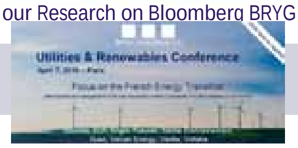
Please find our Research on Bloomberg BRYG <GO>)

16th March 2016

BG's Wake Up Call



	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17251.53	+0.13%	-1.00%
S&P 500	2015.93	-0.18%	-1.37%
Nasdaq	4728.67	-0.45%	-5.57%
Nikkei	16974.45	-0.83%	-10.07%
Stoxx 600	340.86	-1.10%	-6.82%
CAC 40	4472.63	-0.75%	-3.55%
Oil /Gold			
Crude WTI	37.28	0.00	+0.22%
Gold (once)	1232.47	-0.82%	+16.01%
Currencies/Rates			
EUR/USD	1.1112	+0.04%	+2.29%
EUR/CHF	1.09485	0.00	+0.69%
German 10 years	0.317	+12.80%	-50.05%
French 10 years	0.572	+8.32%	-41.66%
Euribor	-	+-%	+-%

Economic releases :

Date	
16th-Mar	JP - Machine Tool orders Feb. (-22.5% A) GB - Jobless claims chage Feb. (-9.1K E) GB - ILO Unemployment rate Jan (5.1%E) GB - Osborne makes Budget speech to Parliament US - OMC rate Decision US - Housing Starts Feb. (4.6% E)

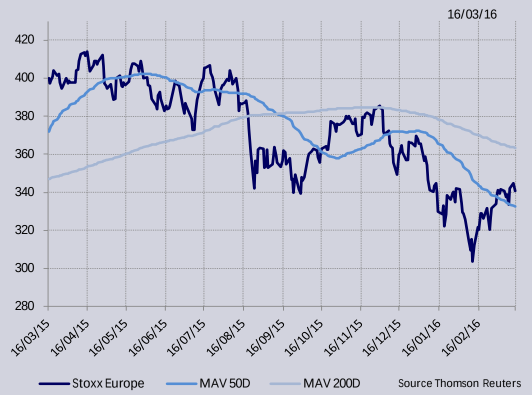
Upcoming BG events :

Date	
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)
20th-Apr	REMY COINTREAU (BG Paris breakfast with CFO)
22nd-Apr	PERNOD RICARD (BG Paris roadshow with Head of IR)

Recent reports :

Date	
15th-Mar	STMICROELECTRONICS : Prepares for higher margin
15th-Mar	WIRECARD : The Great Vendetta
9th-Mar	CELLECTIS : Super Mario Car-T
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.

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



CAMPARI — **BUY, Fair Value EUR9,4 vs. EUR8,4 (+10%)**

Back in the acquisition arena

SAFILO — **BUY, Fair Value EUR12,5 vs. EUR14 (+44%)**

Heading in the right direction but the road is still long

ABLYNX — **BUY, Fair Value EUR18 (+47%)**

Feedback from roadshow with CEO: the tip of the iceberg

ARM HOLDINGS — **BUY, Fair Value 1310p (+33%)**

ARM partners with TSMC for server chips

GRANDVISION — **BUY, Fair Value EUR29,5 (+13%)**

FY15 results: Margin miss only caused by the dilutive impact from acquisitions

TRANSGENE — **CORPORATE, Fair Value EUR4.5 (+55%)**

Data from combinations will be key (full report to be released today)

UBISOFT — **BUY, Fair Value EUR34 (+26%)**

Play again or end of the independent game?

SOFTWARE AND IT SERVICES

Oracle Q3 results: positive read-across for European Software vendors

In brief...

INNATE PHARMA, *Sixth DSMB meeting for EffiKIR... So far so good*

MCPHY ENERGY, *2016, a year of commercial growth?*

MUNICH RE, *Strong solvency, new share buy-back programme, but shy 2016 outlook*

SODEXO, *Major FM contract*

Food & Beverages

Campari

Price EUR8.53

Bloomberg	CPR IM
Reuters	CPR.MI
12-month High / Low (EUR)	9 / 6
Market Cap (EUR)	4,954
Ev (BG Estimates) (EUR)	5,780
Avg. 6m daily volume (000)	1 731
3y EPS CAGR	17.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	19.1%	7.4%	22.4%	6.6%
Food & Bev.	1.5%	-2.9%	8.2%	-3.8%
DJ Stoxx 600	5.9%	-5.2%	-4.4%	-6.8%

YEnd Dec. (EURm)	2014	2015	2016e	2017e
Sales	1,560	1,657	1,693	1,846
% change		*6.2%*	*2.2%*	*9.0%*
EBITDA	338	390	408	465
EBIT	298.2	332.7	357.1	409.9
% change		*11.6%*	*7.3%*	*14.8%*
Net income	129.0	175.4	201.2	248.1
% change		*36.0%*	*14.7%*	*23.3%*

	2014	2015	2016e	2017e
Operating margin	19.1	20.1	21.1	22.2
Net margin	8.3	10.6	11.9	13.4
ROE	8.2	10.1	10.8	12.3
ROCE	5.3	7.0	8.0	9.8
Gearing	61.9	47.3	68.9	54.5

(EUR)	2014	2015	2016e	2017e
EPS	0.27	0.30	0.35	0.43
% change	-	*14.0%*	*14.7%*	*23.3%*
P/E	32.2x	28.2x	24.6x	20.0x
FCF yield (%)	3.6%	4.0%	3.9%	5.8%
Dividends (EUR)	0.08	0.09	0.09	0.10
Div yield (%)	0.9%	1.1%	1.1%	1.2%
EV/Sales	3.8x	3.5x	3.4x	3.0x
EV/EBITDA	17.6x	14.8x	13.9x	11.9x
EV/EBIT	19.9x	17.4x	15.9x	13.6x

Back in the acquisition arena

Fair Value EUR9,4 vs. EUR8,4 (+10%) **BUY**

The acquisition of Société des Produits Marnier Lapostolle (SPML) marks the return of Campari to its previous strategy of generating half of its growth though acquisitions. The rationale is strong: SPML is a good fit for the Italian group both in terms of portfolio and geography. In addition, its margin is higher than Campari's and should increase further due to the distribution of its products by its new owner. We have revised our EPS estimates upwards by 5% for 2016 and 13% for 2017 and adjusted our Fair Value from EUR8.4 to EUR9.4. Buy recommendation maintained.

ANALYSIS

- **Structuration of the operation**. The deal is structured in three stages: 1/ Campari is to acquire shares representing 17.19% in full ownership, 1.06% in bare ownership and 1.54% in usufruct through block transactions with some of the controlling family shareholders, 2/ the group will launch a public tender offer on all the outstanding shares of Société des Produits Marnier Lapostolle (SPML) following due work's council consultations and antitrust clearance in the US and 3/ from 2021 it will acquire the remaining shares held by the controlling family shareholders, representing 26.60% in full ownership and 2.24% in bare ownership of SPML's capital. If Campari owns less than 50.01% of SPML capital and voting rights following the tender offer, the controlling family shareholders will sell in advance their shares to the extent that is necessary for Campari to acquire a controlling stake in SPML. So after the tender offer Campari will own between 50.01% and 71% of SPML's capital (our estimate is 54%, assuming that investors will bring 2/3 of the shares). At the same time as the acquisition of SPML, Campari has entered into an agreement to distribute the Grand Marnier spirits portofolio globally from 1st July 2016. Note that SPML will not pay any termination fees to Moet Hennessy or Diageo as the contracts will have expired.

