Please find our Research on Bloomberg BRYG <GO>)

BG's Wake Up Call

9th March 2016

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	16964.1	-0.64%	-2.65%
S&P 500	1979.26	-1.12%	-3.16%
Nasdaq	4648.82	-1.26%	-7.16%
Nikkei	16642.2	-0.84%	-11.82%
Stoxx 600	337.479	-1.01%	-7.75%
CAC 40	4404.02	-0.86%	-5.03%
Oil /Gold			
Crude WTI	37.93	0.00	+1.96%
Gold (once)	1269.07	+0.09%	+19.46%
Currencies/Rates			
EUR/USD	1.10535	+0.64%	+1.75%
EUR/CHF	1.09625	-0.03%	+0.81%
German 10 years	0.178	-18.08%	-71.88%
French 10 years	0.49	-9.68%	-50.10%
Euribor	-	+-%	+-%

Economic releases :

Date	
9th-Mar	JP - Machine tool orders Feb. (-22.6% A) GB - Manuf. Prod. Jan. (-0.7%E y/y) US - wholesale inventories Jan. (-0.2%E) US - DOE Oil Inventories

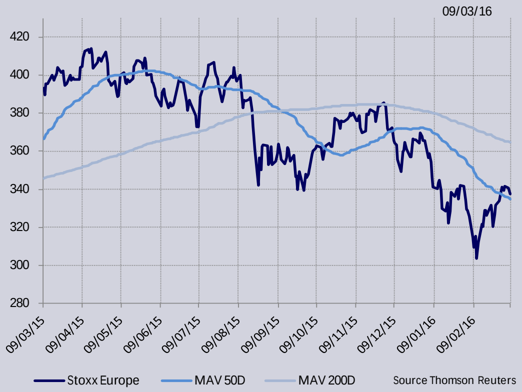
Upcoming BG events :

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	
4th-Mar	CAMPARI : The wind in its sails
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

List of our Reco & Fair Value : Please click here to download



CELLECTIS — **BUY Coverage initiated, Fair Value EUR37 (+56%)**

Super Mario CAR-T! (full report released today)

DIALOG SEMICONDUCTOR — **BUY vs. NEUTRAL, Fair Value EUR40 vs. EUR38 (+25%)**

We believe the tough times are over

WORLDPAY — **NEUTRAL, Fair Value 278p vs. 290p (0%)**

The US branch is a thorn in the group's side; no clear operating leverage before H2 17

CASINO GUICHARD — **BUY, Fair Value EUR57 (+17%)**

H2 2015 (first take): Figures in France in line; What next in terms of the asset optimization?

E.ON — **BUY, Fair Value EUR10.2 (+22%)**

2015 earnings - First take: 2015 in line, cautious on 2016 as anticipated

LAFARGEHOLCIM — **BUY, Fair Value CHF50 (+20%)**

Declared interests for the Lafarge India assets, says the press

SANOFI — **NEUTRAL, Fair Value EUR88 (+21%)**

The end of Sanofi Pasteur MSD is not a big financial deal

SWORD GROUP — **BUY, Fair Value EUR28 (+22%)**

FY15 analysts' meeting feedback: confidence ahead

In brief...

SODEXO, *Bellon SA increased its control on Sodexo*

9th March 2016 Healthcare

Cellectis

Price EUR23.65

Super Mario CAR-T! (full report released today)

Fair Value EUR37 (+56%)

BUY

Coverage initiated

Bloomberg	ALCLS FP
Reuters	ALCLS.PA
12-month High / Low (EUR)	40.9 / 16.9
Market Cap (EURm)	832
Ev (BG Estimates) (EURm)	752
Avg. 6m daily volume (000)	217.5
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	36.6%	-11.8%	-17.3%	-15.3%
Healthcare	6.3%	-9.2%	-9.4%	-10.7%
DJ Stoxx 600	7.4%	-7.7%	-6.0%	-7.7%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	26.5	30.0	43.0	54.6
% change		*13.4%*	*43.3%*	*27.0%*
EBITDA	-4.1	1.2	6.9	12.8
EBIT	-5.5	-0.3	5.4	11.3
% change		*95.2%*	*NS*	*109.8%*
Net income	-6.5	1.2	6.4	12.3
% change		*NS*	*NM*	*92.7%*

	2014	2015e	2016e	2017e
Operating margin	-20.8	-0.9	12.6	20.7
Net margin	-24.5	4.1	14.9	22.6
ROE	-10.9	2.0	9.5	15.5
ROCE	13.7	-7.1	-51.9	71.3
Gearing	-182.5	-131.5	-121.0	-80.5

(EUR)	2014	2015e	2016e	2017e
EPS	-0.28	0.04	0.18	0.35
% change	*-*	*NS*	*NM*	*92.6%*
P/E	NS	NS	NS	67.5x
FCF yield (%)	7.6%	NM	0.2%	NM
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	27.3x	25.1x	17.5x	14.1x
EV/EBITDA	NS	608.4x	108.8x	59.9x
EV/EBIT	NS	NS	139.1x	67.8x

We are initiating coverage of Cellectis with a Buy recommendation and a FV of EUR37. The company is one of the rare developers of immunotherapies based on CAR T-cells that are genetically modified in order to better recognise and destroy cancer cells. The segment is in full boom and Cellectis is developing an approach that clearly stands out from the crowd since it is less costly and complex from a logistical perspective. Added to this, Cellectis has the ability to provide new modifications to these cells and has already signed two sizeable partnerships, leading us to believe that the group has what it takes to become a leader in this flourishing segment. Last but not least, a more aggressive scenario would put our valuation at EUR120 per share.

ANALYSIS

- **A differentiating positioning.** The CAR T-cells developed by Cellectis have the specific feature of being allogeneic, meaning that 1) the modified immune cells are not extracted from and reinjected into a same patient (thereby providing the prospect of a standardised product), and 2) production could potentially be far easier and less costly than for rivals using autologous approaches. However, the difference does not stop there since Cellectis could also be capable of knocking out genes such as a PD-1, in order to strengthen its anti-tumour powers.
- **Heading for new validating deals.** Cellectis has already created two sizeable partnerships with Pfizer and Servier (combined milestone payments of USD3.8bn). However, we believe that other laboratories could show clear interest as soon as the first Phase 1 results implying the group's proprietary projects are published, and especially those for UCART38.
- **Cellectis also has a subsidiary specialised in agro-biotechnology, Calyxt**. This 100%-owned subsidiary clearly stands out from other companies in the market and we believe it should be also be a significant value creator in coming years. Modifying certain characteristics of farm products is nothing new in itself. However, the fact that Calyxt only eliminates a few endogenous genes has a strong implication from a regulatory stance: the ensuing products are not considered as genetically modified organisms (GMO) by the various relevant authorities. In concrete terms, this should enable the company to 1) develop lower cost projects (less than USD10m vs. USD150-200m for a classic GMO like Monsanto's), 2) follow a less tortuous and shorter regulatory path (six years theoretically rather than 15), and 3) penetrate countries that are fairly against these approaches (especially Europe) more easily on the commercial front.

VALUATION

- **Initiation with a Buy recommendation and a FV of EUR37.** The main de-risking factor would be the publication of Phase I results for UCART19 in treatment of acute lymphoblastic leukaemia, theoretically in 2017. However, more generally, we believe that the entire therapeutic class should benefit from the very first approval of a CAR T-cell in ALL treatment (CTL019 by Novartis). Last but not least, a more aggressive scenario would put our valuation at EUR120 per share.

