)	1.5%	1.6%	1.9%	2.2%
EV/Sales	1.4x	1.3x	1.2x	1.1x
EV/EBITDA	17.3x	14.9x	13.5x	11.8x
EV/EBIT	21.7x	20.3x	18.2x	15.5x

FY15 results fairly in line with pre-announced items, solid FY16 outlook

Fair Value EUR104 (+5%) **BUY**

The FY15 results reported this morning are in line with the P&L items pre-announced on 11th February. 2015 sales came in at EUR16,915m (+16% and +10% FX-n), implying a 12% FX-n in Q4 alone. Adjusted EBIT margin decreased slightly to 6.5% (-10bp) given a huge step up in marketing expenses in Q4 (+31%). At the conference call today (3pm), management should go into further details on the FY16 outlook. Note that FY sales guidance was revised up at the pre-announced 2015 results (to double-digit growth vs. high single-digit previously). Buy recommendation and FV of EUR104 confirmed.

ANALYSIS

- **A strong end to the year at the top-line level (+12% FX-n).** By brand, **adidas** grew by 16% FX-n (Q4: +14% FX-n, in line with Q3) boosted by the group's key markets such as Western Europe, Greater China, MEAA and Latin America. **Reebok** registered its third consecutive year of growth with +6% FX-n (Q4: +5%) despite the ongoing streamlining of the US outlet store network. **TMaG** was down 13% FX-n (Q4: -15%) since the division cautiously monitored sell out trends to avoid any excess inventory after the +7% in Q3.

- **Western Europe** and **Greater China** were the two-best performing regions in 2015 at 17% FX-n (including an amazing +30% in Q4!) and +18% FX-n respectively, driven by the group's core categories such as Football or Lifestyle. We highlight the successful performance in emerging markets, with +14% FX-n in **MEAA** and +12% in **Latin America**, with a similar pace of growth in Q4, as the softer trends in Brazil were more than offset by healthy momentum in Argentina, Colombia, Chile, etc. Sales in **Russia/CIS** fell 11% in 2015 (Q4: -16%). Trends remained robust in **North America** (+8% in Q4 vs. +11% in Q3 – 2015: +5%) mainly driven by Lifestyle, the ramp-up of US sport categories and Running will mostly play in 2016.

- **FY15 op margin (6.5%, -10bp vs. 2014) at lower end of FY guidance (6.5-7%).** The main margin enhancer was again the GM improvement (+60bp to 48.3%) boosted by the combination of drivers (price-mix, geographical, channel), which more than offset higher input costs. At the opex cost level, marketing expenses increased significantly throughout the year (+22%, further acceleration in Q4 with +31%) but this ramp-up was partly made up for by positive operating leverage from other opex costs. **Adj. net income from continuing operations** increased 12% to EUR720m after an unusually higher tax rate (~33%), which should return to more normative levels in 2016 (i.e. 30-30.5%).

FY15 Adjusted results (ie. excl. GW impairment):

EURm	2014	2015	*% change*
Sales	14,534	16,915	*16.4*
Gross profit	6,924	8,168	*18.0*
% of sales	47.6	48.3	*+60bp*
Adjusted operating profit	961	1,094	*13.8*
% of sales	6.6	6.5	*-10bp*
Net income from continuing op	642	720	*12.2*

Source: Company Data

- **FY16 guidance confirmed. Sales guidance was increased** on 11th February to double-digit growth vs. high single-digit initially (BG: +10%e FX-n). We expect double-digit increases in Western Europe, Greater China and in MEAA while we remain more conservative with regards to North America (+8% vs. double-digit growth guided by ADS) and we anticipate 7% growth in Latin America thanks to the Summer Olympics in Rio and the other countries (Mexico, Argentina, Colombia, etc.). As for profitability, **the operating profit target was reiterated** ("*at least stable vs. 2015*", BG: +10bp to 6.6%e) since GM headwinds (labour cost inflation, unfavourable USD hedging rates) should be offset by positive operating leverage.

VALUATION

- As this publication is in line with the pre-announced figures released on 11th February, it might trigger profit-taking moves in light of the impressive outperformance ytd (+10% in absolute terms, +16.8% vs. the DJ Stoxx 600). We would recommend taking advantage of any weakness in the share price. Buy recommendation and FV of EUR104 confirmed.