- **A reasonably priced acquisition.** Campari will pay EUR8,050 per share in cash, implying a 60.4% premium to SPML's current share price. An additional earn-out consideration could be paid upon the sale of a real estate property currently owned by SPML and located in St Jean Cap Ferrat. This sale is expected in the next five years. Campari will be able to retain up to a maximum amount of EUR80m from the proceeds of this disposal. Excluding the effects of the sale of the real estate property and the related earn-out consideration, the total implied EV for 100% of SPML would be EUR652m. **Excluding synergies but taking into account the effects of the worldwide distribution agreement, SPML's pro-forma 2015 EBITDA reached EUR47.4m pointing to an EV/EBITDA multiple of 13.7x. This is slightly above Campari's historical average transaction multiple of 11.1x but below the acquisitions of Lascelles de Mercado (15.0x) in 2012, Forty Creek distillery in 2014 (14.5x) and the sector average (16.0x).** The transaction should be financed entirely in cash.

- **An acquisition with a strong rationale. Grand Marnier is a good fit for Campari's portfolio** due to its brand equity, premium positioning and scale. The brand will become part of the Italian group's priority brands. It accounted for 6% of the group's pro-forma 2015 sales. **It also increases the critical mass of Campari in several markets, especially in the US.** This country will represent 26% of the group's sales vs 22% currently. **The acquisition of SPML is also a good financial fit.** Campari has said that the transaction would add 70bps to its EBITDA margin in 2015 pro-forma. This reflects the high margin of Grand Marnier which accounts for around 85% of SPML's sales. It should increase further due to the distribution of its products by its new owner. During the conference call the group stated that the brand's sales were flat, including in the US. It is what Campari calls a "hidden gem" ie a brand which has existed for a long time but which lacks the resources to develop further. Based on its track record (Aperol, Wild Turkey…), we think that Campari has the means to restore the performance of Grand Marnier.

- **2017 EPS estimate revised upwards by 13%.** In 2016, we expect Campari to manage to generate around one third of SPML's 2015 pro-forma sales (EUR151.7m) and profits (EUR47.4m) as 1/ the business should be consolidated for half of the year since the closing of the transaction should occur at the end of Q2 2016 and 2/ a destocking should take place because of the change of distributors. The amount of synergies remains unknown. Management said that they could be possible for procurement but are very uncertain for structure costs. **We have upgraded our EPS estimates by 5% for 2016 and 13% for 2017.**

- **More acquisitions going forward?** Campari's net debt is set to rise from EUR826m in 2015 to EUR1,287m in 2016. This increase takes into account the put options owned by the family controlling shareholders of SPML (EUR200m). The net debt/EBITDA ratio should stand at 3.2x in 2016 vs 2.2x in 2015. Campari is allowed to increase its net debt/EBITDA ratio up to 3.5x (or 4.25x for a limited period of time). So theoretically the group could make further acquisitions in 2016 but we think this is unlikely. It should focus on integrating the newly acquired business. In

2017 Campari will have more room as the net debt/EBITDA ratio should fall back to 2.4x.

VALUATION

- We upgraded the stock to Buy following the full year results release at the beginning of March, noting that Campari clearly has the wind in its sails given its portfolio (bitters) and geographic profile (low exposure to emerging markets). We also stated that following the strong deleveraging in 2015 the group was now able to return to its previous strategy of generating half of its growth through acquisitions.
- The first year of our DCF simulation is 2017 as this will be the first year of consolidation. We have lifted our Fair Value from EUR8.4 to EUR9.4.
- At yesterday's share price, the stock is trading on EV/EBIT multiples of 15.9x for 2016 and 13.6x for 2017e, 11% and 17% below the peer average.

NEXT CATALYSTS

- The group will hold an annual shareholders' meeting on 29th April
- Q1 2016 sales are due on 9th May

Acquisitions of Campari before SPML

Target	Amount	EV/EBITDA
Skyy Spirits	EUR399m	10.8x
Barbero 1891 (Aperol)	EUR147.1m	11.6x
Glen Grant, Braemar brands, Old Smuggler	EUR130m	6.6x
Cabo Wabo Tequila	EUR75m	11.8x
Destiladora San Nicolas	EUR22.2m	10x
Wild Turkey	EUR418.4m	12x
Carolans, Frangelico, Irish Mist	EUR128.2m	7.5x
Sagatiba	EUR26.1m	13x
Lascelles deMercado	EUR330m	15x
Forty Creek Distillery	EUR120.5m	14.5x
Fratelli Averna	EUR103.7m	9.2x
2001-2014	**Total amount spent**	**EUR1.9bn**
	Multiple average	**11.1x**

Source: Campari, Bryan, Garnier & Co

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Luxury & Consumer Goods

Safilo

Price EUR8.69

Heading in the right direction but the road is still long

Fair Value EUR12,5 vs. EUR14 (+44%) **BUY**

Bloomberg	SFL IM
Reuters	SFLG.MI
12-month High / Low (EUR)	15.1 / 7.4
Market Cap (EURm)	544
Ev (BG Estimates) (EURm)	724
Avg. 6m daily volume (000)	132.6
3y EPS CAGR	-9.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	13.0%	-12.8%	-20.2%	-18.9%
Consumer Gds	7.5%	0.4%	5.7%	-3.5%
DJ Stoxx 600	10.3%	-1.4%	-2.5%	-5.8%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	1,179	1,279	1,340	1,267
% change		*8.5%*	*4.7%*	*-5.4%*
EBITDA	111	82.4	114	97.6
EBIT	75.3	0.8	73.7	59.6
% change		*-98.9%*	*NM*	*-19.1%*
Net income	39.0	-52.3	40.2	34.6
% change		*NM*	*NS*	*-14.0%*

	2014	2015e	2016e	2017e
Operating margin	6.4	0.1	5.5	4.7
Net margin	3.3	-4.1	3.0	2.7
ROE	4.0	-5.6	4.1	3.4
ROCE	4.0	0.2	4.1	3.4
Gearing	16.8	19.2	14.1	10.2

(EUR)	2014	2015e	2016e	2017e
EPS	0.71	0.11	0.70	0.52
% change	*-*	*-84.5%*	*NM*	*-25.2%*
P/E	12.2x	78.4x	12.5x	16.7x
FCF yield (%)	NM	NM	4.6%	9.8%
Dividends (EUR)	0.10	0.13	0.16	0.20
Div yield (%)	1.2%	1.5%	1.8%	2.3%
EV/Sales	0.6x	0.6x	0.5x	0.5x
EV/EBITDA	6.4x	8.8x	6.0x	6.6x
EV/EBIT	9.4x	870.8x	9.3x	10.8x

At the analysts' meeting yesterday, Safilo reviewed the commercial reorganisation and transformation plan initiated in 2015. Although the measures are part of the 2020 Strategic Plan, they had a more painful impact than initially expected due to some headwinds (proprietary brands, Asia-Pacific). For 2016, further question marks remain (e.g.: relaunch of Carrera, normalisation in Asia-Pacific, Gucci transition), hence the 8% downward revision to our 2016 adj. assumptions, although we remain convinced that sales and earnings momentum will improve this year, thanks also to new catalysts (Givenchy, Swatch, Havaianas). FV reduced to EUR12.5 but Buy recommendation maintained.

ANALYSIS

- **Licensed brand PF (+15% FX-n) outperformed the proprietary brands (-2.5%).** Indeed this contraction partly explains the flat organic growth in 2015. The brand rebuild at **Carrera** (HSD decline) is proving to be more difficult than expected, especially in sunglasses (~50% of sales). **Polaroid** and **Smith** both posted low single-digit increases, the former suffering from distributor exits in China and Russia while the latter was hampered by the sluggish snow season in the US. Although it was only the first year of the Strategic Plan, this underperformance might cause concerns about the chances of reaching the 2020 target (proprietary brands to account for 40% of sales vs. 25% in 2014), especially since Safilo has welcomed four new licences over the past months.

- **Asia-Pacific: stabilisation expected for 2016 but visibility is still low.** Much of the 20.5% FX-n decrease in 2015 was a self-inflicted decline caused by the commercial and business reorganisation there. However the group was more sensitive to the market slowdown than Luxottica (+10% in Asia-Pacific excl. Australia, +15% in China) which cut prices by 10-15% in Q3 2015. **2016 outlook:** management confirmed that the reorganisation was complete and guided on a stabilisation even if he anticipates more challenging market conditions there, highlighting that visibility in this region is quite low.