NEXT CATALYSTS

- 2016: Read-across from the marketing approval of Novartis' CTL019.
- 2016: DSMB feedback regarding the phase I of UCART19 and proprietary compounds.
- 2016: Potential listing of Calyxt (agro-biotech business).
- 2017: Phase I results for UCART19 as a treatment for patients with ALL

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TMT

Dialog Semiconductor

Price EUR31.93

We believe the tough times are over

Fair Value EUR40 vs. EUR38 (+25%) **BUY vs. NEUTRAL**

Bloomberg	DLG GR
Reuters	DLGS.DE
12-month High / Low (EUR)	53.3 / 24.4
Market Cap (EURm)	2,486
Ev (BG Estimates) (EURm)	1,738
Avg. 6m daily volume (000)	15.10
3y EPS CAGR	10.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	25.9%	-5.1%	-28.6%	2.3%
Semiconductors	10.6%	-8.2%	-1.7%	-5.2%
DJ Stoxx 600	7.4%	-7.7%	-6.0%	-7.7%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	1,355	1,381	1,619	1,733
% change		*1.9%*	*17.2%*	*7.1%*
EBITDA	360	381	441	472
EBIT	317.7	313.4	368.9	400.2
% change		*-1.4%*	*17.7%*	*8.5%*
Net income	238.4	231.3	284.5	308.7
% change		*-3.0%*	*23.0%*	*8.5%*

	2015	2016e	2017e	2018e
Operating margin	23.4	22.7	22.8	23.1
Net margin	17.6	16.7	17.6	17.8
ROE	17.3	15.7	16.9	15.6
ROCE	46.9	49.9	59.8	64.0
Gearing	-54.0	-61.5	-67.2	-71.9

(USD)	2015	2016e	2017e	2018e
EPS	3.02	3.01	3.71	4.02
% change	-	*-0.2%*	*23.0%*	*8.5%*
P/E	10.6x	10.6x	8.6x	7.9x
FCF yield (%)	9.8%	7.9%	9.7%	10.7%
Dividends (USD)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	1.4x	1.3x	0.9x	0.7x
EV/EBITDA	5.4x	4.6x	3.4x	2.6x
EV/EBIT	6.1x	5.5x	4.1x	3.1x

Following the conference held yesterday by Dialog about Q4-15 results, we upgrade our recommendation to Buy from Neutral and increase our FV to EUR40 from EUR38. While we agree that 2016 will be a transition year, we believe all the tough times are over and we expect a rerating to gradually occur as 1/ the share trades at a strong discount vs. peers (P/E 2016e at 10.6x vs. 19.3x), 2/ the momentum will improve throughout the year with positive newsflow (new iPhone family) and recurring seq. growth, 3/ the group clarified its M&A target profile and said it is now looking for a smaller acquisition than Atmel with lower risks from an investor perspective and 4/ the group is making an important step towards investors with the proposition to put in place a framework for a share buy-back program.

ANALYSIS

- **2016 is a transition year.** In the Mobile Business segment, the ASP is seen to remain at the current level. The group said yesterday that it increased content just enough to offset price erosion, but we must expect no particular increase this year while the ASP for the group (excl. Connectivity and Power conv.) stood at 3.13 in 2015. Unsurprisingly, the most dynamic part of the group should be the connectivity division thanks to 1/ BT LE strong traction in fitness bands, BT tags and beacons leading sales to be up by more than +100% and helping to close the gap with the 25% market share target (BG ests. BT FY16 sales USD55m vs. FY15 at USD25m) and 2/ DECT momentum in the non-phone part (mainly wireless speakers and professional headsets). Also, the Power Conversion division is expected to achieve 20%/25% growth thanks to design wins in the rapid charging where the group estimates its market share to be at about 70%/80%. Finally, we expect Mobile Systems division sales for 2016 to be broadly the same as 2015 (down -1% at USD1105m). Overall, Dialog should achieve a strong performance during the second part of the year (as usually seen in the past) and we believe that Q1 will be the lowest quarter.

- **2017 should be brighter thanks to the Mobile Systems division.** We believe that the group is working on a new PMIC architecture to improve performance and which is delivering higher content per chip for Dialog. However, the positive impacts should be expected for 2017 on the ASP side. 2017 should also benefit from higher volume (end of the disappointing iPhone 6S cycle).

- **On the cost side, the group is doing a great job keeping things under control.** Despite the current slow momentum in the smartphone market, the group posted Q4-15 underlying operating margin of 26.3%, which was well above market expectations. During yesterday's conference call, the management highlighted that the group should maintain its gross margin level of about 46% through 2016 and the 25% of sales envelope in OPEX. The group is clearly taking benefit of its fabless model here. As a result, we slightly increase our expectations in term of operating margin and we adopt a scenario with FY16/FY17 underlying operating margin of 22.7%/22.8% vs. 21.7%/22.6% previously.

- **The tax rate LT view remains the same.** Last year, the group shared its LT view of a tax rate of about 20% thanks to realignment of sales and IP and benefit from more friendly UK tax conditions. In Q4-15, the tax rate sharply raised due to a one-time effect of the Atmel acquisition but we had confirmation that the LT view remains 20%. Overall, taking into account the change cited above, our FY16/17 EPS are marginally lowered by -0.5%.

- **The group is still looking for an acquisition, but the CEO says it is looking at smaller acquisitions rather than companies the size of Atmel.** The management is still looking to expand the customer base and technology portfolio through acquisitions, but we understood from yesterday's conference call that there is no hurry to find a target. In addition, the CEO commented on Bloomberg that the group is now looking for smaller acquisitions rather than companies the size of Atmel. This is reassuring in our view, since it means that the group should not go through a new acquisition implying an important dilution for historical investors.

VALUATION

- **We update our FV to EUR40 from EUR38.** It is derived from a DCF (@ EUR39) and updated peer multiples valuation (@ EUR40). Remember that we adopted a valuation method with an increased beta of 1.6 and a 15% discount vs. peers in September 2015 following the announcement of Atmel. We maintain these adjustments reflecting investors' loss of references on the stock so far.

- **We now believe it is time to look back to the case.** Dialog's share trade at a FY16e P/E ratio of 10.6x, i.e. a significant discount compared to Fabless peers (average FY16e P/E at 19.3x). In our

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view, a rerating should gradually occur given 1/ a positive newsflow in the NT with the highly expected announcement of the new iPhone SE in late march, 2/ an improving momentum through the year at historically highest operating margin, 3/ an important step towards investors by adopting a more friendly shareholder policy with the setup of a framework for a share buy-back program and 4/ the M&A concern now over with recent clarification about target size and timing of inorganic growth opportunities. We believe it is now time to capture the 25% upside highlighted by our FV. As a result, we upgrade to Buy vs. Neutral.

NEXT CATALYSTS

- May 4th 2016, Q1-16 results.

