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31st March 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17716.66	+0.47%	+1.67%
S&P 500	2063.95	+0.44%	+0.98%
Nasdaq	4869.29	+0.47%	-2.76%
Nikkei	16758.67	-0.71%	-11.32%
Stoxx 600	341.182	+1.30%	-6.73%
CAC 40	4444.42	+1.78%	-4.15%
Oil /Gold			
Crude WTI	38.39	+0.18%	+3.20%
Gold (once)	1226.74	+0.04%	+15.47%
Currencies/Rates			
EUR/USD	1.1355	+1.52%	+4.53%
EUR/CHF	1.0923	+0.08%	+0.45%
German 10 years	0.163	+15.50%	-74.24%
French 10 years	0.421	+1.45%	-57.05%
Euribor	-	+-%	+-%

Economic releases :

Date	
31st-Mar	GB - GfK consumer confidence Survey (0A , -1 E) JP - Housing starts Feb. (7.8%A , -2.4% E) DE - German unemployment rate Mar. (6.2% E) EUZ - CPI y/y Mar. (-0.1%E) EUZ - CPI core y/y Mar. (0.9%E) US - Initial Jobless claims (265K E)

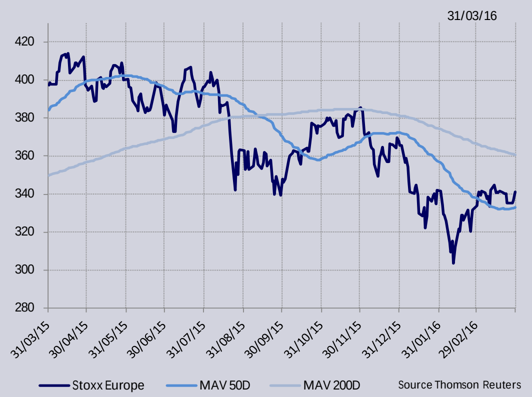
Upcoming BG events :

Date	
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)
28th-Apr	ORPEA (BG Luxembourg with IR)
28th-Apr	ORPEA (BG Luxembourg with IR)

Recent reports :

Date	
29th-Mar	IPSEN Cabozantinib makes Ipsen a different story
23rd-Mar	AMOEBA It's getting closer!
23rd-Mar	Feedback from our TMT Conference in Paris
22nd-Mar	SOPRA STERIA : Flawless integration of Steria so far
22nd-Mar	SOFTWARE AG : From value to growth
22nd-Mar	LUXOTTICA : Turbulence almost over, make the most of it!

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



GAMELOFT — BUY, Fair Value EUR6.7 (-10%)

Gameloft files complaint against the hostile takeover bid by Vivendi

Gameloft filed a complaint yesterday against the declaration of compliance related to the hostile takeover bid by Vivendi. Note also that the Guillemot family has again purchased GFT shares recently at EUR7.33, although we do not believe the members of this concert can reach the 30% threshold. Gameloft's top two shareholders are Vivendi (29.86% of the capital and 26.63% of the voting rights) and the Guillemot family (21.71% and 29.32% respectively). We reiterate our Buy rating and FV of EUR6.7. We still see a fair offer in the range of EUR7.2-8.4 (a fresh increase in the offer price from Vivendi?).

GENMAB — BUY-Top Picks, Fair Value DKK1300 vs. DKK1170 (+53%)

The CASTOR study is positive... A first step towards large market expansion!

Genmab has announced that its Phase III trial evaluating daratumumab in combination with bortezomib and dexamethasone (namely CASTOR) was stopped early for benefit, and met its primary endpoint of improving progression free survival (PFS) vs bortezomib/dexamethasone. This is of course very positive as 1) JNJ (which retains dara's rights) should be able to obtain a first label expansion from the FDA to second-line patients with such data, 2) we are not ruling out increased off-label use of daratumumab in combo with a proteasome inhibitor, whether bortezomib or carfilzomib, in coming months BUY reiterated with a FV of DKK1,300 vs DKK1,170.

METRO AG — Under Review, Fair Value Under Review

A smart move, which does not wipe out operational issues however

Yesterday Metro announced its intention to split into two entities: Média Saturn on the one hand and Real/Cash & Carry on the other. Because we are currently travelling back to the office and until we are materially able to carefully assess the consequences of this deal, we have put both our rating (Sell) and our Fair Value (EUR24) under review.

ORPEA — BUY, Fair Value EUR79 vs. EUR76 (+9%)

Feedback: Top line growth secured with strong margin

2015 was another year of international expansion (total network up 31% o/w which reinforce and secure Ifl group top line with strong margin for the next 3 to 4 years. Expansion risks with 3 new strategic platforms in 2015 seem to be well manage with further investment in IT and a team of over 30 managers dedicated to international. Even if international expansion weighs on short term margin, each new areas offer great opportunity for better results notably with the real estate optimisation and new bolt-on acquisitions. All in all after some adjustments, we are confirming our buy recommendation with a FV increase to EUR79 vs. EUR76.

PERNOD RICARD — BUY, Fair Value EUR113 vs. EUR117 (+13%)

Downwards revisions of consensus could provide an attractive entry point

The growth in 2015/16 and especially in 2016/17 should be lower than previously expected due to China. We revise our EPS estimates by 2% on average over the next two years, which positions us 2% and 4% below market expectations in 2015/16 and 2016/17, respectively. The consensus adjustment could provide an attractive entry point.. We maintain our Buy recommendation but we remove the stock from the top pick list. Our Fair Value is adjusted to EUR113.

RICHEMONT — BUY, Fair Value CHF81 vs. CHF90 (+26%)

Cartier watch inventories buy-back likely in HK....

Given the high level of watch inventories in HK, including for Cartier, we consider that the brand could well clean up its inventories in the trade, particularly in HK, in order to buy back slow moving watches. Although we consider this the right thing to do in the current environment, the move will have an impact on sales and EBIT margin as early as this year (end of March 2016). Consequently, we have cut our FY March 2016 and March 2017 EBIT estimates by 7%. Hence our new CHF82 FV vs CHF90 previously.

PHARMACEUTICALS

An illustration among many of the unsustainability of drug price levels

A one-page report has been published by ACHP, a non-lucrative association that ranks healthcare plans in the US, about the rise in the price of drugs used to treat rheumatoid arthritis. As with other diseases before (MS last December), it illustrates very well how prices have increased over the past few years and how unsustainable this looks to the general population. In a nutshell, it says that innovative new drugs are very good "but what if not everyone can afford them?". We report this chart and the related address of ACHP because we think it is very representative not only of the current debate in the US, but also everywhere in the world, a debate that makes investors anxious over the sector performance in 2016.

In brief...

