



4th April 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17792.75	+0.61%	+2.11%
S&P 500	2072.78	+0.63%	+1.41%
Nasdaq	4914.54	+0.92%	-1.85%
Nikkei	16123.27	-0.25%	-15.08%
Stoxx 600	333.154	-1.30%	-8.93%
CAC 40	4322.24	-1.43%	-6.79%
Oil /Gold			
Crude WTI	36.85	-3.89%	-0.94%
Gold (once)	1212.38	-1.78%	+14.12%
Currencies/Rates			
EUR/USD	1.1345	-0.44%	+4.44%
EUR/CHF	1.09175	+0.05%	+0.40%
German 10 years	0.144	-7.06%	-77.23%
French 10 years	0.39	-4.84%	-60.22%
Euribor	-0.245	+0.41%	+87.02%

Economic releases :

Date	
4th-Apr	EUZ - Unemployment rate Fev. (10.3% E) US - ISM New York Mar. (54.1E) US - Factory Orders Feb. (-1.8% E) US - Durable goods Orders Feb. (-2.8%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	AMOEBIA 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 EUR7.2 vs. EUR6.7 (-3%)

Nothing to gain by tendering your GFT shares now! (Focus report released today)

During meetings with GFT's CEO and CFO, 90% of the time was spent discussing the group's business trends (mainly advertising but also in-app purchases) and only 10% on Vivendi's hostile takeover bid. This is a good indication of investor interest in GFT's standalone future. The CEO has never been this convincing, both on the short term and for FY18 targets. Now that we have enough visibility on the two businesses, we have based our FV on the next two years (vs. only FY16e before). As a result, we have upgraded our FV from EUR6.7 to EUR7.2. We now estimate a fair offer in the range of EUR7.6-8.6 (vs. EUR7.2-8.4). Full FOCUS report out today.

GENMAB

BUY-Top Picks, Fair Value DKK1300 (+41%)

Daratumumab's European approval recommended by the CHMP

The CHMP has issued a positive opinion recommending the grant of a conditional market authorization for Darzalex (daratumumab, an anti-CD38) in the EU, and as a treatment for heavily pre-treated patients with multiple myeloma. While largely expected (don't forget that the compound has already been approved by the FDA back in November 2015 for this very same label), we think the market will positively respond to this news as the timing of an European approval is key for respecting/beating the FY 2016 sales guidance that was given for this very compound (USD250-300m). For now, we stick to our sales estimate of EUR219m for this very year... But we have to admit we're quite conservative. We'll see how dara performed in the US during Q1 16, but 1) we're pretty sure the data presented during the 2015 ASH meeting have had a very positive impact on prescriptions (be it for on-label or off-label use); and 2) we can't rule out that CASTOR and POLLUX will further enhance this trend. BUY reiterated with a FV of DKK1,300.

ILIAD

NEUTRAL vs. BUY, Fair Value EUR212 vs. EUR270 (-5%)

Break up in Orange – Bouygues merger talks

On Friday Bouygues and Orange announced the break-up of their merger negotiations. We think Iliad and the whole telecoms sector in France will react negatively, albeit having already lost 3% last week in anticipation of this news. After cancelling the positive prospective impact of market repair on the company, we have downgraded Iliad's Fair Value to EUR212 from EUR270, and our reco to Neutral. We believe opportunities still exist for Iliad, such as M&A in other markets, or renewed consolidation opportunities in the French market in the medium term, but we have not priced these into our Fair Value at this point.

FOOD RETAILING

Adjustments to our estimates and FV post FYs

The following main factors are behind changes to both our estimates and FV for certain retailers in the food retail panel: 1/ post full-year adjustments; 2/ forex (the Brazilian BRL and the Argentinian Pesos remaining the most unwell forex with estimated negative effects of -10% and -37% respectively for 2016); 3/ new assumptions for the risk free rate (1.6% vs 2.0%) and risk premium (7% vs 6.4%) applied for all the stocks covered by analysts at Bryan Garnier.

BUSINESS SERVICES

Top picks Q2 2016: Elior again!

LOOKING BACK AT Q1 2016

In brief...