Our new P&L

[USDm]	FY15	1Q16e	2Q16e	3Q16e	4Q16e	FY16e	FY17e
Total Group	**1355**	**242**	**252**	**348**	**539**	**1381**	**1619**
Q/Q growth	*17.2%*	*-39.0%*	*4.0%*	*38.0%*	*55.1%*	*1.9%*	*17.2%*
Y/Y growth	*17.2%*	*-22.1%*	*-20.4%*	*5.3%*	*35.8%*	*1.9%*	*17.2%*
Cost of goods sold	-731	-131	-136	-187	-290	-745	-873
Gross margin	**46.1%**	**45.9%**	**46.0%**	**46.2%**	**46.2%**	**46.1%**	**46.1%**
SG&A	-143	-27	-25	-35	-46	-133	-146
R&D	-223	-45	-47	-63	-92	-246	-282
Other operating income	59	9	9	11	26	55	50
Adj. EBIT	**318**	**48**	**53**	**75**	**137**	**313**	**369**
adj. operating margin	*23.4%*	*20.0%*	*21.1%*	*21.5%*	*25.3%*	*22.7%*	*22.8%*
EBIT	260	40	45	63	111	259	320
operating margin	*19.2%*	*16.5%*	*17.8%*	*18.2%*	*20.6%*	*18.8%*	*19.8%*
Net financial result	-5	-1	-1	0	-1	-3	-2
Income tax	-78	-11	-13	-18	-24	-65	-72
tax rate	*-30.4%*	*-28.5%*	*-28.5%*	*-28.5%*	*-21.6%*	*-25.5%*	*-22.5%*
Adj. Net income (loss)	**238**	**37**	**40**	**56**	**112**	**231**	**285**
Net income (loss)	177	28	32	45	86	191	247
Diluted adjusted EPS	**3.02**	**0.48**	**0.52**	**0.73**	**1.45**	**3.01**	**3.71**

Source: Bryan, Garnier & Co ests.

New vs Old

[USDm]	2016e			2017e		
	Old	**New**	**D%**	**Old**	**New**	**D%**
SALES	**1468**	**1381**	**-5.9%**	**1693**	**1619**	**-4.4%**
EBITDA	**387**	**381**	**-1.5%**	**455**	**441**	**-3.1%**
	26%	28%		27%	27%	
EBIT	**272**	**259**	**-4.6%**	**336**	**320**	**-4.6%**
	18.5%	18.8%		19.8%	19.8%	
EPS	**3.0**	**3.0**	**0.7%**	**3.8**	**3.7**	**-1.7%**

Source: Bryan, Garnier & Co ests.

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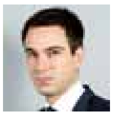

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Worldpay

Price 277.80p

Bloomberg	WPG LN
Reuters	WPG.L
12-month High / Low (p)	316.8 / 240.0
Market Cap (GBP)	5,556
Ev (BG Estimates) (GBP)	6,981
Avg. 6m daily volume (000)	9,885
3y EPS CAGR	32.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.8%	-6.3%	ns	-9.6%
Softw.& Comp.	6.3%	-5.8%	10.9%	-6.2%
DJ Stoxx 600	7.4%	-7.7%	-6.0%	-7.7%

YEnd Dec. (GBPm)	2014	2015e	2016e	2017e
Sales	3,627	3,963	4,240	4,580
% change		*9.3%*	*7.0%*	*8.0%*
EBITDA	286	302	392	496
EBIT	296.3	340.5	366.8	413.1
% change		*14.9%*	*7.7%*	*12.6%*
Net income	91.7	138.4	226.2	266.4
% change		*50.9%*	*63.4%*	*17.8%*

	2014	2015e	2016e	2017e
Operating margin	8.2	8.6	8.7	9.0
Net margin	-1.4	-0.8	3.4	4.7
ROE	26.0	-4.4	17.5	21.7
ROCE	14.0	12.1	14.5	15.5
Gearing	-1,173	212.4	158.2	112.1

(p)	2014	2015e	2016e	2017e
EPS	5.71	6.92	11.31	13.32
% change	-	*21.1%*	*63.4%*	*17.8%*
P/E	48.6x	40.1x	24.6x	20.9x
FCF yield (%)	0.0%	0.6%	1.7%	4.0%
Dividends (p)	0.00	0.00	1.78	2.69
Div yield (%)	NM	NM	0.6%	1.0%
EV/Sales	2.2x	1.8x	1.6x	1.5x
EV/EBITDA	27.3x	23.1x	17.4x	13.5x
EV/EBIT	26.4x	20.5x	18.7x	16.1x

The US branch is a thorn in the group's side; no clear operating leverage before H2 17

Fair Value 278p vs. 290p (0%) **NEUTRAL**

Worldpay is struggling in the US (49% of group's sales), so the poor lfl top-line growth associated cannot create any leverage on its proprietary platform. We see no way out as the management does not intend to sell this division, whereas the market is consolidating. The real leverage on profitability won't be visible until H2 17e (once investment in its technology platforms is complete, i.e. Worldpay fully independent from RBS). WP's fundamentals are not impressive for the Payments sector (lfl sales growth, EBITDA and EBIT margin, FCF, financial position). We have revised downward our restated FY16/17e EPS sequence by 3.0% on average. Neutral rating reiterated and FV cut from 290p to 278p.

ANALYSIS

- **Worldpay is suffering in the US.** With an EBITDA margin of only 3.2% (-130bps), Worldpay US is putting the whole group's profitability under pressure (EBITDA margin of 7.6% vs. >=20% for European peers). The lack of size in the US, which is 49% of its FY15 sales, prevents the group from generating a significant leverage on its proprietary platform (very fragmented market). We are not optimistic for Worldpay's future in this region as its direct local competitors are much stronger (consolidation in favour of the largest players, e.g. Heartland recently bought by Global Payments) and its heavy net debt position makes any major acquisition impossible in the short/medium term (gearing of 212% in FY15 and 158% in FY16e). The management does not intend to get rid of the US; on the contrary, it is investing in integrated payment solutions in this geographical area.

- **No real operating leverage before H2 17.** Regarding Worldpay's investment plan in its technology platforms, the group remains dependent on RBS for the clearing & settlement components (vs. merchant servicing & data applications and clearing & settlement before). The company expects a completion during H1 2017 (vs. our -GBP1.3m and cons. of early 2017 into ou model), as a result its investment program should still weigh in FY17, but to a lesser extent (its total investment plan from 2012 to 2017e should stand at around GBP500m).

- **Lack of FCF generation.** Worldpay generated a positive FCF (GBP32.4m vs. our -GBP1.3m and consensus at -GBP2.1m), however the transformation rate for underlying EBIT into FCF was only 9.5% in FY15 and we expect 25.2% in FY16e, i.e. far from other PSPs (>=50% for European peers).

- **Limited positive impact from its 5.9% stake in Visa Europe (bought by Visa Inc.).** Worldpay's estimated share of these proceeds could be up to GBP930m (EUR1.2bn vs. our est. of EUR1.249bn), breaking down into 45% in cash, 31% in Series B preferred stock in Visa Inc. and 24% in post-transaction earnout. However, as we outlined in our initiation report, only 10% will be retained by Worldpay i.e. up to GBP93m (EUR120m vs. our est. of EUR124.9m) and Bain and Advent will receive 90% (these private equity funds own 42% of Worldpay's share capital). This positive impact is only 1.7% of Worldpay's current market capitalisation (0.8% for the cash part).

- **Does Worldpay really deserve a premium to its peers?** The group is benefiting from a rather resilient organic sales growth (+5.6% in FY15), a strong position in the UK (28% of its FY15 sales; #1 acquirer, with a normative EBITDA margin >15% despite a difficult market). That said, Worldpay still has much to prove since it released a 4th-year of net loss. Worldpay is not a growth story, but rather a story of medium-term margin improvement (via the end to its GBP500m plan to invest in its platforms which should be completed in H1 17e, and the rising share of e-commerce in its mix). When we initiated the coverage (1st February 2016), we already highlighted that, at that time's current price, the share had no margin for error, especially since we expected no EPS upward revisions either to our own figures or those of the consensus for 2016/17e.

VALUATION

- We maintain our **Neutral rating and cut our FV from 290p to 278p** (DCF at 312p, peer comparison at 270p, SOTP at 251p). Despite our far-from-pessimistic estimates, the share is not cheap, even taking into account only EV/EBITDA (it trades at 17.4x in FY16e whereas in our SOTP it deserves 16.1x taking into account a 12.5% premium on the UK part). As a reminder, **Worldpay is above all a physical merchant processor and acquirer in the US and UK** (77% of its FY15 revenue).