ALTEN, *Acquisition of ASM Technologies Technological Software business*

TMT

Gameloft

Price EUR7.48

Gameloft files complaint against the hostile takeover bid by Vivendi

Fair Value EUR6.7 (-10%) **BUY**

Bloomberg	GFT FP
Reuters	GLFT.PA
12-month High / Low (EUR)	7.5 / 3.2
Market Cap (EURm)	643
Ev (BG Estimates) (EURm)	606
Avg. 6m daily volume (000)	377.7
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	10.2%	20.6%	127.4%	23.4%
Softw.& Comp.	3.9%	-2.0%	16.4%	-1.8%
DJ Stoxx 600	2.2%	-7.2%	-1.9%	-6.7%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	227.3	256.2	269.0	290.5
% change		*12.7%*	*5.0%*	*8.0%*
EBITDA	13.7	8.0	47.4	59.6
EBIT	-4.2	-1.2	28.0	37.6
% change		*71.4%*	*NS*	*34.2%*
Net income	-5.9	-19.6	19.2	26.6
% change		*NS*	*NS*	*38.7%*

	2014	2015e	2016e	2017e
Operating margin	-1.8	-0.5	10.4	12.9
Net margin	-2.8	-9.4	6.9	9.2
ROE	-4.6	-21.2	14.0	16.7
ROCE	-3.5	-1.1	25.7	30.9
Gearing	-38.6	-32.4	-41.2	-45.4

(EUR)	2014	2015e	2016e	2017e
EPS	-0.07	-0.22	0.22	0.30
% change	*-*	*NS*	*NS*	*38.7%*
P/E	NS	NS	34.5x	24.9x
FCF yield (%)	NM	NM	3.8%	3.9%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	2.6x	2.4x	2.2x	2.0x
EV/EBITDA	42.9x	75.8x	12.4x	9.6x
EV/EBIT	NS	NS	21.0x	15.2x

Gameloft filed a complaint yesterday against the declaration of compliance related to the hostile takeover bid by Vivendi. Note also that the Guillemot family has again purchased GFT shares recently at EUR7.33, although we do not believe the members of this concert can reach the 30% threshold. Gameloft's top two shareholders are Vivendi (29.86% of the capital and 26.63% of the voting rights) and the Guillemot family (21.71% and 29.32% respectively). We reiterate our Buy rating and FV of EUR6.7. We still see a fair offer in the range of EUR7.2-8.4 (a fresh increase in the offer price from Vivendi?).

ANALYSIS

- **Gameloft filed a complaint yesterday before the Court of Appeal of Paris** against the clearance decision relating to the takeover bid filed by Vivendi. It has also brought before the First President of the Court of Appeal of Paris a request for a stay of execution of this clearance decision until the Court has rendered its judgment on the merits. As part of this complaint, Gameloft cites Vivendi's non-compliance with the governing principles of takeover bids, as well as with the legal and regulatory obligations aiming to ensure transparency and to duly inform the market.

- **The Guillemot family has continued to buy back shares**, even since the opening of the takeover offer from Vivendi at EUR7.2. The Guillemot family now owns 18,645,994 Gameloft shares, i.e. 21.71% of the share capital and 29.32% of the voting rights. This was a result of an acquisition of 100,000 Gameloft shares on the market at EUR7.33 by Guillemot Brothers SE that took place on 29th March. As a reminder, Vivendi owns 25,649,006 Gameloft shares, i.e. 29.86% of the capital and 26.63% of the voting rights.

The Guillemot family and Vivendi stakes in Ubisoft and Gameloft

In %	UBISOFT		GAMELOFT	
Main Shareholders	Capital	Voting rights	Capital	Voting rights
Guillemot Family	9.40	16.20	21.71	29.32
Vivendi	15.66	13.90[1]	29.86	26.63

Sources: AMF; Bryan Garnier & Co. ests[1].

- **Our scenario is totally unchanged: 1/** the members of the concert (Guillemot Brothers SE, Guillemot Corp SA, Mrs. Yvette Guillemot, Mr. Claude Guillemot, Mr. Michel Guillemot, Mr. Yves Guillemot, Mr. Gérard Guillemot, Mr. Christian Guillemot and Mrs. Tiphaine Guillemot) plan to continue their purchases depending on market conditions. However, we do not believe they will reach the 30% threshold because they do not have the financial means to launch a mandatory bid on the whole company. **2/** we maintain that Gameloft's mid-term outlook deserves more than EUR7.2 per share. As Vivendi is seeking to acquire Ubisoft, which has to be a friendly move, it must be generous with Gameloft (the Guillemot family runs both companies). As a result, we cannot exclude a fresh increase in the offer price. We estimate a fair offer in the range of EUR7.2-8.4 to really convince shareholders to tender their shares.

VALUATION

- We reiterate our **Buy rating** and **FV of EUR6.7**.
- We estimate a **fair offer in the range of EUR7.2-8.4**.

NEXT CATALYSTS

- **Q1 sales:** 28th April (after trading).

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Analyst :
Richard-Maxime Beaudoux
33(0) 1.56.68.75.61
rmbeaudoux@bryangarnier.com

Sector Team :
Thomas Coudry
Gregory Ramirez
Dorian Terral

Healthcare

Genmab

Price DKK850.00

Bloomberg	GEN DC
Reuters	GEN.CO
12-month High / Low (DKK)	954.0 / 514.0
Market Cap (DKKm)	50,726
Ev (BG Estimates) (DKKm)	47,346
Avg. 6m daily volume (000)	413.3
3y EPS CAGR	-12.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.8%	-8.0%	41.3%	-7.4%
Healthcare	-2.7%	-13.6%	-6.4%	-12.8%
DJ Stoxx 600	0.9%	-8.9%	-0.7%	-7.9%

YEnd Dec. (DKKm)	2015	2016e	2017e	2018e
Sales	1,133	866.7	906.4	1,306
% change		*-23.5%*	*4.6%*	*44.1%*
EBITDA	554	50.1	2.7	351
EBIT	730.4	50.1	2.7	351.2
% change		*-93.1%*	*-94.5%*	*NM*
Net income	587.3	85.1	42.7	396.2
% change		*-85.5%*	*-49.8%*	*NM*

	2015	2016e	2017e	2018e
Operating margin	64.5	5.8	0.3	26.9
Net margin	67.4	9.8	4.7	30.3
ROE	21.9	2.4	1.2	9.9
ROCE	-15,400	44.2	11.1	69.2
Gearing	-100.2	-94.6	-89.4	-85.8

(DKK)	2015	2016e	2017e	2018e
EPS	9.71	1.41	0.71	6.55
% change	-	*-85.5%*	*-49.8%*	*NM*
P/E	87.5x	NS	NS	NS
FCF yield (%)	0.4%	0.0%	0.1%	NM
Dividends (DKK)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	41.7x	54.6x	52.4x	36.2x
EV/EBITDA	85.2x	944.1x	17279.3x	134.7x
EV/EBIT	64.7x	944.1x	17279.3x	134.7x

The CASTOR study is positive... A first step towards large market expansion!