(Continued on next page)

Table 1: adidas Group quarterly FX-neutral growth:

% change	Q1 15	Q2 15	Q3 15	Q4 15	2015

Western Europe	11	12	18	30	**17**
North America	7	0	3	8	**5**
Greater China	21	19	15	16	**18**
Russia/CIS	-3	-14	-7	-16	**-11**
Latin America	6	9	20	12	**12**
Japan	6	-6	6	-4	**0**
MEAA	10	16	13	17	**14**
Total	**9**	**5**	**13**	**12**	**10**

Source: Company Data

Table 2: quarterly FX-neutral growth for the adidas Group's three main brands:

% change	**Q1 14**	**Q2 14**	**Q3 14**	**Q4 14**	**Q1 15**	**Q2 15**	**Q3 15**	**Q4 15**	**2015**
adidas	5	14	12	11	11	10	14	16	**12**
Reebok	3	9	7	1	9	6	3	5	**6**
Other businesses	-29	-13	-16	-16	-1	-14	10	-3	**-3**
o/w TaylorMade-adidas Golf	*-35*	*-18*	*-36*	*-24*	*-9*	*-26*	*7*	*-15*	***-13***

Source: Company Data

Table 3: guidance for 2016:

	2015 Targets	**2015 Achievements**	**2016 Guidance**
FX-neutral net sales growth	High single-digit	+10	"Double-digit growth"
Gross margin (%)	48-48.5	48.3	47.3-47.8
Adjusted operating margin (%)	6.5-7	6.5	"at least stable vs. 2015"
Net income from continuing operations (% change)	"Around +10%"	+12	+10-12%

Source: Company Data

NEXT CATALYSTS

- Conference call today at 3pm (CET) // Q1 16 Results on 29th April 2016.

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Utilities

Albioma

Price EUR12.65

Upside risks prevail

Fair Value EUR16 vs. EUR20 (+26%) **BUY**

Bloomberg	ABIO FP
Reuters	ABIO.PA
12-month High / Low (EUR)	19.6 / 11.9
Market Cap (EUR)	377
Ev (BG Estimates) (EUR)	1,016
Avg. 6m daily volume (000)	25.80
3y EPS CAGR	6.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.6%	-15.6%	-15.4%	-15.4%
Utilities	-4.4%	-9.6%	-3.0%	-6.9%
DJ Stoxx 600	1.9%	-11.2%	-3.6%	-6.8%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	354.0	375.6	427.0	447.3
% change		*6.1%*	*13.7%*	*16.0%*
EBITDA	120	126	147	160
EBIT	76.1	73.6	87.8	99.4
% change		*-3.3%*	*19.3%*	*24.9%*
Net income	30.2	25.7	33.5	45.4
% change		*-14.8%*	*30.1%*	*38.0%*

	2015	2016e	2017e	2018e
Operating margin	21.5	19.6	20.6	22.2
Net margin	8.5	6.8	7.8	10.1
ROE	7.4	6.3	8.0	10.6
ROCE	4.7	4.4	4.5	5.2
Gearing	131.6	155.6	192.4	187.5

(EUR)	2015	2016e	2017e	2018e
EPS	1.04	0.88	1.15	1.56
% change	*-*	*-14.8%*	*30.1%*	*38.0%*
P/E	12.2x	14.3x	11.0x	8.1x
FCF yield (%)	1.7%	NM	NM	NM
Dividends (EUR)	0.57	0.57	0.58	0.78
Div yield (%)	4.5%	4.5%	4.5%	6.2%
EV/Sales	2.6x	2.7x	2.8x	2.7x
EV/EBITDA	7.6x	8.0x	8.1x	7.7x
EV/EBIT	12.0x	13.8x	13.5x	12.4x

We have updated our model to include the latest FX rate, Brazilian power prices and project commissioning date, leading us to downgrade our 2016-17 EPS. The group is facing significant headwinds in its new Brazilian activities, but confirmed its aim to further expand its thermal capacities in the country. The 2023 target to double 2013 net income to >EUR60m thanks to the progressive commissioning of new projects was also reiterated. To reflect the negative adjustments in the short term, we have cut our FV from EUR20 to EUR16, but confirm our Buy rating. Upside risk intact.