- **We advise investors to focus on EV/sales and EV/EBITDA multiples out to 2017e** given that investments in platforms bloat capex and D&A expenses, and therefore bloat EV/EBIT and P/E multiples (same vision for Worldline). We believe it will only be reliable **to reason in PEG once investment in the platforms is complete, namely as of 2018e**. The share is currently trading on an **average premium of 15% to its peers for 2016/17e but it clearly does not deserve any**.

NEXT CATALYSTS

- **AGM:** 10th May, 2016.

It seems essential to us to calculate Worldpay's profitability on: 1/ gross sales and not net sales, which artificially boost its margin rate and make comparison with other European players in the sector inappropriate; **2/ EBITDA reported by the group rather than underlying EBITDA**. Indeed, the numerous negative items that this latter excludes (cost of platform separation, reorganisation, costs linked to acquisitions) should be adjusted for solely at the EBIT level (underlying EBIT). **This is what the group's rivals do and what we have been used to for companies in the sector.**

Revenue and underlying EBITDA breakdown by businesss unit in FY14 and FY15

GBPm	Worldpay US		Worldpay UK		Global eCom		Total	
	2014	2015	2014	2015	2014	2015	2014	2015
Revenue	**1,666.4**	**1,933.7**	**1,229.0**	**1,130.7**	**731.2**	**898.6**	**3,626.6**	**3,963.0**
In % of total revenue	45.9%	48.8%	33.9%	28.5%	20.2%	22.7%	100.0%	100.0%
Y/Y change	*3.2%*	*16.0%*	*8.9%*	*-8.0%*	*15.2%*	*22.9%*	*7.3%*	*9.3%*
Y/Y change (lfl)	*7.1%*	*0.7%*	*8.9%*	*-8.0%*	*15.2%*	*22.9%*	*9.2%*	*5.6%*
Underlying EBITDA[1]	**75.4**	**62.3**	**156.1**	**179.2**	**161.5**	**184.2**	**374.7**	**406.1**
Margin	*4.5%*	*3.2%*	*12.7%*	*15.8%*	*22.1%*	*18.0%*	*10.3%*	*10.2%*

[1] The group does not provide the reported EBITDA margin breakdown.

Sources: Company; Bryan, Garnier & Co.

Main financial items from 2014 to 2017e

GBPm	2014 (reported)	2015 (reported)	vs. BG 2015e	vs. Cons. 2015	BG 2016e (old)	BG 2016e (new)	BG 2017e (old)	BG 2017e (new)
Revenue	**3,626.6**	**3,963.0**	**4,000.0**	**4,005.9**	**4,280.0**	**4,240.4**	**4,622.4**	**4,579.6**
Y/Y change	*7.3%*	*9.3%*	*10.3%*	*10.5%*	*7.0%*	*7.0%*	*8.0%*	*8.0%*
Y/Y change (lfl)	*9.2%*	*5.6%*	*7.0%*	*N/A*	*7.0%*	*7.0%*	*8.0%*	*8.0%*
Net revenue	**863.4**	**981.7**	**974.3**	**972.7**	**1,072.1**	**1,079.6**	**1,179.7**	**1,187.5**
Y/Y change	*7.9%*	*13.7%*	*12.8%*	*12.7%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*
EBITDA	**286.1**	**302.4**	**304.0**	**308.7**	**402.3**	**392.2**	**505.7**	**495.5**
Margin	*7.9%*	*7.6%*	*7.6%*	*7.7%*	*9.4%*	*9.3%*	*10.9%*	*10.8%*
Underlying EBITDA	**374.7**	**406.1**	**404.0**	**406.9**	**462.3**	**452.2**	**510.7**	**500.5**
Margin	*10.3%*	*10.2%*	*10.1%*	*10.2%*	*10.8%*	*10.7%*	*11.0%*	*10.9%*
EBIT	**125.0**	**166.9**	**159.0**	**163.7**	**261.1**	**252.3**	**353.2**	**344.4**
Margin	*3.4%*	*4.2%*	*4.0%*	*4.1%*	*6.1%*	*6.0%*	*7.6%*	*7.5%*
Underlying EBIT	**296.3**	**340.5**	**335.0**	**334.7**	**376.6**	**366.8**	**422.5**	**413.1**
Margin	*8.2%*	*8.6%*	*8.4%*	*8.4%*	*8.8%*	*8.7%*	*9.1%*	*9.0%*
Net profit	**-50.0**	**-29.8**	**-14.9**	**-4.9**	**149.5**	**142.6**	**222.6**	**215.6**
Margin	*-1.4%*	*-0.8%*	*-0.4%*	*-0.1%*	*3.5%*	*3.4%*	*4.8%*	*4.7%*
Rest. net profit	**91.7**	**138.4**	**126.1**	**139.2**	**233.8**	**226.2**	**273.9**	**266.4**
Margin	*2.5%*	*3.5%*	*3.2%*	*3.5%*	*5.5%*	*5.3%*	*5.9%*	*5.8%*
EPS (p)	**-3.1**	**-1.8**	**-0.9**	**-0.2**	**7.5**	**7.1**	**11.1**	**10.8**
Fully dil. rest. EPS (p)	**5.7**	**8.2**	**6.3**	**7.0**	**11.7**	**11.3**	**13.7**	**13.3**
FCF	**0.7**	**32.4**	**-1.3**	**-2.1**	**116.5**	**92.3**	**228.6**	**221.4**
FCF/underlying EBIT	*0.2%*	*9.5%*	*-0.3%*	*-0.6%*	*30.9%*	*25.2%*	*54.1%*	*53.6%*
Net debt	**2,254.1**	**1,425.3**	**1,384.3**	**1,389.5**	**1,232.1**	**1,287.2**	**1,044.7**	**1,113.8**
Gearing	*-1,173.4%*	*212.4%*	*200.5%*	*N/A*	*146.7%*	*158.2%*	*101.9%*	*112.1%*

Sources: Company's consensus from 12 analysts (17/02/16); Bryan, Garnier & Co ests.

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Food retailing

Casino Guichard

Price EUR48.57

H2 2015 (first take): Figures in France in line; What next in terms of the asset optimization?

Fair Value EUR57 (+17%) **BUY**

Bloomberg	CO FP
Reuters	CASP.PA
12-month High / Low (EUR)	87.3 / 35.2
Market Cap (EURm)	5,497
Ev (BG Estimates) (EURm)	15,851
Avg. 6m daily volume (000)	804.4
3y EPS CAGR	-12.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	13.9%	0.2%	-9.9%	14.5%
Food Retailing	5.5%	0.5%	3.2%	3.4%
DJ Stoxx 600	4.6%	-8.5%	-3.9%	-6.8%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	48,492	46,145	43,171	45,457
% change		*-4.8%*	*-6.4%*	*5.3%*
EBITDA	3,191	2,418	2,332	2,552
EBIT	1,737	1,578	1,477	1,594
% change		*-9.2%*	*-6.4%*	*8.0%*
Net income	556.0	327.0	335.2	393.6
% change		*-41.2%*	*2.5%*	*17.4%*

	2014	2015e	2016e	2017e
Operating margin	4.6	3.3	3.4	3.5
Net margin	1.1	0.7	0.8	0.9
ROE	NM	NM	NM	NM
ROCE	7.1	4.7	4.6	5.0
Gearing	37.3	36.1	35.5	33.6