Fair Value DKK1300 vs. DKK1170 (+53%) **BUY-Top Picks**

Genmab has announced that its Phase III trial evaluating daratumumab in combination with bortezomib and dexamethasone (namely CASTOR) was stopped early for benefit, and met its primary endpoint of improving progression free survival (PFS) vs bortezomib/dexamethasone. This is of course very positive as 1) JNJ (which retains dara's rights) should be able to obtain a first label expansion from the FDA to second-line patients with such data, 2) we are not ruling out increased off-label use of daratumumab in combo with a proteasome inhibitor, whether bortezomib or carfilzomib, in coming months. The next step would be the publication of top-line results for another Phase III study (POLLUX), which this time is evaluating "dara" in combination with lenalidomide and dexamethasone. And once again, we are quite confident in its outcome... BUY reiterated with a FV of DKK1,300 vs DKK1,170.

ANALYSIS

- **Genmab has announced that the Phase III evaluating daratumumab (anti-CD38) in combination with bortezomib and dexamethasone (CASTOR) met its primary endpoint of improving progression free survival** (PFS) in a pre-planned interim analysis (p≤0.0001). We have no details regarding the extent of this enhancement, but we note that **an IDMC (Independent Data Monitoring Committee) recommended to stop the trial early due to benefit**... So we would not be surprised to see a hazard ratio or HR ranging from 0.5 to 0.7, as seen with BMS's nivolumab in some solid tumors (irrespectively of the PD-L1 status), or even Amgen's carfilzomib in multiple myeloma.

Fig. 1: Data from drugs for which the trial was stopped early

Drug	Indication	Setting	Median PFS
Nivolumab	1L BRAF Melanoma	Monotherapy vs dacarbazine	5.1 vs 2.2 months (HR: 0.43)
Nivolumab	2L NSCLC	Monotherapy vs docetaxel	3.5 vs 2.8 months (HR: 0.62)
Nivolumab	2L Advanced RCC	Monotherapy vs everolimus	4.6 vs 4.4 months (HR: 0.88)
Carfilzomib	2/3L Myeloma	Combo with len/dex vs len/dex	26.3 vs 17.6 mpnths (HR: 0.69)
Carfilzomib	2/3L Myeloma	Combo with dex vs bort/dex	18.7 vs 9.4 months (HR: 0.53)

Source : Companies Data; Bryan Garnier & Co. ests.

- Obviously, this is very positive news as 1/ with such data, JNJ (which retains dara's WW rights) should then be able to get a first label expansion from the FDA to second-line patients (whereas the previous label was "limited" to double-refractory ones as a single-agent); 2/ we think approval could be obtained by the end of this year, assuming a priority review by the FDA in the next three months; 3/ we are not ruling out increased off-label use of daratumumab in combo with a proteasome inhibitor, whether bortezomib or carfilzomib, in coming months.... and notably following the presentation of detailed results (perhaps at the ESMO conference?). As a consequence, **FY2016 sales guidance of USD250-300m now looks even more conservative to us...**
- **The next step would be the publication of top-line results for another Phase III study (POLLUX)**, which this time is evaluating "dara" in combination with lenalidomide and dexamethasone. And here again, we are confident in its outcome given that 1/ this anti-CD38 has so far generated best-in-class data in heavily pre-treated patients either as a single-agent (See Fig. 2), or as part of a combination regimen (and remarkably with immunomodulatory agents like lenalidomide – given the strong(er) synergies between these two approaches); 2/ even BMS's elotuzumab (an anti-CS1), which we consider a much less potent therapeutic option, has yielded positive Phase III results in a similar setting (see Fig. 3).
- **We think this data could be the most important from a market penetration point of view...** especially if it were to show a stronger improvement in PFS and OS compared to Amgen's carfilzomib in a similar setting, along with a more satisfying safety profile (and we think they could do, given what we saw in the GEN503 study – see our latest report here for more details). **As such, we are sticking to our peak sales of EUR5.5bn for dara in multiple myeloma... at least for the moment.**

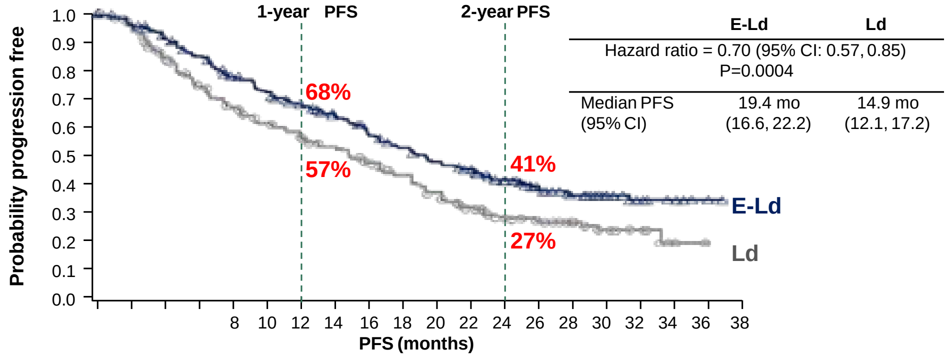
(to be continued next page)

Fig. 2: Single-agent therapies in R/R multiple myeloma

Drugs	Settings	Responses
Carfilzomib	R/R patients (median of 5 prior lines)	ORR: 23.7%, CR: 0.4%, VGPR: 5.0%, PR: 18.3%
Carfilzomib	R/R patients (median of 5 prior lines)	ORR: 19.1%
Daratumumab	Double refractory (median of 5 prior lines)	ORR: 29.2%, CR: 3%, VGPR: 9%, PR: 17%
Daratumumab	R/R patients (median of 4 prior lines)	ORR: 35%, CR: 10%, VGPR: 5%, PR: 20%
SAR650984	R/R patients (median of 5 prior lines)	ORR: 33%, CR: 11%, PR: 22%
MOR202	R/R patients (median of 4 prior lines)	ORR: 33% (PR and VGPR) with dexamethasone
Pomalidomide	R/R patients (median of 5 prior lines)	ORR: 18%, CR: 2%, PR: 16%
Elotuzumab	R/R patients (median of 5 prior lines)	ORR: 0%, SD: 26.5%

Source : Companies Data; Bryan Garnier & Co. ests.

Fig. 3: BMS' elotuzumab in combination with lenalidomide/dexamethasone (ELOQUENT-2)



Source : BMS

VALUATION

- **We have raised our FV from DKK1,170 to DKK1,300** after having 1/ slightly increased our probability of success (70% vs 60%) for daratumumab as a second-line treatment for patients with multiple myeloma, and 2/ decreased our WACC for this very same setting (9.0% vs 10.0% previously). **BUY recommendation reiterated.**
- Importantly, **our FV could be further increased by +DKK50-100 should POLLUX be positive**.