ANALYSIS

- **Adjustments to our model:** We have updated our model to include the latest FX rate, Brazilian power prices and project commissioning dates, and this has prompted us to reduce our 2016 and 2017 EPS estimates **by more than 20%.** For 2016, we assume a recovery in the group's French thermal assets (*no more malus & production recovery*) while integrating a **50%** probability of a positive catch-up effect from renegociations with EDF on the Bois-Rouge thermal asset (*storage of combustion by-products*), following amendments made to the Albioma Le Gol contract.Our 2016 EBITDA now stands at **EUR126m, up 5.5%** compared with last year, while our net recurring income estimate stands at **EUR26m, down 15%** compared with 2015. As a reminder, Albioma is targetting EBITDA of **EUR122-130m** and NRI at **EUR25-30m**. For dividends, we assume the group will maintain its **EUR0.57/share dividend**, despite being above the 50% payout ratio target (64%).

- **FV down from EUR20 to EUR16**: Our negative short term adjustments (*no real impact on the group's 2023 EBITDA once most of the EBITDA rise between now and 2023 is driven by new commissionings*) lead us to cut our FV (*SOTP & DCF based*) from **EUR20 to EUR16 per share**. The delay in TAC La Reunion commissioning from end-2016 to end-2017 has taken a toll on our altered 2016 EBITDA, as has the integration of lower FX change. **Our new FV still implies 26% upside to the latest share price.**

- **Conclusion**: Despite these negative adjustments to short term estimates, we reiterate our Buy rating on Albioma. The group, which just entered in Brazil, is facing important negative FX and power prices swings (*spot*), making the traditional Albioma more exposed to the global economy than before. We remain convinced that opportunities in Brazil are quite important for the group, and assuming a very strict selection, Albioma could make the most of a lower BRL to accelerate its expansion in the country more cheaply. Opportunities from energy transition in French overseas department could also positively alter our estimates and reinforce the group's exposure to "regulated" assets. Buy, with FV down from EUR20 to EUR16.

VALUATION

- At the current share price, Albioma trades at 5.2x its 2016e EBITDA and offers a 10.1% yield
- Buy, FV @ EUR16

NEXT CATALYSTS

- April 27th 2016: Q1-16 sales

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Construction & Building Materials

CRH

Price EUR24.07

Solid 2015 performance

Fair Value EUR30 (+25%)

BUY

Bloomberg	CRH.ID
Reuters	CRH.I
12-month High / Low (EUR)	28.1 / 21.0
Market Cap (EUR)	19,812
Ev (BG Estimates) (EUR)	26,569
Avg. 6m daily volume (000)	983.8
3y EPS CAGR	33.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.0%	-13.7%	-4.9%	-10.3%
Cons & Mat	1.2%	-8.0%	-0.4%	-4.4%
DJ Stoxx 600	1.9%	-11.2%	-3.6%	-6.8%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	18,912	23,186	27,481	28,912
% change		*22.6%*	*18.5%*	*5.2%*
EBITDA	1,641	2,279	2,965	3,282
EBIT	966.0	1,179	1,908	2,279
% change		*22.0%*	*61.8%*	*19.5%*
Net income	561.0	600.3	1,157	1,480
% change		*7.0%*	*92.7%*	*27.9%*

	2014	2015e	2016e	2017e
Operating margin	5.1	5.1	6.9	7.9
Net margin	3.1	2.2	4.3	5.4
ROE	5.7	5.0	10.6	12.7
ROCE	5.4	4.4	7.2	8.7
Gearing	24.8	72.1	56.1	38.6

(EUR)	2014	2015e	2016e	2017e
EPS	0.76	0.74	1.41	1.81
% change	*-*	*-2.5%*	*90.9%*	*27.9%*
P/E	31.7x	32.5x	17.0x	13.3x
FCF yield (%)	4.7%	4.3%	6.4%	7.8%
Dividends (EUR)	0.63	0.63	0.63	0.63
Div yield (%)	2.6%	2.6%	2.6%	2.6%
EV/Sales	1.1x	1.1x	0.9x	0.8x
EV/EBITDA	13.2x	11.7x	8.6x	7.3x
EV/EBIT	22.4x	22.5x	13.3x	10.5x

CRH has released solid 2015 figures this morning. FY revenues increased by 25% (3% like-for-like) to EUR23.635bn (in line) and EBITDA by 35% (14% lfl) to EUR2.219bn c7% above our forecast. EBITDA (excluding the contribution from LH assets) rose by 51% in the Americas and 4% in Europe. Stable dividend at 62.5 cents. Outlook is unsurprising, with a good contribution expected from the US construction segment. Overall a positive publication. Analysts' meeting at 9.30am.