- **Sunny outlook for the licensed brand PF.** Note that the 15% FX-n growth was broad-based between Dior, Fendi, Jimmy Choo and Céline (all of them grew DD), while Future Core (MaxMara, Hugo Boss, Kate Spade, etc.) increased low single-digit. Moreover, the new **Givenchy** license had a promising start to the year and this licence will alone offset the negative impact from the loss of Kering's three small licences. Safilo is ready to launch **Swatch** in April (first available at Solstice and in Swatch's own stores) and **Havainas** in H2 2016 (first in Brazil then global roll-out in 2017).

- **Transition year for Gucci:** in 2015, sales of the Gucci licence dropped double-digits (now less than 20% of group sales) and this trend will continue in 2016 as Kering Eyewear starts collecting orders from August '16 (US) and October '16 (RoW). We anticipated this decline but we might underestimate its impact on the group's performance if the momentum of proprietary brands does not accelerate in 2016, hence our more cautious organic growth forecast to ~5% vs. 6% previously.

- **Transformation projects weighed on 2015 margins, first signs of turnaround are for 2016.** Safilo already reaped fruits of its commercial reorganisation as the DSO reduction led to a positive inflow of EUR32.7m from NWC. The group has implemented numerous initiatives for a leaner and more efficient cost structure, and these are advancing according to plan (e.g.: five distribution centres are to be closed down in 2016 to 14, 2020 objective: six, integrated supply chain planning and *Eyeway* IT project, etc.) particularly weighed on the group's profitability in a context of a sales contraction at constant currency (= margin squeeze). **For 2016:** as a consequence of the 2015 performance and our more cautious 2016 LFL growth assumption, we are reducing our adj. EBITDA forecast by 7%. Yet it still implies 110pb improvement in the adj. EBITDA margin (to 9.1%) since some headwinds will gradually ease off such as obsolescence provisions or the FX impact (-70bp in 2015).

  Our 2016 reported EBITDA now factors one-off costs of EUR8m (total of EUR20m) relating to the cost-savings programme announced yesterday. The group expects cumulated savings of EUR25-30m by 2019, o/w EUR2-3m this year and EUR10-15m in 2017 (*see. graph overleaf*).

(Continued on next page)

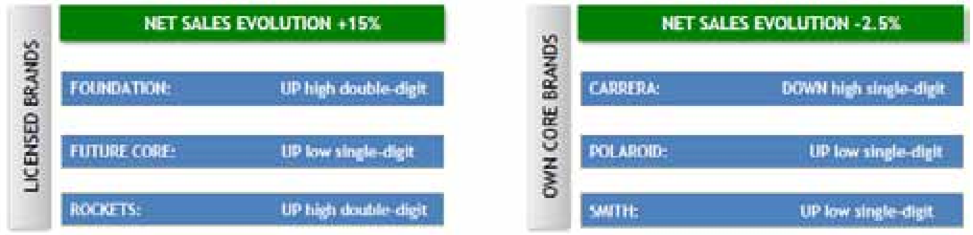
VALUATION

- We appreciated the comprehensive review of 2015 achievements and the presentation of growth catalysts for 2016 but have reduced our FV to EUR12.5 vs. EUR14 to reflect adjustments to our 2016 assumptions in view of remaining question marks (rebound of Carrera, normalisation in Asia-Pacific and negative impact from the Gucci transition).
- Arguably, we upgraded our recommendation in order to play the first positive results of the initiatives implemented last year, but these were ultimately longer in coming. However we believe, like management, that top line and earning trends will improve this year, also driven by the four new licences (2016: Givenchy, Swatch, Havaianas / 2017: Elie Saab very limited volumes). We maintain our Buy recommendation.

NEXT CATALYSTS

- Safilo is due to release its Q1 2016 results on 10th May.

Table 1: "Going-forward" PF performance: breakdown between licensed and proprietary brands:



Source: Company Data

Table 2: Cost-savings target of the overhead productivity plan

Source: Company Data

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Healthcare

Ablynx

Price EUR12.25

Feedback from roadshow with CEO: the tip of the iceberg

Fair Value EUR18 (+47%) **BUY**

Bloomberg	ABLX BB
Reuters	ABLX.BR
12-month High / Low (EUR)	16.1 / 9.1
Market Cap (EURm)	671
Ev (BG Estimates) (EURm)	823
Avg. 6m daily volume (000)	170.0
3y EPS CAGR	15.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	17.2%	-11.3%	1.9%	-23.0%
Healthcare	6.7%	-4.4%	-7.1%	-9.7%
DJ Stoxx 600	10.3%	-1.4%	-2.5%	-5.8%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	77.5	81.6	39.6	54.3
% change		*5.2%*	*-51.4%*	*37.0%*
EBITDA	-15.6	-21.9	-64.3	-44.3
EBIT	-17.0	-23.3	-65.0	-45.3
% change		*-37.6%*	*NS*	*30.4%*
Net income	-54.5	-60.9	-102.6	-82.9
% change		*-11.7%*	*-68.4%*	*19.2%*

	2015	2016e	2017e	2018e
Operating margin	-21.9	-28.6	-164.1	-83.4
Net margin	-70.3	-74.7	-258.9	-152.7
ROE	-195.4	184.5	75.7	37.9
ROCE	NM	NM	NM	NM
Gearing	NM	NM	NM	NM

(EUR)	2015	2016e	2017e	2018e
EPS	-1.01	-1.13	-1.90	-1.53
% change	-	*-11.7%*	*-68.4%*	*19.2%*
P/E	NS	NS	NS	NS
FCF yield (%)	NM	NM	NM	NM
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	7.6x	10.1x	20.6x	15.1x
EV/EBITDA	NS	NS	NS	NS
EV/EBIT	NS	NS	NS	NS

We hosted ABLYNX' Roadshow in Paris and have returned increasingly confident in the company's upcoming catalysts. CEO, Edwin Moses provided details regarding the filing strategy for Capla and ongoing interations with ABBV for ALX-0061. Early stage programmes and opportunities confirm that the company's pipeline is significantly undervalued.

ANALYSIS

- Results from the Caplacizumab HERCULES phase III trial that should support the US filing are well on track and are expected towards H2 2017, with roughly 2/3rds of the 80 centers opened (EU filing for conditional approval in H1 2017). We believe that two recent events should support the company's filing strategy. Firstly, the publication and supportive editorial in the NEJM in Feb. 2016 should help to gain further recognition from KOL and educate both regulators and physisicans for which treatment regarding acquired Thrombotic Thrombocytopenic Purpura (aTTP, rare disorder of blood coagulation) are not standardised in each and every treatment center yet. Secondly, and following the nomination of a new CMO (Dr. Robert K. Zeldin, ex-Merck & Co and Novartis) in Nov. 2016, a post-hoc analysis on the TITAN trial which already released positive results in 2014 has been carried out. The endpoint of this post-hoc analysis is a composite endpoint of adverse events observed during the phase II trial (death, TTP recurrence, AMI ect.), which highlights the statistical significance between the active and placebo groups, if it had been used as a prospective one (p=0.0006). In the case of an orphan disease with a high unmet medical need, we consider this data should not be overlooked by the regulator and might ease interaction (although not representing the backbone of the filing case). As a reminder, we would expect Ablynx to retain the full value of the product. The stand-alone strategy to be adopted should be based on a hybrid sales organisation (30-40 direct sales reps and 60-70 sales reps via a contract sales organisation).

Component	Caplacizumab N=35	Placebo N=37
Death	0	2
TTP recurrence	3	11
Acute myocardial infarction	0	2
Cardiac failure	0	1
Deep venous thrombosis	0	2
Ischaemic stroke	0	1
Pulmonary embolism	1	1
TOTAL	4* (11%)	16* (43%)

* A subject may have experienced more than one event

Had the composite endpoint been prospectively defined, the difference between both groups would have been statistically significant (post-hoc nominal p-value of 0.006).