NEXT CATALYSTS

- **Q2 2016**: European approval of daratumumab as a monotherapy for the treatment of double-refractory or heavily pre-treated patients (who have received at least three prior lines of therapy) with multiple myeloma.
- **H1 2016**: Top-line results from the POLLUX study (Phase III evaluating daratumumab in combination with lenalidomide and dexamethasone in with myeloma who received more than one therapy).
- **H2 2016**: Read-across for ofatumumab (an anti-CD20) from the likely approval of Roche's ocrelizumab (another anti-CD20) in multiple sclerosis (and notably in RRMS).

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Analyst :
Mickael Chane Du
33(0) 1 70 36 57 45
mchanedu@bryangarnier.com

Sector Team :
Eric Le Berrigaud
Hugo Solvet

Food retailing

Metro AG

Price EUR27.40

A smart move, which does not wipe out operational issues however

Fair Value Under Review **Under Review**

Bloomberg	MEO GY
Reuters	MEOG.DE
12-month High / Low (EUR)	34.6 / 21.9
Market Cap (EURm)	8,881
Ev (BG Estimates) (EURm)	11,715
Avg. 6m daily volume (000)	1,226
3y EPS CAGR	16.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	20.7%	-7.3%	11.0%	-7.3%
Food Retailing	3.7%	1.9%	4.4%	3.2%
DJ Stoxx 600	2.2%	-7.2%	-1.9%	-6.7%

YEnd Sept. (EURm)	09/15	09/16e	09/17e	09/18e
Sales	59,220	59,060	60,610	62,205
% change		*-0.3%*	*2.6%*	*2.6%*
EBITDA	2,457	2,494	2,625	2,762
EBIT	711.0	1,519	1,625	1,735
% change		*113.7%*	*7.0%*	*6.8%*
Net income	502.3	609.9	693.2	783.4
% change		*21.4%*	*13.7%*	*13.0%*

	09/15	09/16e	09/17e	09/18e
Operating margin	2.6	2.6	2.7	2.8
Net margin	0.8	1.0	1.1	1.3
ROE	NM	NM	NM	NM
ROCE	10.5	10.4	10.3	10.3
Gearing	48.9	43.4	44.2	43.2

(EUR)	09/15	09/16e	09/17e	09/18e
EPS	1.54	1.87	2.12	2.40
% change	-	*21.4%*	*13.7%*	*13.0%*
P/E	17.8x	14.7x	12.9x	11.4x
FCF yield (%)	NM	NM	NM	NM
Dividends (EUR)	1.00	0.98	1.02	1.05
Div yield (%)	3.6%	3.6%	3.7%	3.8%
EV/Sales	0.2x	0.2x	0.2x	0.2x
EV/EBITDA	4.8x	4.7x	4.6x	4.4x
EV/EBIT	16.6x	7.7x	7.4x	7.0x

Yesterday Metro announced its intention to split into two entities: Média Saturn on the one hand and Real/Cash & Carry on the other. Because we are currently travelling back to the office and until we are materially able to carefully assess the consequences of this deal, we have put both our rating (Sell) and our Fair Value (EUR24) under review.

ANALYSIS

- Once appoved by the AGM, the plan is to split the Media Saturn and Food businesses by mid 2017 when Metro's shareholders will receive a proportionate stake in both seperatly listed entities (Media Saturn will remain in the Metro AG listed entity). At this stage, we tend to believe that the deal makes sense from a strategic point of view, since there are very few synergies between the divisions. Moreover, seperate listings would probably help gain operational flexibility going forward. Last but not least, from a valuation perspective, we believe a pure player is indeed far more valable than a patchwork of very different business units.
- Nevertheless, this fairly smart move won't fix all the issues at Metro:
- 1/ The deal does not wipe out our concerns regarding Russia (20/25pct of the group's profitability). In a market that strongly punishes retailers suspected of having a margin rate approach to the business, a 10 pct margin in Russia leaves us somewhat perplexed.
- 2/ Media Saturn (~30pct of the group's profitability) remains at the forefront of the disruptive development of e-commerce in Europe (consequently, at this stage, it is difficult for us to factor in a strong improvement in margins as expected by the consensus).
- 3/ As a general rule, the German retailer will have to show stronger momentum, especially in Real and Cash&Carry, so that valuation multiples can effectively rerate going forward.
- 4/ We are not sure that the proposed new structure will help fully fix the governance issues linked to Kellerhals. According to management, under the new structure, Kellerhals could not prevent Media Saturn from undertaking international deals going forward, but we guess there is a counterpart... and in any case, a structural M&A deal won't occur before mid-2017 when the deal is completed.

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Analyst :
Antoine Parison
33(0) 1 70 36 57 03
aparison@bryangarnier.com

Sector Team :
Nikolaas Faes
Loïc Morvan
Cédric Rossi
Virginie Roumage

Healthcare

Orpea

Price EUR72.17

Feedback: Top line growth secured with strong margin

Fair Value EUR79 vs. EUR76 (+9%) BUY

Bloomberg	ORP FP
Reuters	ORP.PA
12-month High / Low (EUR)	76.7 / 58.4
Market Cap (EURm)	4,335
Ev (BG Estimates) (EURm)	7,324
Avg. 6m daily volume (000)	116.9
3y EPS CAGR	17.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.2%	-2.7%	1.5%	-2.2%
Healthcare	-2.4%	-13.0%	-8.0%	-12.5%
DJ Stoxx 600	2.2%	-7.2%	-1.9%	-6.7%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	2,392	2,778	2,932	3,088
% change		*16.1%*	*5.5%*	*5.4%*
EBITDA	400	475	519	560
EBIT	303.3	371.8	405.0	433.0
% change		*22.6%*	*9.0%*	*6.9%*
Net income	153.3	177.8	204.2	229.9
% change		*16.0%*	*14.8%*	*12.5%*

	2015	2016e	2017e	2018e
Operating margin	12.7	13.4	13.8	14.0
Net margin	6.4	6.4	7.0	7.4
ROE	8.5	9.8	11.3	12.7
ROCE	3.6	4.3	4.7	5.0
Gearing	166.5	165.1	158.3	150.0

(EUR)	2015	2016e	2017e	2018e
EPS	2.42	3.01	3.47	3.87
% change	-	*24.3%*	*15.4%*	*11.5%*
P/E	29.8x	24.0x	20.8x	18.6x
FCF yield (%)	NM	5.5%	7.2%	7.8%
Dividends (EUR)	0.90	1.05	1.22	1.36
Div yield (%)	1.2%	1.5%	1.7%	1.9%
EV/Sales	3.1x	2.6x	2.5x	2.3x
EV/EBITDA	18.4x	15.4x	13.9x	12.6x
EV/EBIT	24.2x	19.7x	17.8x	16.3x

2015 was another year of international expansion (total network up 31%) reinforcing and securing lfl top-line growth with a strong margin for the next three/four years. Expansion risks with three new strategic platforms in 2015 seem to be well managed with further investment in IT and a team of over 30 managers dedicated to international. Even if international expansion weighs on the short term margin, each new area offers a great opportunity for better results notably with the real estate optimisation and new bolt-on acquisitions. In all, after some adjustments, we are confirming our Buy recommendation with a FV increase to EUR79 vs. EUR76.