(EUR)	2014	2015e	2016e	2017e
EPS	4.43	2.36	2.43	2.95
% change	-	*-46.7%*	*3.1%*	*21.2%*
P/E	11.0x	20.6x	19.9x	16.5x
FCF yield (%)	12.6%	8.1%	10.8%	14.5%
Dividends (EUR)	3.12	3.12	3.12	3.12
Div yield (%)	6.4%	6.4%	6.4%	6.4%
EV/Sales	0.4x	0.3x	0.4x	0.3x
EV/EBITDA	5.7x	6.6x	6.5x	6.0x
EV/EBIT	10.5x	10.0x	10.3x	9.7x

H2 2015 current operating profit came slightly below consensus estimates, i.e. EUR926m vs EUR 950m expected by the consensus (or EUR1,446m on a FY basis vs EUR1470m estimate). Unsurprisingly, this translated into a 147bp margin contraction (vs -141bp e). Net result (EUR412m) works out above expectation (EUR318m) thanks to financial costs notably. During the conference call, the focus of the market should be about: 1/ the magnitude of revenues from real estate promotion going forward (EUR167m in 2015 vs EUR162m in 2014 / should be flat in 2016 we understand); 2/ outlook in terms of inflation (it seems, according to the latest Data from O. Dauvers, that Casino increased its prices in February and that Leclerc did the same in March); 3/ the use of the cash proceeds post disposals of Asian assests (upcoming buyback of minorities?). Buy.

The main subsidiaries had already released their own results statement. Hence, in H2, **1/** the -710bp collapse (vs -750bp e) in Latam Electronics and the -610bp decrease (vs -570bp e) in E-commerce margins, as well as the 97bp decline (vs -90bp e) in Latam Retail's one, are not surprising. **2/** It may just be an anecdote, given that Big C is to be sold to TCC, but Asia (-5% LFL in H2) posted a - 78bp decline in margin (vs -48 bp e and +33bp in H1…). Yet, it is worth remembering that against this backdrop of declining performances, Casino was nonetheless able to sell Big C on a 1.7x sales multiple!

Hence, today's focus is rather about France (~65/70% e of the estimated 2016 proportionate EBITDA post disposal of Asia) whose underlying operating margin is up +100bp (vs +110bp e), resulting in an operating profit of EUR390m (vs EUR393m in H2; amount deducted from the EUR340 FY guidance provided during the latest call). From now on, we hope the convalescent momentum in France to be a focus of the market. Along with the full benefit of the procurement agreement with Intermarché, this helps Casino to emphasise a brighter French outlook for 2016. In terms of other financials, 2015 NFD for France works out at EUR6.1bn (EUR6.0bn e). Dividend proposed at the Annual General Meeting is unchanged at €3.12.

In terms of the outlook, management indicates that **1/** the proceeds for disposals will be allocated to debt reduction while reminding that **2/** the Group has been implementing a policy involving the ongoing purchase of key assets and disposal of mature assets for the past 10 years […]. **3/** In France, the intends to improve its profitability in 2016, based on a LFL assumption above +1.5% and target annual increases of over 100bp in its commercial margin, and of over 30bp in its costs which of c. 10bp of carry-over effect. **4/** Management also has an objective of of a better trading profit for Cdiscount in 2016 vs 2015 and an ambition to get Cnova Brazil EBITDA close to breakeven in 2016. On the whole, the key guidance for France remains for 2016 EBITDA of around EUR900m (and EBIT of more than EUR500m) and a FCF of at least EUR200m after financial expenses and pament of the dividend.

ANALYSIS & INVESTMENT CASE (See our latest report (19/02/2016): With hindsight, a real Catch-22!)

- Admittedly, the current psychosis does contain elements of truth and maintaining the investment grade is evidently key to us (the investor base would be largely reduced if Casino is downgraded, while the potential return to the sacrosanct rating would come at a very high price). But what is most regretful in such a situation is that the current market's "credit noise" leaves little room for management to explore all the potential strategic options, which it could otherwise consider in order to maintain the necessary conditions for long-term growth.
- Among other scenario, Casino may also do what is generally expected from a wise asset manager: sell high at 1.7x sales (Big C Thailand already done) and buy low at 0.2x sales (minorities in Latam in a bid to reinforce the long term growth and FCF profile of the group post disposal of Big C). In another scenario, by announcing a post-disposals return of cash (~EUR700m e buy-back), Casino would not only benefit from a squeeze of short positions but, on unchanged dividend liabilities, Rallye would also benefit from an increased source of cash to help balance its financial equation.

VALUATION

- The sacrosanct spot SOTP currently stands at EUR48.

NEXT CATALYSTS

- S&P decision regarding a potential downgrade to non investment grade (by mid-April)

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	H1	H2	2015
France Retail sales	**9 135**	**9 754**	**18 889**
(1) LFL excl. fuel and calendar	-0,8%	1,9%	0,6%
(2) Expansion	0,3%	0,6%	0,4%
(3) Calendar	-0,1%	0,0%	-0,1%
(4) Fuel	-1,0%	-1,0%	-1,0%
(5) Acquisitions	0,4%	0,0%	0,2%
(1)+(2)+(3)+(4)+(5) = Total	-1,2%	1,5%	0,2%
Underlying EBIT pf	-53	390	337
As a % of sales	-0,6%	4,0%	1,8%
bps var.	-175 bp	100 bp	-32 bp
Latam Retail sales	**7 803**	**6 911**	**14 714**
(1) LFL excl. fuel and calendar	2,5%	1,8%	2,1%
(2) Expansion	3,6%	3,7%	3,6%
(3) Calendar	0,2%	0,4%	0,3%
(4) Acquisitions	4,6%	4,8%	4,7%
(5) Forex	-4,0%	-25,4%	-15,3%
(1)+(2)+(3)+(4)+(5) = Total	6,8%	-14,8%	-4,6%
Underlying EBIT	299	404	703
As a % of sales	3,8%	5,8%	4,8%
bps var.	-85 bp	-97 bp	-103 bp
Latam Electronics sales	**2 924**	**2 264**	**5 188**
(1) LFL excl. fuel and calendar	-13,5%	-19,6%	-16,7%
(2) Expansion	1,6%	1,1%	1,3%
(3) Calendar	0,0%	0,0%	0,0%
(4) Acquisitions	0,0%	-0,1%	0,0%
(5) Forex	-4,0%	-21,3%	-13,0%
(1)+(2)+(3)+(4)+(5) = Total	-15,9%	-39,9%	-28,4%
Underlying EBIT	191	80	271
As a % of sales	6,5%	3,5%	5,2%
bps var.	-141 bp	-710 bp	-412 bp
Asia sales	**2 075**	**1 898**	**3 973**
(1) LFL excl. fuel and calendar	-1,3%	-5,0%	-3,2%
(2) Expansion	2,3%	2,4%	2,4%
(3) Calendar	0,2%	0,0%	0,1%
(4) Acquisitions	0,2%	-0,1%	0,0%
(5) Forex	21,2%	7,0%	13,9%
(1)+(2)+(3)+(4)+(5) = Total	22,7%	4,2%	13,1%
Underlying EBIT	138	139	277
As a % of sales	6,7%	7,3%	7,0%
bps var.	33 bp	-78 bp	-28 bp
E-commerce sales	**1 730**	**1 651**	**3 381**
(1) LFL excl. fuel and calendar	16,4%	-1,2%	6,5%
(2) Expansion	0,2%	0,0%	0,1%
(3) Calendar	0,0%	0,0%	0,0%
(4) Acquisitions	0,1%	-0,1%	0,0%
(5) Forex	-3,2%	-13,5%	-9,0%
(1)+(2)+(3)+(4)+(5) = Total	13,4%	-14,8%	-2,5%
Underlying EBIT	-55	-87	-142
As a % of sales	-3,2%	-5,3%	-4,2%
bps var.	-261 bp	-610 bp	-441 bp