DASSAULT SYSTÈMES, Merger of Geometric into 3DPLM, Dassault Systèmes' joint venture in India

SEMICONDUCTORS : MWC16... from another perspective (slideshow)

TMT

Gameloft

Price EUR7.43

Nothing to gain by tendering your GFT shares now! (Focus report released today)

Fair Value EUR7.2 vs. EUR6.7 (-3%)

BUY

Bloomberg	GFT FP
Reuters	GLFT.PA
12-month High / Low (EUR)	7.5 / 3.2
Market Cap (EUR)	638
Ev (BG Estimates) (EUR)	601
Avg. 6m daily volume (000)	376.2
3y EPS CAGR	

During meetings with GFT's CEO and CFO, 90% of the time was spent discussing the group's business trends (mainly advertising but also in-app purchases) and only 10% on Vivendi's hostile takeover bid. This is a good indication of investor interest in GFT's standalone future. The CEO has never been this convincing, both on the short term and for FY18 targets. Now that we have enough visibility on the two businesses, we have based our FV on the next two years (vs. only FY16e before). As a result, we have upgraded our FV from EUR6.7 to EUR7.2. We now estimate a fair offer in the range of EUR7.6-8.6 (vs. EUR7.2-8.4). *Full FOCUS report out today.*

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.0%	22.6%	131.5%	22.6%
Softw. & Comp.	0.6%	-3.1%	15.6%	-3.1%
DJ Stoxx 600	-1.6%	-8.9%	-3.8%	-8.9%

ANALYSIS

- Last Thursday, we had the pleasure of organising a road show in Paris with GFT's CEO (Michel Guillemot has made no appearance in Paris for the past 10 years) and Senior VP & CFO (Alexandre de Rochefort). We found that management has never been this convincing, not only on the short term but also for its FY18 targets: 1/ Gameloft now has two engines (in-app purchases and advertising) that should enable it to return to its past op. margin as of FY16e (BG est.: 11.5%e); 2/ FY18e targets are achievable (revenues of over EUR350m, operating margin of 18-20% and cumulative 2016/18 FCF of more than EUR85m), notably thanks to the in-house mobile advertising business (low fixed-cost structure).

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%

- Its two engines are: 1/ In-app purchases, GFT is reaping the rewards of its restructuring plan (net savings of EUR25-27m) meaning that breakeven point for the success of a game is now much lower. Moreover, the group is set to release fewer games (8-12 per year) but with a focus on established franchises and mid-core FTP games, which are easier to monetise. 2/ Mobile advertising, GFT is benefiting from its in-house strategy (it has full control of inventory and data, and can therefore obtain a good margin) and is experiencing a secular switch from premium to programmatic (run rate close to EUR20m per year; an alternative to the duopoly of Facebook and Google, with more reactivity and flexibility).

	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

- Regarding Vivendi, GFT's CEO only sees a convergence in advertising with Havas. However, he has cautioned Mr. Bolloré by saying that gamers are the trunk of its two businesses (IAP & advertising). If the hostile takeover bid proves successful (50% + 1 share), its developers will easily find a job at its mobile games competitors. The Guillemot family is continuing to buy shares (>EUR7.2) to play GFT's mid-term plan.

(EUR)	2014	2015e	2016e	2017e
EPS	-0.07	-0.22	0.22	0.30
% change	-	NS	NS	38.7%
P/E	NS	NS	34.3x	24.7x
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	2.3x	2.2x	1.9x
EV/EBITDA	42.6x	75.2x	12.3x	9.5x
EV/EBIT	NS	NS	20.8x	15.1x

VALUATION

- Now that we have enough visibility on Gameloft's two businesses, we can base our valuation over the next two years (vs. only FY16e before). We have therefore upgraded our FV from EUR6.7 to EUR7.2.

- We estimate a fair offer in the range of EUR7.6-8.6 to really convince shareholders to tender their shares (vs. our previous range of EUR7.2-8.4).

NEXT CATALYSTS

- First hearing of the Paris Court of Appeal (following Gameloft's complaint regarding the hostile takeover bid): 14th April.
- Q1 sales: 28th April (after trading).