ANALYSIS

- **Strong international platform that should drive lfl revenue growth…:** In 2015, Orpea built three new plaforms with SeneCura in Austria, Celenus in Germany and Medi-System in Poland (January 2016) with the group's global network increasing by 31% to reach nearly 71,000 beds mainly abroad which now represents 54% of the network (…but less than 40% of 2016e consolidated revenue and just over 35% of EBITDAR), thereby securing lfl top line growth. In fact, based on the current pipeline, i.e. over 9,000 beds o/w 82% under construction and 67% abroad, lfl revenue growth is secured for the next three/four years. Our estimates is 5.3% lfl growth for 2016e o/w 4.3% in France, 5.1% in 2017e and 5% in 2018e.
- **…with a sustained margin:** International expansion weighed on 2015 EBITDAR margin by 30bp and on EBITDA margin, which was down 130bps. The impact on EBITDAR margin was due to the temporary impact of acquisitions and new openings notably in Belgium (19.8% compared with 28.3% in France and 27.3% for the group), Italy (12%) and in Germany (26.6%) after the acquisition of Celenus, which should be progressively erased. Note that acquisitions impacted the margin by 70bp, whereas it would have improved by 40bp excluding them. With acquisitions of asset light companies, rentals increased significantly to reach over EUR252m from EUR188m and the group's objective is clearly to optimise real estate management, which is fully dedicated to its business regarding financial conditions. Management expects to increase the real estate ownership rate to between 40% and 50% (36% in 2015).

Main changes

	2016e			2017			2018
	Old	New	D%	Old	New	D%	New
SALES	2 768	2 778	0,3%	2 933	2 932	-0,1%	3 088
EBITDA	470	475	1,0%	509	519	2,1%	560
	17,0%	17,1%	12 bp	17,4%	17,7%	37 bp	18,1%
EBIT	367	372	1,2%	397	405	1,9%	433
	13,3%	13,4%	12 bp	13,6%	13,8%	27 bp	14,0%
EPS	2,98	3,01	1,2%	3,38	3,47	2,7%	3,87

Source : Company Data; Bryan Garnier & Co. ests.

VALUATION

- Based on our estimates and using a DCF with WACC at 6.1% taking into account our new ERP of 7% vs. 6.4% and a risk-free rate of 1.6% vs. 2% with a beta of 1x and a long term growth rate of 2.5%, adn EBIT margin of 13% compared with 12.7% in 2015, our FV works out to EUR79 vs.EUR76 previously.
- At the current share price, the stock is trading on 2016e EV/EBITDA of 15.4x and 13.9x for 2017e compared with an EBITDA CAGR 2015-2018 of 11.8%.

NEXT CATALYSTS

- Q1 2016 results on 4th May
- H1 2016 results on 20th July

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Analyst :
Bruno de La Rochebrochard
33(0) 1 56 68 75 88
bdelarochebrochard@bryangarnier.com

Food & Beverages

Pernod Ricard

Price EUR100.25

Bloomberg	RI FP
Reuters	PERP.PA
12-month High / Low (EUR)	117.3 / 88.3
Market Cap (EUR)	26,608
Ev (BG Estimates) (EUR)	35,312
Avg. 6m daily volume (000)	516.5
3y EPS CAGR	4.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.2%	-5.5%	11.2%	-4.7%
Food & Bev.	2.5%	-3.1%	6.0%	-2.3%
DJ Stoxx 600	2.2%	-7.2%	-1.9%	-6.7%

YEnd Jun. (EURm)	06/15	06/16e	06/17e	06/18e
Sales	8,558	8,759	8,860	9,160
% change		*2.4%*	*1.1%*	*3.4%*
EBITDA	2,456	2,630	2,638	2,735
EBIT	2,238	2,280	2,301	2,405
% change		*1.9%*	*0.9%*	*4.5%*
Net income	1,329	1,380	1,422	1,516
% change		*3.9%*	*3.1%*	*6.6%*

	06/15	06/16e	06/17e	06/18e
Operating margin	26.2	26.0	26.0	26.3
Net margin	10.1	15.0	15.3	15.8
ROE	6.6	9.5	9.6	9.7
ROCE	8.8	11.0	10.9	11.2
Gearing	67.9	61.7	58.1	52.2

(EUR)	06/15	06/16e	06/17e	06/18e
EPS	4.99	5.18	5.34	5.69
% change	-	*3.9%*	*3.1%*	*6.6%*
P/E	20.1x	19.3x	18.8x	17.6x
FCF yield (%)	4.3%	4.1%	4.3%	4.7%
Dividends (EUR)	1.80	1.89	1.94	2.07
Div yield (%)	1.8%	1.9%	1.9%	2.1%
EV/Sales	4.2x	4.0x	3.9x	3.8x
EV/EBITDA	14.5x	13.4x	13.2x	12.6x
EV/EBIT	15.9x	15.5x	15.2x	14.4x

Downwards revisions of consensus could provide an attractive entry point

Fair Value EUR113 vs. EUR117 (+13%) BUY

The growth in 2015/16 and especially in 2016/17 should be lower than previously expected due to China. We revise our EPS estimates by 2% on average over the next two years, which positions us 2% and 4% below market expectations in 2015/16 and 2016/17, respectively. The consensus adjustment could provide an attractive entry point. Pernod Ricard provides a good visibility and execution while it remains the cheapest stocks in the spirits sector. This is a fact that the improvement in China takes longer to materialize. But we think it is also worthwhile to remind that India accounts for the same weight than China (9% of the group's sales) and the United States are almost twice as big (17% of the group's sales). We maintain our Buy recommendation but we remove the stock from the top pick list. Our Fair Value is adjusted to EUR113.