- ALX-0171 phase IIa trial in RSV-infected infants should read out in Q2. As a reminder, the inclusion age has been lowered to 1 month which enabled Ablynx to recruit an extra cohort of infants aged 1 to 5 months. Edwin Moses seemed excited about the opportunity for Ablynx to penetrate the RSV market which features a high unmeet medical need. High differentiation vs. available treatments or those in development (nebulisation) as well as the potential to address three other market subsegments reassured us as to the product's ability to reach peak sales of EUR1.3bn (BGe). Indeed, beyond the hospitalised infants being targeted by the company at the moment (roughly 30,000 hospitalizations / year), three other populations might be of interest. Hospitalised elderly people as well as at-home infants and the elderly. Note that although the company could address the first population on a standalone basis, a partner might be needed to reach the "at-home" market. Initiating clinical trials in this setting could maximise the value of a potential commercialisation/development deal. Each other market subsegment could be valued at around EUR1-2bn.

- AbbVie's potential opt-in decision for ALX-0061 in RA is expected to occur in Q4, i.e. after publication of phase IIb results for both the monotherapy and combination with MTX trials expected in the summer. Recently published results which favourably compared Sarilumab (Sanofi/Regeneron IL-6R) to adalaimumab highlighted the need for ABBV to have an IL-6 compound to be able to face tough competition in the RA space and Humira going off-patent. We would expect ALX-0061 to differentiate on 1/ efficacy with ACR50 scores showing responder rate of 63% and 75% at the 1mg/kgQ4W and 3mg/kgQ4W doses in phase IIa trial i.e. results +/-25% superior to other IL-6 compound marketed or in development. 2/ safety, as no LDL increase nor neutropenia has been observed in phase IIa. Milestone upon in-licensing from ABBV would be USD75m. Will the large bitoech be willing to throw some sand into the wheels of its future BD activities with another opt-out, should ALX-0061 results compare well with the

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competition?

- Partner Merck KGaA should release phase IIa results from anti IL-17A/F in psoriasis shortly. We would wait for the results before integrating any potential from the product, as psoriasis has become a highly competitive market.
- Early programmes should still be in the spotlight, especially the partnership with Merck & Co in Immuno-oncology. Exclusivity in I-O allows for transparency and rapid interections in between the two companies. Next milestones might well be the announcement of pre-IND studies in late 2016/early2017 (~12 months before the first compound reach the clinic). Recall that Keytruda was brought to the market 4-5 years following initiation of phase I trial and that although being guess/examples at the moment, the robustness of Ablynx' nanobodies could features "exotic" administration pathways in I-O such as nebulization in NSCLC or cream in melanoma.

VALUATION

- We reiterate our BUY rating and EUR18 Fair Value.
- Cash burn for the year is expected to be within the EUR65-75m range (cash position by 2015 year end was EUR236.2m)

NEXT CATALYSTS

- **Q1/Q2 2016:** phase Ib results from anti-IL17A/F in psoriasis (Merck KGaA) and results from phase IIa for ALX-0171 in RSV-infected infants.
- **Q3 2016**: ALX-0061 phase IIb results (MTX combo and monotherapy trials).
- **H2 2016**: ABBV's opt-in decision for ALX-0061 and initiation of phase IIb for ALX-0171 in RSV

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TMT

ARM Holdings

Price 986.50p

Bloomberg	ARM.LN
Reuters	ARM.L
12-month High / Low (p)	1,205 / 848.5
Market Cap (GBP)	13,894
Ev (BG Estimates) (GBP)	12,927
Avg. 6m daily volume (000)	3,840
3y EPS CAGR	17.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	10.5%	-6.2%	0.6%	-5.1%
Semiconductors	12.5%	-3.7%	0.6%	-3.5%
DJ Stoxx 600	5.9%	-5.2%	-4.4%	-6.8%

YEnd Dec. (GBPm)	2014	2015e	2016e	2017e
Sales	795.2	965.8	1,104	1,226
% change		*21.5%*	*14.3%*	*11.1%*
EBITDA	437	543	611	692
EBIT	400.4	498.1	559.6	634.9
% change		*24.4%*	*12.4%*	*13.5%*
Net income	342.8	428.1	481.2	551.2
% change		*24.9%*	*12.4%*	*14.5%*

	2014	2015e	2016e	2017e
Operating margin	50.3	51.6	50.7	51.8
Net margin	43.1	44.3	43.6	45.0
ROE	16.7	18.7	17.4	17.3
ROCE	36.6	46.7	53.2	62.5
Gearing	-43.7	-53.0	-61.2	-67.6

(p)	2014	2015e	2016e	2017e
EPS	24.12	30.21	33.95	38.89
% change	-	*25.2%*	*12.4%*	*14.5%*
P/E	40.9x	32.7x	29.1x	25.4x
FCF yield (%)	0.0%	0.0%	0.0%	0.0%
Dividends (p)	6.06	7.37	9.43	11.70
Div yield (%)	0.6%	0.7%	1.0%	1.2%
EV/Sales	16.6x	13.4x	11.4x	9.9x
EV/EBITDA	30.3x	23.8x	20.6x	17.6x
EV/EBIT	33.0x	26.0x	22.5x	19.2x

ARM partners with TSMC for server chips

Fair Value 1310p (+33%) **BUY**

Yesterday, ARM announced the extension of previous collaborations in leading-edge process technology with TSMC. The IP vendors will now work on the 7nm node with one of the largest independent foundries. The group said it will focus on optimised high performance SoC for data centers and network infrastructure which is seen as a high growth segment. Note that last year, TSMC announced it would start 7nm chips in 2017 with tangible volume production expected for 2018. This matches our expectations of a take-off in ARM server chips perfectly. We remain a strong buyer of the stock and are maintaining our FV of 1,310p.

ANALYSIS

- **Yesterday, ARM and TSMC announced an expansion of their collaboration in leading edge semiconductor process technology.** More precisely, the two groups announced a multi-year agreement to collaborate on 7nm FinFET process. We understand that they will continue to work on mobile chips which used to be among the drivers for new process technologies. However, in our view, ARM and TSMC will also focus on chips for next-generation networks and data centers. ARM said it is investing in technology designed specifically for data-centers and network infrastructure, and optimised for TSMC 7n FinFET.
- **A perfect technological fit**. Note that last year, TSMC announced it would start 7nm chips in 2017 with tangible volume production expected for 2018. This matches perfectly our expectations of a take-off of ARM server chips (see our initiation report). This also fits server chips vendors (such as Qualcomm, customer of TSMC) roadmap and target in this segment. Indeed, Server is a high growth segment and our discussions at MWC 2016 confirm that customers are looking for an alternative to high priced Intel processors.
- **This is not the first time and it has been a success.** Previously, ARM and TSMC partnered on leading-edge technologies for 16nm and 10nm FinFET nodes. The two companies were able to start test production based on ARM Cortex-A72 cores in 16nm and leverage this know-how to launch volume production (such as Apple A9 chip).

VALUATION

- **We remain strong buyers of the stock.** We believe the market fears of a slowdown due to smartphone weakness is overdone. In our view, Q4 results (in line) and Q1 2016 guidance (in line) proved the strong resilience of ARM business. In addition, the group's diversification continues and this collaboration with TSMC is further proof of a strengthening ecosystem for ARM based server chips and matches our scenario. Indeed, this news comes after fabless players (such as Qualcomm) were rumoured to have introduced ARM based processors.
- **ARM's shares trade at a 2016e P/E ratio of 29.1x, which represents a strong discount compared to the historical average of 39.3x (based on 5y historical data) while the group profile is unchanged.**

NEXT CATALYSTS

- 20th April 2016: Q1 2016 results.
- 28th April 2016: Annual General Meeting.