ANALYSIS

- CRH has reported 2015 revenues at EUR23.635bn, up 25% (3% lfl) vs EUR23.186bn expected and EBITDA at EUR2.219bn, up 35% (14% lfl) vs EUR2079m expected (including deal costs).
- By geographical zone and on a continuing operations basis (excluding LH assets contribution, as well as divestments but including forex impact) the Americas were clearly strong, with a 51% EBITDA increase, while Europe was more subdued with a 4% increase, as expected. This clearly underlines the Irish group's attractive balance, with more than 45% of EBITDA (pro forma including LH assets but ex-CRL) generated in NAM.
- The integration of LH assets is progressing well, with a EUR171m EBITDA contribution, including EUR197m in deal-related costs.
- Outlook is fine: Europe is expected to be flat in 2016, although CRH sees some growth in certain markets like the UK, Ireland, the Netherlands, Poland or Finland. The US is expected to be positive, for housing but also for non-residential, as well as infrastructure, thanks notably to the infrastructure programme (FAST), which provides visibility on highway funding.

VALUATION

- EUR30 FV derived from the application of 10x EV/EBITDA on our 2017 estimates, discounted back.

NEXT CATALYSTS

- AGM on 28th of April 2016

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Food retailing

Jeronimo Martins

Price EUR13.38

Bloomberg	JMT PL
Reuters	JMT.LS
12-month High / Low (EUR)	13.8 / 10.4
Market Cap (EURm)	8,417
Ev (BG Estimates) (EURm)	8,988
Avg. 6m daily volume (000)	1 246
3y EPS CAGR	8.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.3%	3.6%	12.0%	11.5%
Food Retailing	0.3%	-4.0%	2.4%	2.0%
DJ Stoxx 600	-0.8%	-11.8%	-4.0%	-7.4%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	12,679	13,735	14,627	15,551
% change		*8.3%*	*6.5%*	*6.3%*
EBITDA	732	789	863	945
EBIT	446.9	486.7	517.3	565.1
% change		*8.9%*	*6.3%*	*9.2%*
Net income	310.4	336.4	358.9	397.6
% change		*8.4%*	*6.7%*	*10.8%*

	2014	2015e	2016e	2017e
Operating margin	3.6	3.6	3.5	3.6
Net margin	2.4	2.4	2.5	2.6
ROE	NM	NM	NM	NM
ROCE	18.6	20.5	21.7	24.1
Gearing	17.4	19.2	-3.8	-15.2

(EUR)	2014	2015e	2016e	2017e
EPS	0.49	0.53	0.57	0.63
% change	*-*	*8.4%*	*6.7%*	*10.8%*
P/E	27.1x	25.0x	23.5x	21.2x
FCF yield (%)	2.0%	4.4%	4.6%	5.3%
Dividends (EUR)	0.25	0.27	0.00	0.32
Div yield (%)	1.8%	2.0%	NM	2.4%
EV/Sales	0.7x	0.7x	0.6x	0.5x
EV/EBITDA	12.2x	11.4x	10.0x	8.8x
EV/EBIT	20.0x	18.5x	16.6x	14.8x

FY 2015 (first take): JM is very impressive but also very expensive…

Fair Value EUR13,5 (+1%) **NEUTRAL**

We deeply admire JM's exemplary model that should benefit in the future from moves within the industry favouring both discount and proximity. The retailer again showed its class by publishing its strongest LFL rates for two years at Biedronka (+3.8% in Q4) along with a strong margin (7.05%e i.e. +80bp), while Portugal continued to show an impressive topline-driven performance (+4.1% LFL excl. fuel at Pingo Doce and +1.4% at Recheio) and a margin in line with expectations (5.7%e, down 30 bp in a very promotional environment). Only valuation (2016 P/E of 23x vs 16x on average for the panel) remains a hindrance. Neutral.