ANALYSIS

- **Q3 organic sales should be flat due to technical effects in China and Brazil. Asia-ROW (41% of group's sales)** should post a 1% organic decline in sales as the group shipped in Q2 for the Chinese New Year. Organic sales in **Americas (27% of group's sales)** are expected to be flat this quarter. The United States should grow 3% organically in Q3, reflecting the gradual improvement of Absolut and the continued good momentum of Jameson and The Glenlivet. This should be partly offset by a 20% drop in Brazil following the excise duty hike at the beginning of December that boosted Q2 sales (+25% org in H1). **Europe (32% of group's sales)** should accelerate in Q3, with sales expected to be up 2% organically (-0.6% in Q2). The trend should remain solid in Spain, Germany and the UK, while France which was down 7% organically in H1 on technical effects is anticipated to be stable, in line with the underlying trend. Russia should benefit from a very favourable comparison base in Q3.
- **No much change for 2015/16.** We now expect 2015/16 organic sales growth of 2.3% vs +2.7% previously. This factors a 5% organic decline (-4% previously) in China over the year, globally in line with the value depletions and the 2014/15 trend. **These difficulties in China continue to be offset by a very strong organic growth in India** (+14% expected over the year) **and an improvement in the United States where the group is narrowing its underperformance vs the market** thanks to the initiatives taken on Absolut. We expect full year EBIT to grow 2% organically, in the mid range of the group's guidance (1-3%). This is an acceleration vs last year (+1.6%) and results from a slightly more positive pricing environment and a decrease of the negative geographic mix with the return to growth in the US.
- **2016/17 to be slightly better than 2015/16. We now expect organic sales and EBIT to rise 2.7% and +3% in 2016/17 (vs +3.6% and +4% previously). China is the main cause for this revision.** The effects of the anti-extravagance policy proves to be longer than expected and the macroeconomic environment is not helping. Besides, around 20% of Pernod Ricard's sales in China are generated on scotch, a category which is still declining in the high double digits. We do not think that the group will satisfy its mid-term guidance of 4/5% organic sales growth in the next three years.
- **Consensus too high in our view. We revise our EPS estimates by 2% on average over the next two years, which positions us 2% and 4% below market expectations in 2015/16 and 2016/17, respectively. Revisions could provide an attractive entry point.** This is a fact that the difficulties in China are more significant than it was previously anticipated. But we remind that the country only accounts for 9% of the groups' sales, that is to say the same weight than India and half the weight of the US. Besides, we think that Pernod Ricard distinguishes itself by its good visibility and execution.

VALUATION

- Our DCF now points to a Fair value of EUR113. This takes into account the change in estimates but also the new BG Research valuation metrics. **At yesterday's share price, the stock is trading at 19.3x P/E 2015/16. This is 18% below the peers' average and 13% below Diageo. Of note, the 3-year EPS CAGR is 4.5% for Pernod Ricard vs 2.2% for Diageo.**

NEXT CATALYST

- Q3 2015/16 sales due on April 21st

Click here to download

Analyst :
Virginie Roumage
33(0) 1.56.68.75.22
vroumage@bryangarnier.com

Sector Team :
Nikolaas Faes
Loïc Morvan
Antoine Parison
Cédric Rossi

Luxury & Consumer Goods

Richemont

Price CHF64.15

Cartier watch inventories buy-back likely in HK….

Fair Value CHF81 vs. CHF90 (+26%)

BUY

Bloomberg	CFR VX
Reuters	CFR.VX
12-month High / Low (CHF)	86.9 / 60.8
Market Cap (CHFm)	35,924
Ev (BG Estimates) (CHFm)	27,925
Avg. 6m daily volume (000)	1,749
3y EPS CAGR	17.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.5%	-11.0%	-15.3%	-11.0%
Pers & H/H Gds	2.4%	-0.3%	4.0%	0.4%
DJ Stoxx 600	2.2%	-7.2%	-1.9%	-6.7%

YEnd Mar. (EURm)	03/15	03/16e	03/17e	03/18e
Sales	10,410	11,160	11,460	12,290
% change		*7.2%*	*2.7%*	*7.2%*
EBITDA	3,060	2,660	2,750	3,125
EBIT	2,436	2,250	2,340	2,715
% change		*-7.6%*	*4.0%*	*16.0%*
Net income	1,336	1,770	1,800	2,145
% change		*32.5%*	*1.7%*	*19.2%*

	03/15	03/16e	03/17e	03/18e
Operating margin	23.4	20.2	20.4	22.1
Net margin	12.8	15.9	15.7	17.5
ROE	9.3	10.3	9.0	9.4
ROCE	23.3	18.9	17.7	19.2
Gearing	-39.6	-42.6	-45.8	-48.6

(EUR)	03/15	03/16e	03/17e	03/18e
EPS	2.39	3.16	3.21	3.83
% change	-	*32.5%*	*1.7%*	*19.2%*
P/E	24.6x	18.6x	18.3x	15.3x
FCF yield (%)	4.5%	7.5%	8.3%	9.4%
Dividends (EUR)	1.60	1.85	2.10	2.20
Div yield (%)	2.7%	3.2%	3.6%	3.7%
EV/Sales	2.6x	2.3x	2.1x	1.8x
EV/EBITDA	8.9x	9.6x	8.6x	7.0x
EV/EBIT	11.2x	11.4x	10.2x	8.0x

Given the high level of watch inventories in HK, including for Cartier, we consider that the brand could well clean up its inventories in the trade, particularly in HK, in order to buy back slow moving watches. Although we consider this the right thing to do in the current environment, the move will have an impact on sales and EBIT margin as early as this year (end of March 2016). Consequently, we have cut our FY March 2016 and March 2017 EBIT estimates by 7%. Hence our new CHF82 FV vs CHF90 previously. We are maintaining our Buy recommendation however, given i/ still healthy momentum in jewellery sales (32% of CFR sales), ii/ the net cash position (EUR5.5bn estimated at end March 2016) that should allow management to maintain a dynamic distribution policy: dividend increase (+15% expected this year), special dividend and iii/ current upside on our FV (26%).