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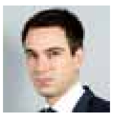

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Luxury & Consumer Goods

Grandvision

Price EUR26.03

FY15 results: Margin miss only caused by the dilutive impact from acquisitions

Fair Value EUR29,5 (+13%) **BUY**

Bloomberg	GVNV NA
Reuters	GVNV AS
12-month High / Low (EUR)	27.7 / 21.3
Market Cap (EUR)	6,622
Ev (BG Estimates) (EUR)	7,377
Avg. 6m daily volume (000)	107.5
3y EPS CAGR	16.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.3%	2.7%	14.6%	-5.9%
Consumer Gds	3.5%	-2.8%	3.8%	-4.1%
DJ Stoxx 600	5.9%	-5.2%	-4.4%	-6.8%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	2,817	3,209	3,455	3,618
% change		*13.9%*	*7.6%*	*4.7%*
EBITDA	449	519	572	619
EBIT	288.6	361.6	402.6	442.0
% change		*25.3%*	*11.4%*	*9.8%*
Net income	161.2	222.1	250.8	280.0
% change		*37.8%*	*13.0%*	*11.6%*

	2014	2015e	2016e	2017e
Operating margin	10.2	11.3	11.7	12.2
Net margin	5.7	6.9	7.3	7.7
ROE	25.9	27.9	25.9	24.7
ROCE	17.6	21.0	23.1	25.3
Gearing	137.6	89.8	57.4	35.6

(EUR)	2014	2015e	2016e	2017e
EPS	0.70	0.89	0.99	1.10
% change	-	*27.2%*	*11.1%*	*11.6%*
P/E	37.3x	29.3x	26.4x	23.6x
FCF yield (%)	3.4%	3.7%	4.2%	4.6%
Dividends (EUR)	0.00	0.22	0.35	0.39
Div yield (%)	NM	0.8%	1.3%	1.5%
EV/Sales	2.7x	2.3x	2.1x	1.9x
EV/EBITDA	16.8x	14.2x	12.6x	11.4x
EV/EBIT	26.1x	20.4x	17.9x	15.9x

After reporting 2015 comparable growth of 4.1% on 21st January, FY 2015 results were released this morning: FY sales increased 13.8% to EUR3,205m (CS: EUR3,203m) while adj. EBITDA reached EUR512m, slightly below expectations (CS: EUR522m) only because of the dilutive impact from acquisitions as EBITDA grew 9.2% organically vs. 5.3% for the top line. As such, adj. EBITDA margin remained flat at 16% (BG: 16.2%e / CS: 16.3%). MT targets are reiterated (sales growth +5% excl. large acquisitions and adj. EBITDA to grow in the high single-digits). We recommend that investors take advantage of any price weakness as the growth model remains intact. Conference call today at 8am GMT/9am CET. Buy recommendation and FV of EUR29.5 confirmed.

ANALYSIS

- **FY revenue increased 13.8% to EUR3,205m (SSSG: +4.1%).** As announced in January, comparable growth slowed to 2.2% in Q4 (vs. +3.7% in Q3) given a challenging comparison base (Q4: +6.1% vs. +3.8% in Q3). As such, **organic growth** reflected the same trend (+3.4% vs. +4.9% in Q3) and the **perimeter impact** only amounted to 5.4% this quarter after +8.4% in Q3 as the US chain *For Eyes* (sales of ~USD100m) was consolidated since 1st December 2015.

- **Adj. EBITDA came in at EUR512m (+13.8% / +9.2% organically) vs. CS of EUR522m.** The margin remained flat at 16% (BG: 16.2%e / CS: 16.3%e) but **profitability would have amounted to 16.6% (+60pb) stripping out acquisitions that had a dilutive impact**. The stand-alone performance was driven by robust comparable growth (operating leverage) and ongoing efficiency gains thanks to the global platform. In Q4 alone, profitability narrowed 50bp to 14.2% after +10bp in 9M. Below the adj. EBITDA item, non-recurring charges of EUR5.5m for the FY were related to legal and regulatory provisions and pension arrangements in the Netherlands.

GrandVision Q4 and 2015 results:

EURm	Q4 15	2015
Net sales	**786**	**3,205**
Reported growth (%)	*8.8*	*13.8*
Comparable growth (%)	*2.2*	*4.1*
Adj. EBITDA *	**111**	**512**
Adj. EBITDA margin (%)	14.2% (-50bp)	16.0% (=)

* *After "Other reconciling items"* *Source: Company Data*

- By region: FY sales in the **G4** segment rose by 8.6% to EUR1,976m, including a 4.9% organic growth and SSSG of 4.1%. In Q4, comparable growth accelerated to 3% (vs. 1.9% in Q3) despite a demanding comparison base (Q4 14: +5.9% vs. +3.7% in Q3 14) thanks to a broad-based performance in all markets. The margin expanded 30bp over 2015 and remained stable in Q4.

EURm – G4	Q4 15	2015
Net sales	**485**	**1,976**
Reported growth (%)	*6.6*	*8.6*
Comparable growth (%)	*3.0*	*4.1*
Adj. EBITDA	**93**	**401**
Adj. EBITDA margin (%)	19.2% (=)	20.3% (+30bp)

Source: Company Data

- Revenue in the **Other Europe** segment amounted to EUR875m, up 19.5% as reported and 4.3% organically, while comparable growth increased 3.2% following a 0.7% decline in Q4 due to soft activity in Italy and tough comps in Northern Europe last year. This soft top-line trend and the dilutive impact from the acquisitions (Italy and Turkey) caused a 20bp decrease in adj. **EBITDA margin** to 15.4% (-80bp in Q4).

(Continued next page)

EURm – Other Europe	Q4 15	2015
Net sales	**207**	**875**
Reported growth (%)	*14.1*	*19.5*
Comparable growth (%)	*-0.7*	*3.2*
Adj. EBITDA	**30**	**135**
Adj. EBITDA margin (%)	14.5% (-80bp)	15.4% (-20bp)

Source: Company Data

- Sales in **Americas & Asia** increased 33.6% to EUR354m. SSSG amounted to 6.6% over the year following a 5.6% increase in Q4 only. GrandVision reported high-single-digit comparable growth in Latin America which offset the mid-single-digit decline in Russia. The gradual implementation of the global platform and the ongoing integration of the new chains contributed to the 40bp-improvement in the **adj. EBITDA margin** to 2.3% but again, **one-off costs (EUR3m) related to the acquisition of For Eyes hampered the profitability in Q4.**

EURm – Americas & Asia	Q4 15	2015
Net sales	**94**	**354**
Reported growth (%)	*9.7*	*33.6*
Comparable growth (%)	*5.6*	*6.6*
Adj. EBITDA	**-3**	**8**
Adj. EBITDA margin (%)	-2.9% (-390bp)	2.3% (+40bp)

Source: Company Data

- **Improving Financial Position.** FCF amounted to EUR220m (fairly stable vs. 2014) and following the dividend payment of EUR35m last September and the cash outflow related to acquisitions (EUR138m), net debt slightly increased to EUR941m from EUR922m but the leverage ratio declined to 1.8x vs. 2.1x the prior year.

VALUATION

- Given a quite resilient performance ytd (-6%) and in light of this margin miss, we expect the share price to come under pressure today. Since this stable profitability was only caused by a dilutive impact from acquisitions and the underlying trends (+60bp) prove that the business model is efficient, we recommend that investors take advantage of any weakness.
- GrandVision's 2016e PEG of 2.4x trades in line with Luxottica but with a slight discount relative to Essilor (2.5x) and offers a significant discount relative to its most direct peer, Fielmann (3.8x) despite more appealing growth prospects (2015-18e EPS CAGR of 11.3 vs. 7.8% for Fielmann).

NEXT CATALYSTS

- Analysts' Conference call today at 8am (GMT)/ 9am (CET) // Q1 Trading Update on 29th April.