Yesterday, JM released its Q4 2015 net results, which were 6% above expectations at the EBITDA level (i.e. EUR212m vs EUR200m according to Bloomberg consensus) and otherwise in line with estimates (i.e. EUR81m vs EUR82m according to Bloomberg consensus). As a reminder, Jeronimo Martins had already released its Q4 trading statement showing that the overall commercial performance remained driven by very strong LFL rates, at both Biedronka (67% of quarterly sales/+3.8% LFL) and Pingo Doce (25%/+4.1%) while that of Recheio (6%/+1.4% LFL) remained very decent.

In terms of EBITDA, given a cash margin approach to business, these strong commercial performances translated into a sequential improvement in the quarterly margin at Biedronka (+80bp vs ~50bp expected by the market and +20bp in Q3), given strong volumes, which more than compensated for deflation. On the whole, the 2015 EBITDA margin in Poland (i.e. 7.0%) was higher than expected since initial guidance was for at least 6.50%. Unsurprisingly, the quarterly margin in Portugal (i.e. 5.7% e) remained under pressure margin (-30bp) in a highly promotional environment.

For the FY, FCF increased +80% (FCF/EBITDA moved from 35% in 2014 to 60% in 2015), thanks to strong operational performances and good management of both WCR and capex (down from EUR496m in 2014 to EUR400m in 2015). Pre-tax ROIC improved from 20.8% in 2014 to 23.6%, an unequivocal performance in a sector suffering from declines on this front. This overall strong performance prompted the group to offer an unexpected dividend of EUR0.265 (gross) in April on top of what was already paid for FY 2015 (in December, JM paid a dividend of EUR0.375 which included the dividend for 2015 paid early and an exceptional dividend).

In terms of the outlook, management is unsurpringly cautious (as usual) both for Portugal and Poland and the main surprise is more about capex that should increase from EUR400m to EUR550/650m with Biedronka (67% of sales) absorbing "only" 45% of this value. This suggests that the group, rather confident in prospects in Colombia, could significantly accelerate development of Ara (management is to meet investors in Colombia on 13th and 14th March).

ANALYSIS

- **On the whole, we consider that any share price weakness would be a good opportunity to increase exposure to what we view as the best equity story in the sector:**
  - We admire Jeronimo Martins' exemplary model that should benefit from moves in favour of both discount and proximity within the industry going forward. In a fixed costs industry suffering an obvious lack of commercial growth (Anorexic growth… the bigger the better!), Jeronimo Martins offers a much appreciated guarantee.
  - Recent information regarding the Polish Retail Tax was rather reassuring (the tax rate announced on 26th January, i.e. 1.5%e blended tax rate, was lower than the level initially feared, i.e. up to 2.5%, and could even be lowered following EU critcism). Biedronka should be impacted in similar proportions to its largest competitors (Tesco, Auchan and Carrefour…), the majority of which are barely profitable and should have no choice but to pass this new tax onto consumers.

VALUATION

- Jeronimo Martins is currently showing a 2016 P/E of 23x vs 16x for the sector

NEXT CATALYSTS

- Ivestor days in Colombia on 13th and 14th March

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Luxury & Consumer Goods

Luxottica

Price EUR51.25

Investor Day Feedback: today's investments are tomorrow's robust sales and profit growth

Fair Value EUR65 (+27%) **BUY**

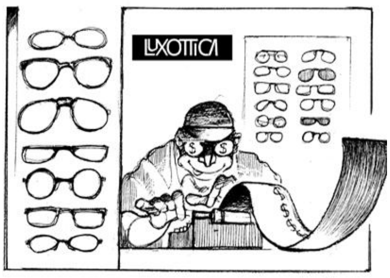
Bloomberg	LUX IM
Reuters	LUX.MI
12-month High / Low (EUR)	67.5 / 49.1
Market Cap (EUR)	24,788
Ev (BG Estimates) (EUR)	25,842
Avg. 6m daily volume (000)	801.4
3y EPS CAGR	14.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.9%	-20.6%	-14.0%	-15.1%
Consumer Gds	-0.2%	-8.4%	5.8%	-4.1%
DJ Stoxx 600	1.9%	-11.2%	-3.6%	-6.8%