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Utilities

E.ON

Price EUR8.33

2015 earnings - First take: 2015 in line, cautious on 2016 as anticipated

Fair Value EUR10.2 (+22%) **BUY**

Bloomberg	EOA GY
Reuters	EONGn.DE
12-month High / Low (EUR)	14.7 / 7.1
Market Cap (EURm)	16,668
Ev (BG Estimates) (EURm)	50,078
Avg. 6m daily volume (000)	14 332
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.1%	-1.1%	-14.3%	-6.7%
Utilities	-0.2%	-6.7%	-5.4%	-8.1%
DJ Stoxx 600	7.4%	-7.7%	-6.0%	-7.7%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	111,556	116,238	127,006	143,892
% change		*4.2%*	*9.3%*	*13.3%*
EBITDA	8,337	7,357	6,492	6,787
EBIT	4,664	3,819	3,265	3,492
% change		*-18.1%*	*-14.5%*	*7.0%*
Net income	-3,160	1,624	1,283	1,451
% change		*NS*	*-21.0%*	*13.1%*

	2014	2015e	2016e	2017e
Operating margin	4.2	3.3	2.6	2.4
Net margin	-2.8	1.4	1.0	1.0
ROE	-11.8	9.6	7.7	8.7
ROCE	8.5	10.0	8.5	8.8
Gearing	50.9	50.4	53.5	53.0

(EUR)	2014	2015e	2016e	2017e
EPS	-1.66	0.85	0.67	0.76
% change	-	*NS*	*-21.0%*	*13.1%*
P/E	NS	9.8x	12.4x	10.9x
FCF yield (%)	10.2%	7.2%	4.3%	7.7%
Dividends (EUR)	0.50	0.50	0.50	0.50
Div yield (%)	6.0%	6.0%	6.0%	6.0%
EV/Sales	0.6x	0.4x	0.4x	0.4x
EV/EBITDA	7.8x	6.8x	7.9x	7.6x
EV/EBIT	13.9x	13.1x	15.7x	14.8x

This morning, E.ON posted 2015 metrics in line with targets and with expectations, while guiding for cautious 2016 EBITDA, as anticipated. No cut in dividend was mentioned for 2016, at least so far, confirming our view that E.ON has a stronger balance sheet than RWE. The spin-off E.ON/Uniper was confirmed, yet the difficult market environment will oblige the group to review its targets for both entities. We continue to prefer E.ON over RWE. Positive.

ANALYSIS

- **Main 2015 metrics?** Group's operating results are in line with expectations this morning, with EBITDA down **10% YoY** to **EUR7.6bn**, in line with group guidance (*EUR7-7.6bn*) and above consensus and our estimates (*Consensus & BG at EUR7.4bn*). The underlying net income came out at **EUR1.6bn**, also in line with the group's target (*EUR1.4-1.8bn*), while we expected **EUR1.62bn**. The group managed to reduce its economic debt by **EUR5.7bn to EUR27.7bn,** thanks notably to **EUR4.5bn** of disposals and to positive impact on pensions. **The EUR0.5/share** dividend for 2015 was confirmed, differing from dividend payment suspension announced recently by RWE. E.ON shareholders can play the margin recovery of the sector (*not before 2017*) with an attractive yield. As a reminder, the group booked **EUR8.8bn** of impairments on its 2015 accounts following the further deterioration of market conditions, having already booked **EUR5.5bn** in 2014.
- **What about 2016?** In the press release, the group indicated it is targeting EBITDA between **EUR6bn and EUR6.5bn** for 2016, bang in line with our **EUR6.5bn target**. Consensus is currently at **EUR6.5bn**, like us. As for the bottom line of its P&L, E.ON mentioned it aims at generating **EUR1.2bn and EUR1.6bn** of underlying net income. We are currently at the low range of group's guidance, while consensus is closer to **EUR1.4bn**. This 2016 guidance is pre-spin-off basis and reflects recent commodity prices & FX.
- **What to retain from this publication? 1/** 2015 metrics are line with guidance and market expectations, **2/** the group booked, as other European integrated utilities, massive impairments on its merchant activities (*EUR8.8bn booked in 2015 by E.ON*), **3/** 2016 guidance is cautious yet is in line with market expectations, compared with RWE, **4/** Dividend was not cut, or suspended, at least for now, confirming that the group is still confident today on its cash equation and on its strategy, **5/** the spinoff of a majority stake in Uniper is confirmed despite the more difficult market environment, with more financial details unveiled during group's Capital Market day (*April 26th 2016*) and ahead of group's annual shareholders meeting (*June 8th 2016*)
- **Conclusion**: Situation remains tough for all European integrated utilities, and most importantly for German utilities. Yet compared with RWE, E.ON has still the ability to maintain dividend (*for 2015, while for 2016 we agree visibility is low*), while maintaining important growth capex envelop. Despite the uncertainties linked to the conditions of the spin-off we expect a positive share price reaction today. Buy, FV @ EUR10.2. Conference call is at 12.30pm CET *(+44 203 1940 561*)

VALUATION

- At current share price E.ON trades at 7.9x its 2016e EBITDA and offers a 6% yield
- Buy, FV @ EUR10.2

NEXT CATALYSTS

- April 26th: Capital Market day
- May 11th 2016: Q1-16 earnings

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Construction & Building Materials

LafargeHolcim

Price CHF41.84

Declared interests for the Lafarge India assets, says the press

Fair Value CHF50 (+20%) **BUY**

Bloomberg	LHN VX
Reuters	LHN.VX
12-month High / Low (CHF)	72.9 / 34.1
Market Cap (CHF)	25,393
Ev (BG Estimates) (CHF)	45,591
Avg. 6m daily volume (000)	2,103
3y EPS CAGR	19.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	16.5%	-17.8%	-26.5%	-16.8%
Cons & Mat	10.7%	-4.1%	-1.8%	-4.1%
DJ Stoxx 600	7.4%	-7.7%	-6.0%	-7.7%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	31,814	30,144	30,741	32,518
% change		*-5.2%*	*2.0%*	*5.8%*
EBITDA	6,495	5,723	6,204	7,234
EBIT	3,765	2,993	3,474	4,504
% change		*-20.5%*	*16.1%*	*29.7%*
Net income	1,247	1,005	1,445	2,127
% change		*-19.4%*	*43.8%*	*47.2%*

	2014	2015e	2016e	2017e
Operating margin	11.8	9.9	11.3	13.9
Net margin	5.3	3.1	4.1	7.2
ROE	3.3	2.7	3.9	5.6
ROCE	3.4	3.4	4.0	5.2
Gearing	41.6	43.9	42.1	36.8

(EUR)	2014	2015e	2016e	2017e
EPS	2.06	1.66	2.39	3.51
% change	-	*-19.4%*	*43.8%*	*47.2%*
P/E	20.3x	25.2x	17.5x	11.9x
FCF yield (%)	1.9%	3.4%	7.7%	13.4%
Dividends (EUR)	1.30	1.50	1.75	2.00
Div yield (%)	3.1%	3.6%	4.2%	4.8%
EV/Sales	1.4x	1.5x	1.5x	1.3x
EV/EBITDA	6.7x	8.0x	7.3x	6.0x
EV/EBIT	11.6x	15.2x	13.0x	9.7x

A local newspaper said yesterday that numerous groups would be interested in Lafarge India, while the bidding process could start in a month's time. Pricing remains uncertain, but the combination of a decent interest level, solid cement volume consumption in January and promising infrastructure spend commitment in the 2016-17 governement budget (+23% y/y) will certainly help. A favourable outcome for LafargeHolcim looks possible now, after several months of uncertainty.