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Healthcare

Genmab

Price DKK923.50

Daratumumab's European approval recommended by the CHMP

Fair Value DKK1300 (+41%)

BUY-Top Picks

Bloomberg	GEN DC
Reuters	GEN.CO
12-month High / Low (DKK)	954.0 / 514.0
Market Cap (DKK)	55,113
Ev (BG Estimates) (DKK)	51,732
Avg. 6m daily volume (000)	412.9
3y EPS CAGR	-12.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	7.6%	0.7%	49.2%	0.7%
Healthcare	-4.1%	-13.4%	-8.7%	-13.4%
DJ Stoxx 600	-1.6%	-8.9%	-3.8%	-8.9%

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%	
Net income	587.3	85.1	42.7	396.2
% change		-85.5%	-49.8%	

	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%	
P/E	95.1x	NS	NS	NS
FCF yield (%)	0.3%	0.0%	0.1%	NM
Dividends (DKK)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	45.6x	59.7x	57.2x	39.6x
EV/EBITDA	93.1x	1031.6x	18875.1x	147.1x
EV/EBIT	70.7x	1031.6x	18875.1x	147.1x

The CHMP has issued a positive opinion recommending the grant of a conditional market authorization for Darzalex (daratumumab, an anti-CD38) in the EU, and as a treatment for heavily pre-treated patients with multiple myeloma. While largely expected (don't forget that the compound has already been approved by the FDA back in November 2015 for this very same label), we think the market will positively respond to this news as the timing of an European approval is key for respecting/beating the FY 2016 sales guidance that was given for this very compound (USD250-300m). For now, we stick to our sales estimate of EUR219m for this very year... But we have to admit we're quite conservative. We'll see how dara performed in the US during Q1 16, but 1) we're pretty sure the data presented during the 2015 ASH meeting have had a very positive impact on prescriptions (be it for on-label or off-label use); and 2) we can't rule out that CASTOR and POLLUX will further enhance this trend. BUY reiterated with a FV of DKK1,300.

ANALYSIS

- The CHMP (Committee for Medicinal Products for Human Use) has issued a positive opinion recommending the grant of a conditional marketing authorization for Darzalex (daratumumab, an anti-CD38) 1) in the European Union, and 2) as a treatment for heavily pre-treated patients with multiple myeloma. Consequently, we can say the European Commission should give its green light in coming weeks (and we'd say by mi-may at the earliest based).
- While largely expected (don't forget that the compound has already been approved by the FDA back in November 2015), we think the market will positively respond to this news as (i) the timing of an European approval is also key for respecting/beating the FY 2016 sales guidance that was given for this very compound (USD250-300m), especially since the management said they were expecting it by mid-2016; (ii) we assume JNJ will quickly reallocate a part of its marketing effort to daratumumab as Velcade (for which they currently retain the ex-US rights) is set to lose ground because of an increasing competition from new generation of proteasome inhibitors (Amgen's Kyprolis (carfilzomib), Takeda's Ninlaro (ixazomib)) and the advent of generics.
- For now, we stick to our sales estimate of EUR219m for this very year... But we have to admit we're quite conservative. We'll see how dara performed in the US during Q1 16, but 1) we're pretty sure the data presented during the ASH meeting have had a very positive impact on prescriptions (be it for on-label or off-label use); and 2) we can't rule out that CASTOR and POLLUX will further enhance this trend.

VALUATION

- BUY reiterated with a FV of DKK1,300.

NEXT CATALYSTS

- Q2 16: European approval of daratumumab as a monotherapy for the treatment of heavily pre-treated patients with multiple myeloma
- H1 16: Top-line results from the POLLUX study (Phase III evaluating daratumumab in combination with lenalidomide and dexamethasone in R/R patients with myeloma who received at least one prior therapy).
- H2 16: Read-across analysis for ofatumumab from the (likely) approval of Roche's ocrelizumab for the treatment of relapsing-remitting multiple sclerosis.

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Iliad

Price EUR223.80

Break up in Orange – Bouygues merger talks

Fair Value EUR212 vs. EUR270 (-5%)

NEUTRAL vs. BUY

Bloomberg	ILD FP
Reuters	ILD.PA
12-month High / Low (EUR)	236.3 / 175.5
Market Cap (EUR)	13,133
Ev (BG Estimates) (EUR)	14,662
Avg. 6m daily volume (000)	100.4
3y EPS CAGR	28.8%

On Friday Bouygues and Orange announced the break-up of their merger negotiations. We think Iliad and the whole telecoms sector in France will react negatively, albeit having already lost 3% last week in anticipation of this news. After cancelling the positive prospective impact of market repair on the company, we have downgraded Iliad's Fair Value to EUR212 from EUR270, and our reco to Neutral. We believe opportunities still exist for Iliad, such as M&A in other markets, or renewed consolidation opportunities in the French market in the medium term, but we have not priced these into our Fair Value at this point.