YEnd Dec. (€m)	2014	2015e	2016e	2017e
Sales	7,652	8,837	9,366	10,013
% change		*15.5%*	*6.0%*	*6.9%*
EBITDA	1,542	1,853	2,040	2,224
EBIT (reported)	1,158	1,376	1,536	1,685
% change		*18.9%*	*11.6%*	*9.7%*
Net income	642.6	804.1	928.9	1,040
% change		*25.1%*	*15.5%*	*11.9%*

	2014	2015e	2016e	2017e
Operating margin	15.1	15.6	16.4	16.8
Net margin	8.4	9.1	9.9	10.4
ROE	13.1	16.1	17.1	17.7
ROCE	10.4	12.6	14.2	15.6
Gearing	20.6	21.0	11.7	3.5

(€)	2014	2015e	2016e	2017e
EPS	1.44	1.68	1.94	2.17
% change	-	*16.1%*	*15.5%*	*11.9%*
P/E	35.5x	30.6x	26.5x	23.6x
FCF yield (%)	2.9%	3.2%	4.0%	4.4%
Dividends (€)	0.72	0.92	1.05	1.20
Div yield (%)	1.4%	1.8%	2.0%	2.3%
EV/Sales	3.4x	2.9x	2.7x	2.5x
EV/EBITDA	16.7x	13.9x	12.5x	11.2x
EV/EBIT	22.3x	18.8x	16.6x	14.8x



The market is sometimes demanding. Yesterday's negative reaction was possibly due to cautious current trading in Q1 2016 and profit guidance, which seemed to have disappointed some investors. Admittedly, the new 2016-18 earnings target (to grow at 1.5x sales) is lower than the historical "rule-of-thumb" (2x sales) but was no surprise to us since management stated several times in 2015 that the historical "rule-of-thumb" could hardly be reiterated for a seventh year in a row. Achieving this targeted operating leverage in a context of significant investments is also reassuring in our view, especially since the group also expects to increase ROIC. Buy recommendation and FV of EUR65 confirmed.

ANALYSIS

- **Yes, LUX will invest more than EUR1.5bn over the next three years…** Following recent interviews with Mr Del Vecchio, the group confirmed a significant investment plan of EUR1.5bn over 2016-18, or ~6% of sales, broken down as follows: **(i)** 1/3 dedicated to **IT** and **digitalisation** (*see below*), **(ii)** 1/3 dedicated to **manufacturing** (increased capacity and automation lines) and **(iii)** 1/3 dedicated to **retail** (store openings and remodellings, digitalising POS, etc.). These significant investments might explain the relative cautiousness regarding operating income guidance, which again, did not surprise us as LUX often repeated last year that the historical "rule-of-thumb" could hardly be reiterated for a seventh consecutive year.

- **… But these capex investments will drive earnings and ROIC over the MT.** Indeed initiatives in both divisions will contribute to this improvement. In **Retail:** the roll out of shop-in-shops in host stores like LensCrafters @ Macy's (500 s-i-s by 2018) or Sunglass Hut @ Galeries Lafayette (57 s-i-s in 2016) is a good illustration: these POS require less capex and opex but generate very high sales per sqm, meaning a very profitabile business model (+high ROIC) which could be scalable in other countries in our view. In **Wholesale**: STARS (inventory management and automatic resplenishments) covered 6,300 doors globally and LUX will roll it out in the US and LATAM in 2016. STARS enables LUX to control and run the inventory of wholesale partners, which is a new form of retail without capex or real estate, hence accretive for margins and FCF. **The group aims for STARS to account for 15% of Wholesale sales by 2018 vs. 9% currently**.

- **Digitalising Luxottica is one of the key priorities for top management. E-commerce** accounts for ~4% of total sales, a 50/50 split between its own e-commerce platforms (i.e. RayBan.com, Oakley.com and SunglassHut.com) and third parties. LUX it targetting **a share of 7% of total sales by 2018**. Besides expanding these e-commerce platforms, the digital transformation will impact the entire group: IT/supply chain (CRM, data collection, MyLuxottica) but also Retail (Clarifye digital eye exam, lens simulator, etc.) to digitalise the customer experience in POS. Over the LT, management is convinced that digitalisation will release efficiencies and increase speed throughout the group, enhancing margins and FCF generation.