Remember that due to anti-trust demands, LafargeHolcim has to divest some assets in India. The initial deal signed last August with Birla Corp. (5.15mt of cement capacity sold for INR50bn or USD740m) has been cancelled due to legal issues (mining rights impossible to transfer). Early February, LHN announced that it has received the anti-trust approval to sell Lafarge India as a whole (11 mt).

According to *The Financial Express* website yesterday, numerous entities have submitted "expressions of interest" for the sale of Lafarge India : cement groups Votorantim (Brazil), CRH (Buy, FV EUR30), HeidelbergCement (Buy-top pick, FV EUR86), private equity players KKR and Blackstone or India conglomerates Piramal or JSW. No element of pricing has been disclosed, but several deals have been concluded in India in 2016 so far : in February, Birla Corp. has paid approx. USD700m or 129 per ton (every EV/t are based on our calculations, notably based on Q1 forex) for the 5.5mt cement capacities of Reliance Infrastructures and Ultratech has acquired the 22.4mt of Jaypee for USD2.4bn or 109 per ton (compared with seller initial expectations of USD138/t, but Jaypee was under pressure to sell to repay its debt). Besides, the initial deal signed between Birla Corp. and LHN was equivalent to USD143/t of EV. Based on a USD109-143 range, Lafarge India EV could stand between USD1.2bn and 1.5bn (similar figures in CHF).

Apart from the level of interest (decent, apparently), we see posisive supports for the transaction : **1)** after a subdued 2015 (1.5% cement volume consumption increase), January has been stronger with a 9% y/y increase (datastream), while comp base was not especially easy (vol. flat last year in January). This needs to be confirmed in the course of the year, though; **2)** the recent deals confirm market concentration continues, while the first four players today account for half of the capacity installed, which is favourable for pricing and might partly compensate the current overcapacity (c100mt, corresponding to ~70% utilization rate); **3)** the 2016/17 Indian Budget (presented end of Feb, to be passed early April) includes ~23% higher spend on infrastructures to USD33bn (this segment represents ~20% of cement consumption).

ANALYSIS

- The completion of the Indian sale would be positive news for LHN, as it is the last uncertainty on the anti-trust side. Besides, if the price is fine, that would reflect an improving outlook for India, while 2015 has not been easy.
- However, we are not convinced that nor CRH neither Heidelberg would be that interested, as they are focussed, respectively, in restoring the debt metrics or in acquiring Italcementi. Basically, everything is possible of course, but it doesn't seem to be the subject today.
- LHN will continue to be a key player in India with 62 mt of capacities, relatively well spread in the country. Streamlining of the 2 subsidiaries ACC and Ambuja has still to be cleared, though.
- Any positive news on India would be positive for LafargeHolcim, as this country represents approx. 17% of LHN cement capacities and more than 10% of sales.

VALUATION

- CHF50 FV derived from the application of historical EV/EBITDA multiple of 7.5x to our 2017 estimates, discounted back. Current EV/EBITDA stands at 7.3x 2016e, vs 7.8x for the sector (under coverage). Current EV/ton stands at CHF121.

NEXT CATALYSTS

- FY 2015 results due to be published on 17 March

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Healthcare

Sanofi

Price EUR72.46

The end of Sanofi Pasteur MSD is not a big financial deal

Fair Value EUR88 (+21%) **NEUTRAL**

Bloomberg	SAN FP
Reuters	SASY.PA
12-month High / Low (EUR)	100.7 / 67.3
Market Cap (EUR)	94,611
Ev (BG Estimates) (EUR)	100,554
Avg. 6m daily volume (000)	3 248
3y EPS CAGR	6.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.6%	-7.9%	-18.3%	-7.8%
Healthcare	6.3%	-9.2%	-9.4%	-10.7%
DJ Stoxx 600	7.4%	-7.7%	-6.0%	-7.7%

YEnd Dec. (EURm)	2016	2017e	2018e	2019e
Sales	36,837	37,702	39,453	41,604
% change		*2.3%*	*4.6%*	*5.5%*
EBITDA	10,863	10,833	11,467	11,467
EBIT	9,740	9,987	10,685	11,520
% change		*2.5%*	*7.0%*	*7.8%*
Net income	7,105	7,357	7,964	8,685
% change		*3.5%*	*8.2%*	*9.1%*

	2016	2017e	2018e	2019e
Operating margin	26.4	26.5	27.1	27.7
Net margin	19.3	19.5	20.2	20.9
ROE	12.2	12.3	12.7	13.1
ROCE	11.3	11.3	15.9	16.8
Gearing	13.0	9.7	5.9	1.9

(EUR)	2016	2017e	2018e	2019e
EPS	5.56	5.76	6.23	6.79
% change	*-*	*3.5%*	*8.2%*	*9.1%*
P/E	13.0x	12.6x	11.6x	10.7x
FCF yield (%)	6.1%	6.0%	6.8%	7.6%
Dividends (EUR)	3.00	3.15	3.50	3.80
Div yield (%)	4.1%	4.3%	4.8%	5.2%
EV/Sales	2.8x	2.7x	2.5x	2.3x
EV/EBITDA	9.4x	9.3x	8.6x	8.4x
EV/EBIT	10.5x	10.1x	9.2x	8.3x

Sanofi and Merck have decided to end their JV SP MSD that has been operating in vaccines for the two parent companies in Europe. The two companies will recover freedom to operate which makes sense, but this will be far from transformational from a financial perspective at first glance.

ANALYSIS

- Sanofi and Merck announced yesterday their intention to end their joint-venture Sanofi Pasteur MSD to pursue "their own distinct growth strategies" with their operations in Europe.
- For some time now, Sanofi has been disappointed and unhappy with how operations were developing with the joint-venture and despite management changes about two years ago, things have improved, but not to such extent that independence is not the preferred route going forward.
- A balanced view about the history of this JV is to say that, on one hand, Merck has brought some very interesting products and strains to the joint company, including Gardasil and more recently Zostavax. But this positive was apparently more than offset by the complexity in leading such a company with shared management. Although the reasons behind the end of the JV are different from Merial's (which failed to merge with Intervet at the time), we can say that it is never easy to manage joint-ventures over time (as illustrated also between AstraZeneca and BMS in diabetes).
- That said, how big is the deal of ending the JV and operating in a different way from a financial perspective? If the underlying purpose makes sense from a strategic point of view, the impact will be very limited financially speaking, although it will optically increase the size of Sanofi Pasteur within Sanofi from a revenue perspective as consolidation-wise, SP will move from a shared profit from associates to a full consolidation of a reduced entity.
- It now remains to be seen which part of the JV will go with each of the parent companies. In the end, one could have to make a cash payment to the other to balance the deal and/or to make royalties on future sales. Although detailed revenue split is not fully disclosed, we assume that Gardasil, Zostavax and Rotateq (USD327m, 35% of the JV total sales), which should return to Merck, are among the most profitable ones, although they are not growth engines.

USDm	2013	2014	2015
Gardasil	291	248	184
Influenza vaccines	162	159	128
Zostavax	68	103	87
Other viral vaccines	104	87	77
Rotateq	55	65	56
Hepatitis vaccines	31	38	62
Other vaccines	453	430	329
Total SP MSD	**1,164**	**1,130**	**923**

VALUATION

- In 2015, total SP-MSD sales were USD923m or EUR824m whereas the share of Sanofi's profits from associates were EUR23m, thus reflecting a 5.6% operating margin which is not very relevant, however, because there are a lot of inter-company billings. That said, all included, we assume that profitability of Sanofi Pasteur is low.
- Whatever the details of the transaction, beyond simplification of procedures and of management conduct and clarification of strategy, we expect little impact from a financial perspective.