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Healthcare

Transgene

Price EUR2.90

Data from combinations will be key (full report to be released today)

Fair Value EUR4.5 (+55%) **CORPORATE**

Bloomberg	TNG.FP
Reuters	TRNG PA
12-month High / Low (EUR)	6.7 / 2.4
Market Cap (EURm)	112
Ev (BG Estimates) (EURm)	169
Avg. 6m daily volume (000)	236.9
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.7%	18.9%	-13.7%	14.6%
Healthcare	2.4%	-8.1%	-8.8%	-10.7%
DJ Stoxx 600	5.9%	-5.2%	-4.4%	-6.8%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	0.0	0.0	0.0	
% change		*NM*	*NM*	
EBITDA	-33.2	-25.8	-23.8	
EBIT	-35.8	-35.1	-26.0	
% change		*2.1%*	*25.8%*	
Net income	-37.9	-36.1	-27.0	
% change		*4.9%*	*25.1%*	

	2015	2016e	2017e	2018e
Operating margin	NM	NM	NM	
Net margin	NM	NM	NM	
ROE	-142.8	379.2	74.0	
ROCE	-73.1	-70.5	-53.5	
Gearing	83.4	-604.3	-229.4	

(EUR)	2015	2016e	2017e	2018e
EPS	-0.98	-0.94	-0.70	
% change	-	*4.9%*	*25.1%*	
P/E	NS	NS	NS	
FCF yield (%)	NM	NM	NM	
Dividends (EUR)	0.00	0.00	0.00	
Div yield (%)	NM	NM	NM	
EV/Sales	NS	NS	NS	
EV/EBITDA	NS	NS	NS	
EV/EBIT	NS	NS	NS	

Admittedly, the company has been through some pretty tumultuous times recently, hence the need to initiate a restructuring plan. But what's next? In our opinion, the future of Transgene lies in the different Phase I/II evaluating its lead compound in combination with PD-1/PD-L1 blockers (and for which top-line results are expected by the end of 2017). Our Fair Value is EUR4.5.

ANALYSIS

- **TG4010's future lies in its potential combination with checkpoint blockers.** The dataset from the TIME study was definitely of quality, but the treatment paradigm has changed and will continue to. Targeting PD-1 or PD-L1 has resulted in practice-changing observations of safety coupled with impressive and durable anti-tumor activity in both already pre-treated and newly diagnosed patients with NSCLC (non-small cell lung cancer). So just like Bavarian Nordic did with its cancer vaccine (ProstVAC), we assume Transgene will need some proof-of-concept data implying TG4010 in combination with these immune checkpoint blockers to attract the attention of potential partners.

- **PexaVEC as a credible plan B**. While hepatocellular carcinoma (HCC) was initially seen as a very (too?) challenging indication for immuno-oncology agents, whether for checkpoint blockers or oncolytic virus, we have the feeling that our fears were overdone as 1) nivolumab managed to induce tumor regression in yet pre-treated patients (overall response rate: 20%) in a small study; 2) back in 2015, AstraZeneca and MedImmune entered into a licensing agreement with Omnis Pharmaceuticals to develop an oncolytic virus for the treatment of HCC and other cancers that have metastasized to the liver. Apart from that, we see (i) the recent approval of Amgen's Imlygic (talimogene laherparepvec) and (ii) the responses obtained in combo with ipilimumab (anti-CTLA-4) in first-line melanoma as positive catalysts for the whole therapeutic class.

VALUATION

- **Our FV of EUR4.5 is derived from an SOTP**. Without entering into too much detail, we are assuming 1) that value creation will primarily stem from TG4010 and PexaVEC, both as part of a combination regimen with a checkpoint blocker (respective peak sales: EUR500m and EUR400m in their lead indication); and 2) a probability of success of 35% for all these developments. Our WACC is 16.0%.

NEXT CATALYSTS

- Q3 2016: Read-across from Amgen's Imlygic (talimogene laherparepvec) in combination with pembrolizumab (anti-PD-1)?

- 2017/18: Phase I/II results for PexaVEC and TG4010 in combination with immune checkpoint inhibitors.

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TMT

Ubisoft

Price EUR27.07

Bloomberg	UBI.FP
Reuters	UBIP.PA
12-month High / Low (EUR)	28.1 / 14.9
Market Cap (EURm)	3,010
Ev (BG Estimates) (EURm)	3,065
Avg. 6m daily volume (000)	406.9
3y EPS CAGR	22.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	38.5%	0.8%	66.6%	1.5%
Softw.& Comp.	7.4%	-2.1%	14.1%	-3.5%
DJ Stoxx 600	5.9%	-5.2%	-4.4%	-6.8%

YEnd Mar. (EURm)	03/15	03/16e	03/17e	03/18e
Sales	1,464	1,365	1,706	1,877
% change		*-6.7%*	*25.0%*	*10.0%*
EBITDA	650	585	730	853
EBIT	161.1	138.0	218.0	289.9
% change		*-14.4%*	*58.0%*	*32.9%*
Net income	103.1	83.1	141.0	190.5
% change		*-19.4%*	*69.7%*	*35.1%*

	03/15	03/16e	03/17e	03/18e
Operating margin	11.0	10.1	12.8	15.4
Net margin	5.9	5.9	8.3	10.2
ROE	8.9	7.6	11.7	13.7
ROCE	12.7	8.0	13.8	18.5
Gearing	-20.2	5.2	-13.5	-25.6

(EUR)	03/15	03/16e	03/17e	03/18e
EPS	0.91	0.73	1.25	1.68
% change	-	*-19.4%*	*69.7%*	*35.1%*
P/E	29.7x	36.9x	21.7x	16.1x
FCF yield (%)	6.5%	NM	7.1%	6.3%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	1.9x	2.2x	1.7x	1.4x
EV/EBITDA	4.3x	5.2x	3.9x	3.1x
EV/EBIT	17.5x	22.2x	13.1x	9.2x

Play again or end of the independent game?

Fair Value EUR34 (+26%) **BUY**

During meetings with Ubisoft's management (CFO and IR) at our TMT conference, half of the time was spent discussing the company on a stand-alone basis, and the other half on Vivendi's entry into the share capital with the direct and indirect implications. Ubisoft again stated that its FY 2018/19 financial targets are based on cautious assumptions and that it intends to remain independent in the interests of all of its shareholders. We maintain our Buy rating and FV of EUR34 (our FV is a minimum price in the case of takeover bid). *Full FOCUS TMT Conference out today.*

ANALYSIS

- **Ubisoft is currently one of the main video game publishers worldwide.** It boasts three of the Top 4 biggest-ever new IPs in this demanding industry (in our view, thanks to its in-house development strategy in particular). The group is benefiting from the disappearance of some of its competitors and from its improvement towards digital. Following its latest successful release, *Tom Clancy's The Division*, **the group is demonstrating that it is one of the few players able to operate big online games** (high-quality games, with strong online infrastructure and services). This is a **major point to prepare for the group's future and make its FY 2018/19 targets credible** (digital is its main operating leverage, and notably digital contents).
- **Our meetings with Ubisoft have strengthened our view on the current fiscal year**, namely that thanks to *Far Cry Primal* and above all *The Division*, **the group could even meet its previous FY15/16 guidance** (the recent profit warning reducing sales from EUR1,465m to ~1,360m and non-IFRS EBIT from >=EUR200m to ~EUR150m). In addition, **we predict that *The Division* could be the first Ubisoft game in history to reach the 15m unit threshold on a 12-month basis.**
- **Regarding Vivendi,** management said that it did not need Vivendi to continue to grow, and that managing talents in the video game industry is quite different from managing pure creative people in the media world. **We reiterate that a public offer on Ubisoft has to be friendly** and that **it is essential that the CEO remains at the head of the gaming division** (for Vivendi not to take any risk of acquiring an empty shell).