ANALYSIS

- **Swiss watch exports reflceted a fairly tough situation in January and February (-5% over the first two months)** even if the decline in February (-3%) was less significant than in January (-8%). We estimate that Richemont's Q4 sales momentum should be even worse than in Q3, particularly in Europe as tourists are not yet back in France (7% of group sales, mainly via Cartier brand) and in Paris (close to 4% of Group sales). Furthermore, the situation in HK is still very challenging (exports fell 23% in 2015 and 29% over the first two months of 2016), partly due to the 3% decline in inbound Chinese tourists in 2015. We estimate that HK accounts for 20% of Cartier sales.
- Consequently, we think Cartier (45% of group sales) is likely to clean up its watch inventories particularly in HK and for slow-moving Cartier lines. HK sales were clearly affected by the 3% decline in in bound Chinese tourists. Cartier watches account for 40% of Cartier brand sales (jewellery accounts for 50%) and for around 20% of Richemont group sales. Its is worth noting at this stage, that this inventories buyback (from watch retailers) should not concern "specialist watches" like Jaeger Lecoultre or IWC, as inventory levels for these brands are not an issue. We also estimate that this decision, taken by the new management team with Cyrille Vigneron as the new Cartier CEO since January 2016, is positive for the medium term. Actually, it will allow retailers to buy new Cartier lines, but probably less high-end (fewer gold and jewelled watches and more likely steel/gold watches…).
- **As such, we have adjusted our FY March 2016 sales to expect a 1% organic sales decline** versus stability previously implying -6% in Q4 alone whereas we were expecting -3% previously. Inventory buybacks are set to impact sales hence this adjustment. For March 2017, we expect sales to grow no more than 2% (including a slight decline for Cartier) with a still tough H1 as inventory buybacks will affect sales, while we are more optimistic for H2 (easier comps and no further buybacks impact). Gross profit and EBIT should also be impacted by this policy. Hence our new March 2016 EBIT margin assumption of 20% (-320bp) versus 21.2% expected previously (our March 16 EBIT is cut by 7% to EUR2.25bn). We assume that the buyback and destruction of Cartier watches could have a negative impact of around EUR100m on March 2016 EBIT. Our FY March 16 adjustment implies a 490bp profitability erosion in H2 alone after -200bp in H1.

VALUATION

- **Despite this significant results adjustment, we are maintaining our Buy recommendation, with a new EUR81 FV vs EUR90 previously**, given, **i/** still healthy momentum in jewellery sales (32% of CFR sales) and **ii/** the net cash position (EUR5.5bn estimated at end March 2016) that should allow management to maintain a dynamic distribution policy: dividend increase, special dividend) even during the tough period and perhaps even more during this period **iii/** current upside on our FV (26%).
- The stocks is down 11% YTD (stability for sector average) and it is trading at 11.4x on 2016 EV/EBIT, a 4% discount vs the peer average.

NEXT CATALYSTS

- FY March 2016 results to be reported on May 20th.

Analyst :
Loïc Morvan
33(0) 1 70 36 57 24
lmorvan@bryangarnier.com

Sector Team :
Nikolaas Faes
Antoine Parison
Cédric Rossi
Virginie Roumage

Sector View

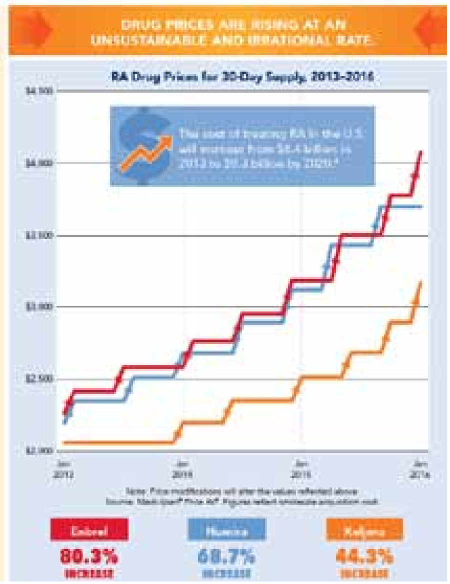
Pharmaceuticals

An illustration among many of the unsustainability of drug price levels

	1 M	3 M	6 M	31/12/15
Healthcare	-2.4%	-13.0%	-8.0%	-12.5%
DJ Stoxx 600	2.2%	-7.2%	-1.9%	-6.7%

*Stoxx Sector Indices

Companies covered			
ACTELION		**BUY**	**CHF166**
Last Price	CHF142,2	*Market Cap.*	CHF16,229m
ASTRAZENECA		**BUY**	**5520p**
Last Price	3915,5p	*Market Cap.*	*GBP49,501m*
BAYER		**NEUTRAL**	**EUR113**
Last Price	EUR103,4	*Market Cap.*	*EUR85,506m*
GLAXOSMITHKLINE		**BUY**	**1670p**
Last Price	1412p	*Market Cap.*	*GBP68,770m*
IPSEN		**BUY**	**EUR60**
Last Price	EUR49,11	*Market Cap.*	*EUR4,088m*
NOVARTIS		**NEUTRAL**	**CHF100**
Last Price	CHF70,05	*Market Cap.*	*CHF187,523*
NOVO NORDISK		**NEUTRAL**	**DKK416**
Last Price	DKK358	*Market Cap.*	*DKK738,398*
ROCHE HOLDING		**BUY**	**CHF303**
Last Price	CHF236,9	*Market Cap.*	*CHF166,437*
SANOFI		**NEUTRAL**	**EUR88**
Last Price	EUR71,27	*Market Cap.*	*EUR93,057m*
UCB		**NEUTRAL**	**EUR82**
Last Price	EUR67,75	*Market Cap.*	*EUR13,178m*



A one-page report has been published by ACHP, a non-lucrative association that ranks healthcare plans in the US, about the rise in the price of drugs used to treat rheumatoid arthritis. As with other diseases before (MS last December), it illustrates very well how prices have increased over the past few years and how unsustainable this looks to the general population. In a nutshell, it says that innovative new drugs are very good "but what if not everyone can afford them?". We report this chart and the related address of ACHP because we think it is very representative not only of the current debate in the US, but also everywhere in the world, a debate that makes investors anxious over the sector performance in 2016.

ANALYSIS

- As often said, pictures speak better than words and the latest one-page ACHP issue in its series called "the spike in drug costs" refers to rheumatoid arthritis and once again (after diabetes in August 2015 or multiple sclerosis in December last year) shows a difficult-to-understand rise in marketed drug prices in the US over the last few years.
- In this specific case, in only three years, old drugs like Enbrel or Humira have seen their prices jump by 70 to 80%. There are 1.3 million Americans suffering from the disease in the US says ACHP and the current annual cost of medicines means that some may have to pay over USD1m over the course of their life.
- Of course, we are talking about list prices. And we have underlined several times how complex the pricing system is in the US that makes real prices difficult to determine. That said, bad publicity around prices is partly the consequence of this lack of transparency and the fact that products have different prices depending on negotiations among parties.
- If you are interested in these topics, please refer to the ACHP website at the following address: http://www.achp.org/publications/the-spike-in-drug-costs-infographic-series/. ACHP (the Alliance of Community Health Plan) is a membership organisation that brings together top executives from innovative health insurers and provider groups recognized for delivering affordable, high-quality coverage and care. It regularly reviews and ranks healthcare plans offered by insurer payers.
- Because negotiations on prices take place behind closed doors, people can only refer to list prices. And so when some, like Enbrel in RA, although the same thing happened with interferons in MS or insulins in diabetes (see the respective reports), saw prices skyrocketing (Avonex's price was multiplied by more than six between 2001 and 2015, which has nothing to do with its cost to develop or manufacture and its proven value but simply as a marketing strategy from Biogen to offset volume loss by price increases), it sounds irrational: "first-generation MS drugs, originally costing USD8,000-USD11,000, can now exceed USD60,000 per person per year", writes ACHP. This is obviously the type of behaviour within the industry that is difficult to understand by Americans.
- Clearly, pressure is therefore increasing on the industry to try to mitigate this trend whenever it is possible. We've heard initiatives of public and private origins to force competition, to do the most with it when it can (like with exclusive contracting), to challenge patents, to try obtaining global and negotiated prices etc... And obviously, this is beginning to have an impact on investors' approach to the sector because it impacts how drugs are ramping-up and who knows, maybe also their ability to reach certain peak sales. Because our models look obsolete. Not only net prices are getting tougher and tougher to determine but volumes can also be impacted as some end markets could remain close to certain drugs because agreements are not reached between manufacturers and payers.
- In the end, we confirm our cautious stance towards pharmaceuticals in 2016 after several years of outperformance. We are favouring transformative stories like AstraZeneca and GSK among the large-cap names, Actelion and Ipsen within the mid-cap universe.