ANALYSIS

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.5%	1.7%	23.7%	1.7%
Telecom	-3.4%	-7.7%	-1.2%	-7.7%
DJ Stoxx 600	-1.6%	-8.9%	-3.8%	-8.9%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	4,414	4,736	5,100	5,458
% change		7.3%	7.7%	7.0%
EBITDA	1,490	1,711	2,005	2,307
EBIT	662	753	1000	1285
% change				
Net income	335.0	385.2	530.4	718.0
% change		15.0%	37.7%	35.4%

	2015	2016e	2017e	2018e
Operating margin	15.1	16.0	19.7	23.6
Net margin	7.6	8.1	10.4	13.2
ROE	12.7	12.8	15.1	17.1
ROCE	9.8	10.1	12.4	15.3
Gearing	45.2	51.0	39.0	21.5

(EUR)	2015	2016e	2017e	2018e
EPS	5.58	6.40	8.81	11.93
% change	-	14.7%	37.7%	35.4%
P/E	40.1x	35.0x	25.4x	18.8x
FCF yield (%)	NM	NM	2.2%	4.3%
Dividends (EUR)	0.38	0.38	0.38	0.38
Div yield (%)	0.2%	0.2%	0.2%	0.2%
EV/Sales	3.2x	3.1x	2.8x	2.6x
EV/EBITDA	9.6x	8.6x	7.2x	6.1x
EV/EBIT	NS	NS	NS	NS

- **The reasons for the break-up are twofold.** First, execution risks appeared too great from a regulatory standpoint, with major financial risks in case of a deal break-up following the regulatory process. Second, Bouygues and the French ministry of economy never managed to reach an agreement on the conditions of Bouygues' entry into Orange's capital, in terms of valuation and influence. According to an interview by Martin Bouygues this morning in Le Figaro, Xavier Niel's demands were particularly excessive and put the operation at risk. Nevertheless, it also appears from information in Le Figaro that Iliad made some final moves in the last days of negotiations to make the deal succeed, such as agreeing to take over hundreds of stores from Bouygues Telecom. Bouygues's hard feelings are primarily targeted at Xavier Niel and the French State. Could this lead to some form of reconciliation between Martin Bouygues and Patrick Drahi? Nothing is less certain at this point.

- **Now, what's next?** Martin Bouygues stated that "In a market where the possibility of consolidation is now ruled out for the long term, Bouygues Telecom will continue its standalone strategy". Let us remember that Martin Bouygues expressed the same confidence less than a year ago when refusing Patrick Drahi's EUR10bn offer for Bouygues Telecom. And his attempt to merge with Orange shows he might not be so convinced by this strategy. Indeed, we believe Bouygues Telecom will struggle in the CAPEX intensive fight for fiber roll out in particular, and will suffer from NC-SFR's aggressive promotional strategy.

- **We do not expect any rebound in French consolidation in the very short term,** but think it remains likely in the medium term. While Iliad and NC-SFR will wait until Bouygues Telecom's valuation drops, the only way for Martin Bouygues to save his telecoms subsidiary is by aggressively recruiting customers. Indeed, Bouygues Telecom's valuation relies more on the number and value of the customer base than on the intrinsic profitability of the business. Thus we expect a bloody price war to return to the market in coming months, to the detriment of all players. Eventually, Martin Bouygues will then agree to sell Bouygues Telecom to Patrick Drahi or Xavier Niel, or dismantle it and sell it in parts to several competitors.

- **Could another player, such as Vivendi or a foreign telecoms group, act as a white knight for Bouygues Telecom?** We do not believe so. The problem for Bouygues Telecom is to regain sustainable profitability on the French market. Unless we overestimate crossborder or telecom/media synergies, we do not see how another player could help with this.

- **From Iliad's point of view** things are mixed. On the one hand, Iliad will be much impacted by Bouygues aggressivity on the market, and the fixed market in particular. But as Bouygues Telecom's "natural" acquirer on the market, with the least competitive issues, Iliad could end up buying out Bouygues Telecom at a discounted price in a few years from now. In the meantime, Iliad will pursue other opportunities in other markets. In particular, it could be interested in launching an activity in the UK, leveraging on the remedies from the O2 / Three merger. The position of the European competitions authorities on this deal is expected soon. Our Fair Value of EUR212 withdraws positive fixed and mobile market repair effects (EUR58) and prices in strong competition and an ongoing price war in the French market but does not take into account such opportunities as development in the UK and a possible buy-out of the whole or parts of Bouygues Telecom in the end.