VALUATION

- **We maintain our Buy rating and FV of EUR34** (we value the entire cycle). As a reminder, our FV reflects a minimum price for a potential public offer.
- **Ubisoft boasts positive momentum for coming months:** the next set of figures should probably beat guidance while speculation is increased (Vivendi's interest in GFT and UBI).

NEXT CATALYSTS

- **FY15/16 earnings:** the week of the 9th May.

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Sector View

Software and IT Services

Oracle Q3 results: positive read-across for European Software vendors

	1 M	3 M	6 M	31/12/15
Softw.& Comp. SVS	7.4%	-2.1%	14.1%	-3.5%
DJ Stoxx 600	5.9%	-5.2%	-4.4%	-6.8%

*Stoxx Sector Indices

Companies covered

ALTEN		**SELL**	**EUR47**
Last Price	EUR53,66	*Market Cap.*	*EUR1,806m*
ALTRAN TECHNOLOGIES		**BUY**	**EUR13**
Last Price	EUR11,87	*Market Cap.*	*EUR2,087m*
ATOS		**BUY**	**EUR93**
Last Price	EUR69,77	*Market Cap.*	*EUR7,223m*
AXWAY SOFTWARE		**NEUTRAL**	**EUR24**
Last Price	EUR19,71	*Market Cap.*	*EUR405m*
CAPGEMINI		**BUY**	**EUR93**
Last Price	EUR78,77	*Market Cap.*	*EUR13,563m*
CAST		**BUY**	**EUR3,9**
Last Price	EUR3,38	*Market Cap.*	*EUR55m*
DASSAULT SYSTEMES		**SELL**	**EUR63**
Last Price	EUR70,34	*Market Cap.*	*EUR18,058m*
INDRA SISTEMAS		**BUY**	**EUR11**
Last Price	EUR9,905	*Market Cap.*	*EUR1,626m*
SAGE GROUP		**NEUTRAL**	**570p**
Last Price	601,5p	*Market Cap.*	*GBP6,492m*
SAP		**NEUTRAL**	**EUR74**
Last Price	EUR71,25	*Market Cap.*	*EUR87,531m*
SOFTWARE AG		**BUY**	**EUR34**
Last Price	EUR32,72	*Market Cap.*	*EUR2,585m*
SOPRA STERIA GROUP		**BUY**	**EUR113**
Last Price	EUR104	*Market Cap.*	*EUR2,126m*
SWORD GROUP		**BUY**	**EUR28**
Last Price	EUR23,9	*Market Cap.*	*EUR224m*
TEMENOS GROUP		**BUY**	**CHF53**
Last Price	CHF49,55	*Market Cap.*	*CHF3,349m*

Yesterday evening Oracle reported Q3 sales (FYE 31st May) in line with expectations with cloud SaaS/PaaS sales growth way above company guidance and non-GAAP EPS 3% above consensus expectations and company guidance. The Q4 outlook reflects Oracle's accelerated positive momentum in the cloud, based on strong bookings. A USD10bn share buy-back programme extension was helpful. We view these numbers as a positive read-across for European software vendors.

ANALYSIS

- **Revenues in line, non-GAAP EPS 3% above consensus estimates**. For its quarter ended 29th February 2016, Oracle has reported non-GAAP EPS down 6% (flat at cc) at USD0.64 (i.e. USD0.68 at cc) or 3% above the high-end of company guidance, which was given at cc (USD0.63-0.66), and 3% above consensus (USD0.62). Total revenues were up 1% at cc to USD9.01bn or at the mid-point of the guidance range (0%/+3% at cc) and 1% below consensus (USD9.13bn). Cloud and on-premise software revenues rose 3% cc to USD7.09bn (guidance: +3%/+4%; consensus: USD7.12bn). Hardware product sales were down 8% cc.

- **Q3 details**. At cc, on-premise software sales were flat, with new licences down 11% and maintenance up 5% , cloud SaaS/PaaS sales rose 61% (guidance: +49%/+53% at cc), and cloud IaaS was up 2% (guidance: +3%/+7% at cc). Cloud and on-premise software revenues rose 1% cc (vs. flat in Q2) in the Americas, up 2% at cc (vs. +3% in Q2) in EMEA, and up 13% at cc (vs. +6% in Q2) in Asia Pacific. In SaaS, Oracle added 942 new customers (vs. 857 in Q2) plus 783 customer expansions, of which 213 (vs. 211) in HCM, 465 (vs. 409) in Customer Experience and 334 (vs. 311) in ERP. It now has 1,800+ Cloud ERP customers (vs. 207 for Workday on Financial Management and 2,700 for SAP on S/4HANA including a vast majority of on-premise customers), out of which 1,500 are now live on Fusion (vs. 100+ for Workday). In PaaS, Oracle had 1,143 new customers and has an installed base of c. 5,000 clients out of 310,000 database customers.

  Q4 guidance. For Q4 (May 2016 quarter), management has cut total sales guidance to -2%/+1% at cc (vs. +1%/+3% at cc), with Cloud & On-Premise software guidance shaved to +1%/+2% at cc from +2%/+4% at cc (SaaS/PaaS guidance upped to +57%/+61% at cc from +55%/+59% at cc, IaaS guidance lowered to -1%/+3% at cc from +1%/+5% at cc), and non-GAAP EPS fine-tuned to USD0.82-0.85 from USD0.83-0.86. For Q1 FY17 (August 2016 quarter), Oracle anticipates SaaS/PaaS sales growth above 59% at cc. SaaS/PaaS bookings were up 77% at cc in Q3 (vs. +75% in Q2) and Oracle is on track for its USD1.5bn bookings target. NB. SaaS/PaaS posted a gross margin of 50.8% in Q3 FY16 (+4.1ppt), and Oracle plans to reach 80% as soon as possible.

- **Positive short-term read-across for European Software vendors**. As such, from a short-term perspective we consider this publication is positive for SAP and other European software vendors. Revenue momentum accelerates in the cloud, and there is no longer reluctance for customers to embrace the cloud whatever the geography. However, with an aggressive strategy, Oracle's cloud SaaS/PaaS revenue growth (+61% lfl) remains way above the cloud subscription growth of SAP (est. +32% lfl in Q4 15), Workday (+44% in Q4 FY16) and Salesforce (+31% lfl in Q4 FY16).

VALUATION

European software companies: EV/EBIT multiples of 14.8x for 2016 and 13.8x for 2017.

NEXT CATALYSTS

- Accenture's Q2 results on 24th March before US markets open.
- SAP's Q1 2016 results on 20th April before trading

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Healthcare

Innate Pharma

Price EUR11.88

Bloomberg	IPH FP
Reuters	IPH.PA
12-month High / Low (EUR)	16.4 / 8.0
Market Cap (EURm)	640
Avg. 6m daily volume (000)	382.8

	1 M	3 M	6 M	31/12/15
Absolute perf.	15.5%	-9.3%	-9.5%	-12.3%
Healthcare	2.4%	-8.1%	-8.8%	-10.7%
DJ Stoxx 600	5.9%	-5.2%	-4.4%	-6.8%

	2014	2015e	2016e	2017e
P/E	NS	69.6x	7.2x	4.7x
Div yield (%)	NM	NM	NM	NM

Sixth DSMB meeting for EffiKIR... So far so good

Fair Value EUR19 (+60%) **BUY**

ANALYSIS

- **Innate Pharma has announced that the DSMB (Data Safety Monitoring Board) has completed its sixth assessment of EffiKIR and recommended its continuation without modification**. As a reminder, EffiKIR is a Phase II study evaluating lirilumab as a monotherapy for the maintenance treatment of elderly patients with acute myeloid leukaemia who cannot benefit from a transplant after a first remission (primary endpoint: LFS or Leukaemia-Free Survival). So far so good…
- **More importantly, top-line results are expected in H2 2016**, and we reiterate our confidence in the conclusion of this trial. In addition to the data published by Loredana Ruggeri (Science, 2002), we'd like to remind that a small dose-escalating Phase I showed very encouraging efficacy/safety results with a previous version of "liri" (median PFS: 9.5 months within the high-dose group vs 2.3 months for the low-dose, H: 0.515). Last but not least, it is possible that the delay in publication (which was primarily expected during Q4 2015) is linked to a higher-than-anticipated level of efficacy within the active arm (and we assume the remaining one involves a 1.0mg/kg dose)…

VALUATION

- **BUY reiterated with a FV of EUR19**.