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Analyst :
Eric Le Berrigaud
33(0) 1 56 68 75 33
eleberrigaud@bryangarnier.com

Sector Team :
Mickael Chane Du
Hugo Solvet

TMT

Alten

Price EUR53.70

Bloomberg	ATE FP
Reuters	LTEN.PA
12-month High / Low (EUR)	54.6 / 40.3
Market Cap (EUR)	1,808
Avg. 6m daily volume (000)	50.20

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.3%	0.3%	17.0%	0.5%
Softw.& Comp. SVS	3.9%	-2.0%	16.4%	-1.8%
DJ Stoxx 600	2.2%	-7.2%	-1.9%	-6.7%

	2015	2016e	2017e	2018e
P/E	16.5x	15.6x	14.5x	13.3x
Div yield (%)	1.9%	1.9%	1.9%	1.9%

Acquisition of ASM Technologies Technological Software business

Fair Value EUR47 (-12%) **SELL**

ANALYSIS

- **Alten has announced the acquisition of ASM Technologies' Technological Software business**, for an undisclosed sum. Founded in 1992 and based in Bangalore (offices in the US, Singapore and the UK), ASM is an Indian IT services and product engineering company which posted 2015 sales (FYE 31st March) of INR1.64bn (EUR21m, o/w 57% in the US) for an EBIT margin of 9.2%, with c. 1,000 staff. Its Technological Software business sold to Alten employs 750 engineers specialised in product engineering, business intelligence, business analytics and cloud computing.
- **Marginally accretive to EPS**. As we consider the Technological Software business employs 75-80% of ASM's staff, we estimate its sales at EUR15-17m, i.e. 1% of Alten's revenues. We estimate the accretion to EPS as marginally positive. This business was acquired through Alten's US/Indian offshore subsidiary Calsoft Labs, which now has more than 1,600 staff in India and the US with the aim of creating a 'next gen' services platform dedicated to digital transformation (cloud, mobility, data analysis, IoT and product engineering).

VALUATION

- Alten's shares are trading at est. 10.4x 2016 and 9.2x 2017 EV/EBIT multiples.
- Net cash position on 31s December 2015 was EUR17m (net gearing: -3%).

NEXT CATALYSTS

Q1 2016 sales on 28th April after markets close.

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Gregory Ramirez, gramirez@bryangarnier.com

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% NEUTRAL ratings 28.7% SELL ratings 7.4%

Bryan Garnier Research Team

Healthcare Team	Pharmaceuticals	Eric Le Berrigaud *(Head of Equities)*	33 (0) 1 56 68 75 33	eleberrigaud@bryangarnier.com
	Biotech/Medtech	Mickael Chane-Du	33 (0) 1 70 36 57 45	mchanedu@bryangarnier.com
	Medtech/Biotech	Hugo Solvet	33 (0) 1 56 68 75 57	hsolvet@bryangarnier.com
Consumer Team	Luxury/Consumer Goods	Loïc Morvan	33 (0) 1 70 36 57 24	lmorvan@bryangarnier.com
	Beverages	Nikolaas Faes	33 (0) 1 56 68 75 72	nfaes@bryangarnier.com
	Retailing	Antoine Parison	33 (0) 1 70 36 57 03	aparison@bryangarnier.com
	Luxury /Consumer Goods	Cedric Rossi	33 (0) 1 70 36 57 25	crossi@bryangarnier.com
	Food & Beverages	Virginie Roumage	33 (0) 1 56 68 75 22	vroumage@bryangarnier.com
TMT	Video Games / Payments	Richard-Maxime Beaudoux	33 (0) 1 56 68 75 61	rmbeaudoux@bryangarnier.com
	Telecom	Thomas Coudry	33(0) 1 70 36 57 04	tcoudry@bryangarnier.com
	Software & IT Services	Gregory Ramirez	33 (0) 1 56 68 75 91	gramirez@bryangarnier.com
	Semiconductor	Dorian Terral	33 (0) 1 56 68 75 92	dterral@bryangarnier.com
Utilities		Xavier Caroen	33 (0) 1 56 68 75 18	xcaroen@bryangarnier.com
Insurance		Olivier Pauchaut *(Head of Research)*	33 (0) 1 56 68 75 49	opauchaut@bryangarnier.com
Hotels/Business Services		Bruno de La Rochebrochard	33 (0) 1 56 68 75 88	bdelarochebrochard@bryangarnier.com
Construction/ Infrastructures Building Materials		Eric Lemarié	33 (0) 1 70 36 57 17	elemarie@bryangarnier.com
Marketing		Sophie Braincourt	33(0) 1 56 68 75 36	sbraincourt@bryangarnier.com
Market Data & Information Systems Manager		Eric Monnier	33(0) 1 56 68 75 63	emonnier@bryangarnier.com

London
Beaufort House
15 St Botolph Street
London EC3A 7BB
Tel: +44 (0) 207 332 2500
Fax: +44 (0) 207 332 2559
Authorised and regulated by the Financial Conduct Authority (FCA)

Paris
26 Avenue des Champs Elysées
75008 Paris
Tel: +33 (0) 1 56 68 75 00
Fax: +33 (0) 1 56 68 75 01
Regulated by the Financial Conduct Authority (FCA) and l Autorité de Contrôle prudential et de resolution (ACPR)

New York
750 Lexington Avenue
New York, NY 10022
Tel: +1 (0) 212 337 7000
Fax: +1 (0) 212 337 7002
FINRA and SIPC member

Geneva
rue de Grenus 7
CP 2113
Genève 1, CH 1211
Tel +4122 731 3263
Fax+4122731 3243
Regulated by the FINMA

New Delhi
The Imperial Hotel
Janpath
New Delhi 110 001
Tel +91 11 4132 6062
+91 98 1111 5119
Fax +91 11 2621 9062

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