(to be continued next page)

Appendix: Bouygues Telecom's outlook and consolidation scenarios – pros and cons analysis

Bouygues scenario	Buyer	Pros	Cons
Bouygues still decides to sell in the short term	to Iliad	Low execution risk Iliad's interest in accelerating network roll out	Relationships between Martin Bouygues and Xavier Niel Iliad to favour UK deal in the short term Bouygues' valuation, Iliad not ready to pay Cash only deal
	To NC-SFR	Already a network agreement	Relationships between Martin Bouygues and Patrick Drahi Execution risk + social interrogations Social interrogations NC-SFR financing capacity Cash only deal No given less than a year ago
	to several players (dismantling)	Deals already discussed with other parties Value maximisation	Cash only deal Execution risks
	to non French telco players	Opportunity for share-based transactions Limited execution risk	Bouygues' valuation and limited synergies Remaining uncertainty about Bouygues Telecom's ability to regain sustainable profitability on the French market
	Bouygues is forced to sell in the medium term	to Iliad	Drop in Bouygues Telecom's valuation Low execution risk
	To NC-SFR	Drop in Bouygues Telecom's valuation Already a network agreement	Execution risk + social interrogations
	to several players (dismantling)	Value maximisation	Execution risks
	to non French telco players	Opportunity for share-based transactions Limited execution risk	Bouygues' valuation and limited synergies
Bouygues succeeds in its standalone strategy	None		Much uncertainty over Bouygues Telecom's ability to regain sustainable profitability on the market

VALUATION

- Iliad is now trading at 8.3x 2016e EBITDA
- We downgrade our Fair Value to EUR212 with a Neutral recommendation.

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Sector View

Food retailing

Adjustments to our estimates and FV post FYs

	1 M	3 M	6 M	31/12/15
Food Retailing	-0.7%	1.3%	3.8%	1.3%
DJ Stoxx 600	-1.6%	-8.9%	-3.8%	-8.9%

*Stoxx Sector Indices

Companies covered

AHOLD	BUY	EUR22 vs.22.5
Last Price	EUR19.71	Market Cap. EUR16,445m
CARREFOUR	BUY	EUR30 vs.31
Last Price	EUR23.865	Market Cap. EUR17,624m
CASINO GUICHARD	BUY	EUR57
Last Price	EUR49.45	Market Cap. EUR5,598m
DELHAIZE	BUY	EUR105 vs 107
Last Price	EUR91.56	Market Cap. EUR9,545m
DIA	NEUTRAL	EUR6.5 vs. 7.5
Last Price	EUR4.48	Market Cap. EUR2,789m
JERONIMO MARTINS	NEUTRAL	EUR13.5
Last Price	EUR14.41	Market Cap. EUR9,068m
METRO AG	NEUTRAL	EUR26
Last Price	EUR26.67	Market Cap. EUR8,644m
TESCO	NEUTRAL	166p
Last Price	190p	Market Cap. GBP15,468m

The following main factors are behind changes to both our estimates and FV for certain retailers in the food retail panel: 1/ post full-year adjustments; 2/ forex (the Brazilian BRL and the Argentinian Pesos remaining the most unwell forex with estimated negative effects of -10% and -37% respectively for 2016); 3/ new assumptions for the risk free rate (1.6% vs 2.0%) and risk premium (7% vs 6.4%) applied for all the stocks covered by analysts at Bryan Garnier.

- **CARREFOUR** (BUY; FV EUR30 vs EUR31): on average, we have lowered our 2016/18 EPS by **-7.6%** (notably on account of higher than expected losses at both Dia and China);
- **CASINO** (BUY; FV EUR57): on average, we have lowered our 2016/18 EPS by **-7.5%** (notably on account of the deconsolidation of Big C);
- **AHOLD** (BUY; FV EUR22 vs EUR22.5): on average, we have increased our 2016/18 EPS by **+1.6%**;
- **DELHAIZE** (BUY; FV EUR105 vs EUR107): on average, we have increased our 2016/18 EPS by **+2.3%**;
- **DIA** (NEUTRAL; FV EUR6.5 vs EUR7.5): on average, we have lowered our 2016/18 EPS by **-3.3%**;
- **JM** (NEUTRAL; FV EUR13.5): on average, we have increased our 2016/18 EPS by **+7.6%**.