NEXT CATALYSTS

- March 2016: Headline results for dupilumab's phase III trials SOLO 1&2 in AD

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Sword Group

Price EUR22.94

FY15 analysts' meeting feedback: confidence ahead

Fair Value EUR28 (+22%) **BUY**

Bloomberg	SWP FP
Reuters	SWP.PA
12-month High / Low (EUR)	25.3 / 19.3
Market Cap (EURm)	215
Ev (BG Estimates) (EURm)	175
Avg. 6m daily volume (000)	8.70
3y EPS CAGR	8.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.6%	-5.3%	3.8%	-5.6%
Softw.& Comp.	6.3%	-5.8%	10.9%	-6.2%
DJ Stoxx 600	7.4%	-7.7%	-6.0%	-7.7%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	138.0	162.0	185.0	210.0
% change		*17.4%*	*14.2%*	*13.5%*
EBITDA	22.0	24.0	29.0	34.0
EBIT	14.0	19.0	24.0	29.0
% change		*35.7%*	*26.3%*	*20.8%*
Net income	17.0	16.0	19.0	22.0
% change		*-5.9%*	*18.8%*	*15.8%*

	2015	2016e	2017e	2018e
Operating margin	13.8	13.0	13.9	14.4
Net margin	9.4	9.3	9.2	10.0
ROE	8.1	9.1	9.8	11.4
ROCE	13.9	12.2	14.7	15.9
Gearing	-27.0	-24.0	-23.0	-26.0

(€)	2015	2016e	2017e	2018e
EPS	1.86	1.73	2.01	2.37
% change	-	*-7.0%*	*16.2%*	*17.9%*
P/E	12.3x	13.3x	11.4x	9.7x
FCF yield (%)	3.7%	4.6%	6.0%	9.6%
Dividends (€)	1.20	1.20	1.20	1.20
Div yield (%)	5.2%	5.2%	5.2%	5.2%
EV/Sales	1.2x	1.1x	0.9x	0.8x
EV/EBITDA	7.8x	7.3x	6.0x	4.9x
EV/EBIT	9.0x	8.3x	6.7x	5.6x

We reiterate our Buy rating following the analysts' meeting held yesterday. Due to fx rates (EUR/GBP), we shave by 2% our adj. EPS ests. for 2016-17, but keep them almost unchanged for 2018. Carried by strong backlog-driven momentum in IT Services (deals with European institutions and sports organisations) and Software (large multi-year deployments in Asset Finance), Sword is in our view likely to maintain lfl revenue growth around 15% over 2016-17 while maintaining its EBITDA margin above 15%. The still-strong dividend yield makes the Sword share attractive as well.

ANALYSIS

- **Confidence on 15% lfl revenue growth and a 15% EBITDA margin for 2016**. The total backlog as of end 2015 represented 24.8 months of sales (vs. 23.2 months end 2014). In IT Services, Benelux posted EUR17.4m revenues in 2015 vs. EUR12m in 2014, and management is confident to reach EUR21m in 2016 and exceed EUR30m by 2018, based on a solid backlog with European institutions. In that geography, 20-25% growth per year is achievable according to Sword. In Software, 2016 looks to have enjoyed a good start like in 2015 on Governance, Risk & Compliance, while in Asset Finance, Daimler Financial Services, which is deploying the solution in Russia for a 'go-live' in 2016, plans to roll it out in the UK, Germany and Italy over 2016-17 and has extended its partnership with Sword to 2022. Management is not concerned by a possible "Brexit", but the weakness of the British pound vs. the euro has generated a 2% headwind to est. FY16 sales since the beginning of the year (UK = c. 25% of sales) - while cash is not significantly exposed to GBP.
- **More details on FY15 accounts**. 1). The non-IFRS operating margin reached EUR18.9m or 13.7% of sales, which is in line with our forecast (EUR19m or 13.8% of sales), and the net profit was at EUR13.3m (BG est.: EUR13m) after EUR5.1m non-recurring costs (BG est.: EUR5.3m) including restructuring costs and acquisition/disposal fees; 2). Despite payment delays at the European Commission, DSOs remained relatively low, at 56 days; 3). Only EUR1.3m R&D costs have been capitalised in 2015 while the initial budget was EUR5m, as most of the R&D teams recently hired have been mobilised on the deployment of large contracts in Asset Finance, but management considers this is a 6-month delay and the capitalised R&D plan may reach at least EUR3m per year over 2016-17 (probably not the EUR5m per year initially planned over 2015-2017); 4). The net cash position will be negatively impacted in 2016 by the payment of a EUR9m earn-out.
- **No deviation from strategic principles**. Sword intends to embrace the digital transformation of its customers by managing and supporting its customers' requirements, not by trying to be ahead of the curve in terms of technology. Its angles on digitisation are on omni-channel experience, disintermediation and the digital workplace. In order to avoid becoming subcontractors of large cloud companies (Microsoft, Google, Amazon…), Sword will continue to differentiate through strategic partnerships with them and private cloud applications, both on niches. In IT Services, 3 new offers have been launched in 2015 (managing high-performance IT ecosystems, Intelligence Platform & Dark Web, telemedicine & medical coordination tools). In Software, Sword will remain focused on GRC - no vendor dominates the market, which is growing - and Asset Finance - the number of competitors in Automotive is limited and the market opportunity is global.

VALUATION

- Sword's shares are trading at est. 8.3x 2016 and 6.7x 2017 EV/EBIT multiples.
- Net cash position on 31st December 2015 was EUR42.7m (net gearing: -27%).

NEXT CATALYSTS

Q1 16 sales on 25th April after markets close.

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Business Services

Sodexo

Price EUR92.37

Bellon SA increased its control on Sodexo

Fair Value EUR88 (-5%) **NEUTRAL**

Bloomberg	SW FP
Reuters	EXHO.PA
12-month High / Low (EUR)	95.3 / 71.0
Market Cap (EURm)	14,514
Avg. 6m daily volume (000)	308.6

	1 M	3 M	6 M	31/12/15
Absolute perf.	10.1%	-0.2%	19.9%	2.5%
Travel&Leisure	7.8%	-6.7%	-1.0%	-8.9%
DJ Stoxx 600	7.4%	-7.7%	-6.0%	-7.7%

	08/14	08/15e	08/16e	08/17e
P/E	29.2x	20.1x	19.0x	17.7x
Div yield (%)	1.9%	2.4%	2.6%	2.8%

ANALYSIS

- Bellon SA, the holding family controlling Sodexo, announced yesterday that it would like to reinforce its stake in Sodexo with the acquisition of around 2.2m shares no later than September 2016.
- All in all, after the completion by Sodexo of the EUR300m share buyback program approved by the AGM on 26th January, the repurchase of around 2.2m shares and double voting rights received from over 2.7m shares which were held in registered form for four years, **Bellon SA will hold around 40.02% of the capital equity and 54.83% of the voting rights in Sodexo** (vs. respectively 37.71% and 52.94% after double voting rights, but before the share buyback and the purchase of additional Sodexo shares).
- Reiterating its confidence in the company, Bellon SA nevertheless requested a derogation from AMF to file a proposed public exchange tender offer, which ought to be the case with an increase by more than 1% of its stake in less than twelve months.

VALUATION

- At the current share price, the stock is trading 12.3x EV/EBIT 2016e and 10.9x 2017e which compares with historical median of 10.8x.

NEXT CATALYSTS

- H1 2016 results on 14th April

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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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