- **Cautious current trading but 2016 guidance in line with our expectations.** Although the months of January and February "were good", management reminded that Q1 is facing a challenging comparison base at the top-line level (launch of Michael Kors contributed ~2.5p.p to Wholesale growth of ~EUR20m) and on profitability which increased 110bp (adjusted) and 150bp (reported). However the 2016 outlook implies a gradual acceleration throughout the year, explaining why we have made no changes to our assumptions.

- **A few words about governance and M&A.** In an introductory message, Mr Del Vecchio confirmed that he wanted to leave the executive functions "in a few years" and return to his previous position of non-executive Chairman and shareholder. He could hand over the reins to internal managers - four of them led the ID: Massimo Vian (CEO Product and Operations), Stefano Grassi (CFO), Paolo Alberti (Executive VP Wholesale) and Nicola Brandolese (President of Retail) - backed by a "strong and independent BoD as it is now".

- As for **M&A**, **management has clearly ruled out any strategic acquisition** (i.e. Essilor or Carl Zeiss), which confirms our belief that a large transaction was a priority for LUX in light of a group-wide simplification plan (not really compatible with a big acquisition…) and a huge capex investment plan to fuel MT/LT organic growth. The group's expansion into the lens category will be carried on "internally and organically".

(To be continued next page)

VALUATION

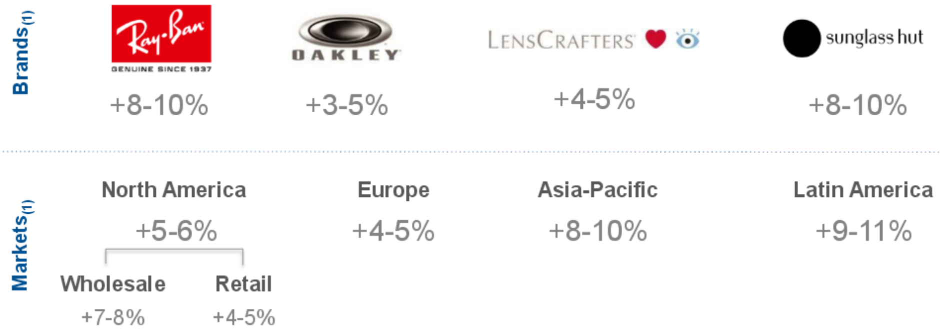
- In our view, the share price decline yesterday could be explained by the prudent current trading statement for Q1 and profit guidance ,which seemed to have disappointed some investors. Concerning governance, it will be interesting to see the precise responsabilities and tasks given to Francesco Milleri, a long-time advisor for Mr Del Vecchio who was appointed as a Group Director to assist the Executive Chairman.

- Interestingly, Essilor also faced the same negative market reaction a few days ago after some investors were disappointed by fairly conservative margin guidance, which was justified by incremental marketing expenses and an ambitious capex investment plan to fuel future topline growth.
- However, since Essilor's growth strategy is to always favour top-line growth ahead of margin expansion, it is worth highlighting that operating leverage would be higher for Luxottica. Buy recommendation and FV of EUR65 confirmed.

NEXT CATALYSTS

- Luxottica is due to report Q1 results on 29th April 2016.

2016 Roadmap by brands and markets (FX-n growth):



Source: Company Data

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

Source: Company Data

Click here to download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Sector View

Food retailing

FY Ahold (BUY) & Delhaize (Buy): strong end to the year (first take)

	1 M	3 M	6 M	31/12/15
Food Retailing	0.3%	-4.0%	2.4%	2.0%
DJ Stoxx 600	-0.8%	-11.8%	-4.0%	-7.4%

*Stoxx Sector Indices

Companies covered

AHOLD		**BUY**	**EUR22,5**
Last Price	EUR20,97	*Market Cap.*	EUR17,497m
CARREFOUR		**BUY**	**EUR31**
Last Price	EUR24,925	*Market Cap.*	*EUR18,406m*
CASINO GUICHARD		**BUY**	**EUR57**
Last Price	EUR42,73	*Market Cap.*	*EUR4,837m*
DELHAIZE		**BUY**	**EUR107**
Last Price	EUR97,17	*Market Cap.*	*EUR10,130m*
DIA		**NEUTRAL**	**EUR7,5**
Last Price	EUR4,8	*Market Cap.*	*EUR2,988m*
JERONIMO MARTINS		**NEUTRAL**	**EUR13,5**
Last Price	EUR13,375	*Market Cap.*	*EUR8,417m*
METRO AG		**SELL**	**EUR24**
Last Price	EUR23,41	*Market Cap.*	*EUR7,587m*
RALLYE		**BUY**	**EUR18,5**
Last Price	EUR15,14	*Market Cap.*	*EUR739m*
TESCO		**NEUTRAL**	**166p**
Last Price	183,95p	*Market Cap.*	*GBP14,976m*