NEXT CATALYSTS

- H2 2016: Phase II results of lirilumab as a monotherapy for the treatment of elderly patients with AML.
- H2 2016: Phase I/II results of lirilumab in combination with BMS' nivolumab (anti-PD-1) in solid tumours and haematological malignancies.

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Utilities

McPhy Energy

Price EUR4.89

Bloomberg	MCPHY FP
Reuters	MCPHY.PA
12-month High / Low (EUR)	8.0 / 4.1
Market Cap (EURk)	44,308
Avg. 6m daily volume (000)	17.80

	1 M	3 M	6 M	31/12/15
Absolute perf.	13.2%	-12.1%	-12.1%	-11.1%
Utilities	2.0%	-4.1%	-0.5%	-5.9%
DJ Stoxx 600	5.9%	-5.2%	-4.4%	-6.8%

	2013	2014	2015	2016e
P/E	NS	NS	NS	15.0x
Div yield (%)	NM	NM	NM	NM

2016, a year of commercial growth?

Fair Value EUR100m **CORPORATE**

ANALYSIS

- French group McPhy posted a poor 2015 operating performance yesterday after market, reflecting still sluggish demand for its new applications. Total income from ordinary operations (including subventions) declined by **26% to EUR6.2m** compared with **EUR8.4m** last year, with revenues rising **21% to EUR3.9m** and other ordinary income falling **55% to EUR2.3m**. After demonstrating the relevance of its solutions on an industrial scale, the group decided not to participate in new subsidised projects, which weighed on the group's total revenues. The positive news is that despite this decline in total revenues, McPhy was able to post a higher EBIT margin (*still negative*), at **-EUR9.5m**, thanks to a stabilisation of staff costs and a strong decline in other operating expenses. In all, the group net loss improved slightly to **EUR9.5m** (*versus -EUR10.6m back in 2014*). During the year, McPhy was able to significantly reduced cash burn **to EUR5.5m**, (*compared to EUR13.1m in 2014*). At 31st December 2015, the Group had cash of **EUR14m**, leading to net debt of -EUR9.6m (*positive net cash position*) that needs to be compared with -**EUR15m** last year.
- As for 2016, the group mentioned sales growth should be high, thanks to a higher level of projects, and moves to strengthen the sales team. **2015 metrics are negative, as anticipated, although we see assume investors will appreciate the massive slowdown in cash burn, and the fairly reassuring outlook for 2016.**

VALUATION

- Corporate, FV @ EUR100m

NEXT CATALYSTS

- 26th July: H1 2016 earnings

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Insurance

Munich Re

Price EUR185.50

Strong solvency, new share buy-back programme, but shy 2016 outlook

Fair Value EUR200 (+8%) **SELL**

Bloomberg	MUV2 GR
Reuters	MUVGn.DE
12-month High / Low (EUR)	205.9 / 158.7
Market Cap (EUR)	30,950
Avg. 6m daily volume (000)	744.9

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.4%	2.0%	11.8%	0.5%
Insurance	8.6%	-9.7%	-4.1%	-11.4%
DJ Stoxx 600	5.9%	-5.2%	-4.4%	-6.8%

	2015	2016e	2017e	2018e
P/E	9.6x	10.8x	10.2x	
Div yield (%)	4.4%	4.4%	4.4%	

ANALYSIS

- Definitive, detailed Q4 2015 numbers were consistent with the preliminary numbers released on 4th February. FY net income was EUR3.11bn vs. EUR3.15bn in 2014. FY combined ratio was 89.7% vs. 92.7% in 2014. Excluding large losses and run-offs, the adjusted FY combined ratio would have deteriorated 90bps to 91.7% after a 200bps deterioration in 2014, highlighting the challenging P&C Re environment. FY investment income was EUR7.5bn, leading to a 3.2% ROI (vs. 3.6% in 2014).
- Solvency II margin at end-2015 was a very strong 302%. Remember that the dividend of EUR8.25 (vs. EUR7.75 last year), offers a 4.4% yield. The current share buy-back programme (EUR1bn before April 2016 AGM) is on track. The company plans to launch a new programme of EUR1bn (3.2% of share capital at current market price), to be implemented before the April 2017 AGM.
- 2016 guidance is for net income of EUR2.3-2.8bn (vs. the consensus at EUR2.7-2.8bn and BG at EUR2.7bn), including a 98% combined ratio in P&C Re vs. 89.7% in 2014 (challenging environment, expected higher natcats and lower run-offs) and a c. 3% ROI vs. 3.2% in 2014.
- Nikolaus von Bomhard, CEO since 2004, will step down in April 2017 at the age of 60 and be replaced by Joachim Wenning (51), currently responsible for the Life Re business and Human Resources. Nikolaus von Bomhard's leadership of the company will be remembered as a great run, and we expect no major shift in strategy, especially in the short term.

VALUATION

- Based on our current estimates, our SOTP valuation is EUR200.

NEXT CATALYSTS

- AGM on 27th April. Q1 2016 numbers on 10th May.

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Business Services

Sodexo

Price EUR95.59

Major FM contract

Fair Value EUR88 (-8%) **NEUTRAL**

Bloomberg	SW FP
Reuters	EXHO.PA
12-month High / Low (EUR)	96.0 / 71.0
Market Cap (EURm)	15,020
Avg. 6m daily volume (000)	315.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.2%	6.7%	28.9%	6.0%
Travel&Leisure	4.5%	-7.0%	-1.2%	-9.2%
DJ Stoxx 600	5.9%	-5.2%	-4.4%	-6.8%

	08/14	08/15e	08/16e	08/17e
P/E	30.2x	20.8x	19.7x	18.3x
Div yield (%)	1.9%	2.3%	2.5%	2.7%

ANALYSIS

- The group announced that it has signed a 10-year contract with **Rio Tinto** to deliver integrated **FM services** in the company's extensive operations in **Australia's Pilbara area**. The contract represents an estimated total amount of **AUD2.5bn (c. EUR1.7bn)**, the largest contract signed by Sodexo proposing a large number of solutions in a challenging environment (Building and Grounds Maintenance, Accommodation and catering services, Cleaning services, Transport services, Property management, Project Management and Integration). The contract will start in H2 2016 with a progressive ramp-up and will contribute 0.9% to revenue growth on a FY year basis.
- **For fiscal 2016**, Sodexo's target is for revenue growth of around 3% and an increase in operating profit of around 8% (excluding currency effects and before exceptional items). Our forecast is based on lfl revenue growth of 3% with an operating result of EUR1,238m before exceptionals (EBIT margin up 35bps at 6.1%). EBIT is expected to be EUR1,138m after EUR100m of exceptional items due to the new plan for simplification and standardisation. Remember that the measures taken should progressively generate annual savings of around EUR200m between now and 2018 when the full benefit will be realised. The implementation of these initiatives will result in exceptional costs over the next 18 months, which are estimated to be EUR200m.

VALUATION

- At the current share price, the stock is trading on 2016e and 2017e EV/EBIT multiples of 12.3x and 10.9x which compare with a median historical level of 10.8x and an 2015-18 CAGR in EBIT of 7.9%. 2016e and 2017e EPS capitalise at respectively 20.9x and 19.3x compared with an 2015-18 CAGR in EPS of 8%

NEXT CATALYSTS

- HY 2015-16 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 64.4% NEUTRAL ratings 28.1% SELL ratings 7.4%

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