1/ Q4 again proved both Ahold and Delhaize's resilience (Q4 current EBIT 10% above expectations at Ahold, very much in line at Delhaize); 2/ both have virtually no exposure to unwell emerging markets and hence 3/ offer better visibility on operating performances for 2016 than others; 4/ both enjoy some of the best FCF profiles within the sector; 5/ FY dividend up 8.3% at Ahold (EUR0.52) and 12.5% at Delhaize (EUR1.80); 5/ ultimately, via cost-sharing, the flirting between the two retailers offers an alternative within a sector which is suffering an obvious lack of growth. Buy maintained on both Ahold and Delhaize.

Today's publications bring few surprises in terms of the figures, given that both Ahold and Delhaize already provided the market with quite precise indications for Q4 2015 profitability when they released their Q4 trading statement. As a reminder, Delhaize pre-announced its FY 2015 EBIT (i.e. EUR870) and FCF (i.e. EUR516 including one-time elements). On its side, Ahold guided for the Q4 US margin to be higher than the previous quarter (i.e. above 4.0%, positively affected by the additional week) and for underlying operating margin in line with the previous quarter (i.e. 4.6%).

As far as Delhaize is concerned: fully in line with expectations, FY underlying EBIT worked out to EUR872 vs EUR870 pre-announced. In detail, the Q4 current margin (4.1%) was up 30bp excl. the additional week (-10 bp including) in the US (~72% of group EBIT), up 60bp to 2.5% in Belgium (~11% of group EBIT) and 10bp to 7.2% in SEE (~17% of Group EBIT). **As far as Ahold is concerned** (underlying EBIT worked out 10% above expectations to EUR421m in Q4): positively impacted by the additional week (+33bp positive impact on US margin in Q4), **1/** underlying margin in Q4 was higher than that of Q3 (which reached 4.0%) at 4.3% (i.e. +51bp improvement vs ~+20bp e) in the US (~60% of group EBIT); **2/** in line with expectations, the underlying margin was down 25bp in the Netherlands (~38% of Group EBIT) to 4.7% (+20bp excl. Bol.com). **3/** In the Czech Republic (~2% of Group EBIT) the strong improvement in underlying margin (~+230bp) was mainly driven by on-off items, the details of which are not very precise.

ANALYSIS

- Q4 again proved both Ahold and Delhaize's resilience within a sector suffering from a lack of growth. As a reminder, we are witnessing a change in paradigm (Anorexic growth... the bigger the better!), which for a large number of retailers has meant that solid and recurring growth has sunk to a sinusoidal pace limited to just a few points (a disruptive factor in a fixed-cost industry). In this backdrop, size provides a key asset for large players who can dilute fixed costs over a far denser store network and obtain additional ammunition for nurturing their price and non-price competitiveness. Hence the flirting between Delhaize and Ahold!

- As a consequence, what is of a much greater importance and consequence than the quarterly figures themselves is the pending merger. The EGMs are due to be held on 14th March and we have no major concerns as to the approval of the merger, although Delhaize requires a higher threshold than Ahold (i.e. 75% vs 50%). Major execution risks (which cannot be ruled out during such a merger) may arise later notably when the company will have to integrate the US operations. By then, we believe both Ahold and Delhaize are a kind of "insurance" within a skittish market with no clear direction.

VALUATION

- Ahold is currently showing a 2016 EV/EBITDA multiple of 7.7x vs 7.1x for the rest of the sector while Delhaize is currently trading at 6.4x. These ratios are not demanding given the two groups' strong FCF profiles (7% and 6% 2017 FCF yields respectively for Ahold and Delhaize vs ~3/4% on average for the sector)

NEXT CATALYSTS

- EGMs on 14th March.

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Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

Stock rating

BUY	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
NEUTRAL	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
SELL	Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 63.4% NEUTRAL ratings 29.1% SELL ratings 7.5%

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