ANALYSIS

As a reminder when it comes to the sector: we are witnessing a change in paradigm, which for a large number of mature retailers has meant that solid and recurring growth has sunk to a sinusoidal pace limited to just a few points (a disruptive factor in a fixed-cost industry). In this backdrop, size provides a key asset for large players who can dilute fixed costs over a far denser store network and obtain additional ammunition for nurturing their price and non-price competitiveness. Hence, we remain positive on both Ahold (BUY, FV @EUR22) and Delhaize (BUY, FV @EUR105) which, are increasing in size with the merger. We are also positive on Carrefour (BUY, FV @EUR30) which is a leader in each country where it has operations. As far as Casino is concerned, beyond the special situation, we appreciate the exposure to Brazil which, for circumstantial reasons, is a highly depressed market but which remains a very attractive destination going forward.

As a reminder we already updated our numbers on Metro last Friday.

VALUATION

- **CARREFOUR** (BUY; FV EUR30): 15.4x 2016 P/E vs 17x on average for the sector;
- **CASINO** (BUY; FV EUR57): NM / spot SOTP @EUR51;
- **AHOLD** (BUY; FV EUR22): 17.5x 2016 P/E vs 17x on average for the sector;
- **DELHAIZE** (BUY; FV EUR105): 16.6x 2016 P/E vs 17x on average for the sector;
- **DIA** (NEUTRAL; FV EUR6.5): 10x 2016 P/E vs 17x on average for the sector;
- **JM** (NEUTRAL; FV EUR13.5): 24x 2016 P/E vs 17x on average for the sector;

NEXT CATALYSTS

- **CARREFOUR** (BUY; FV EUR30): no obvious catalyst on the agenda...;
- **CASINO** (BUY; FV EUR57): sell high (i.e. Thailand at 1.7x EV/Sales) and Buy low (i.e. Brazil at 0.3x)?;
- **AHOLD** (BUY; FV EUR22): upcoming merger with Delhaize (mid-June 2016);
- **DELHAIZE** (BUY; FV EUR105): upcoming merger with Ahold (mid-June 2016);
- **DIA** (NEUTRAL; FV EUR6.5): positive LFL in Iberia (from Q3?);
- **JM** (NEUTRAL; FV EUR13.5): very strong momentum but no obvious catalyst on the agenda...



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Sector View

Business Services

Top picks Q2 2016: Elior again!

	1 M	3 M	6 M	31/12/15
Inds Gds & Svs	1.2%	-3.0%	3.8%	-3.0%
DJ Stoxx 600	-1.6%	-8.9%	-3.8%	-8.9%

*Stoxx Sector Indices

Companies covered

BUREAU VERITAS	NEUTRAL	EUR22
Last Price	EUR19.6	Market Cap. EUR8,653m
COMPASS GROUP	NEUTRAL	1200p
Last Price	1238p	Market Cap. GBP20,352m
EDENRED	NEUTRAL	EUR19
Last Price	EUR16.99	Market Cap. EUR3,922m
ELIOR	BUY	EUR23
Last Price	EUR19.345	Market Cap. EUR3,333m
SGS SA	BUY	CHF2150
Last Price	CHF2034	Market Cap. CHF15,910m
SODEXO	NEUTRAL	EUR88
Last Price	EUR94.43	Market Cap. EUR14,838m

LOOKING BACK AT Q1 2016

Compass Group and **Edenred** both turned in negative performances, losing 1.8% and 1.4% respectively in absolute terms and in euros. In relative terms, all stocks outperformed the DJ Stoxx in euros after FY results confirmed the resilience of business models or the ability to manage the market slowdown.

The picture was mixed for **Foodservices** stocks. **Sodexo** posted the best performance, up 6.3% in absolute terms benefiting from positive newsflow with i/ Q1 lfl revenue growth of 4.7% driven by RWC (released mid-January), ii/ Bellon SA's decision to increase its stake in Sodexo with the acquisition of around 2.2m shares no later than September 2016, iii/ a share buyback programme of EUR300m and iiiii/ NYSE Euronext's decision to include Sodexo in the CAC 40 index from 21st March. **Compass Group** was negative despite the good Q1 numbers released in early February while **Elior**, our top pick, was flat in Q1 2016 i.e. a consolidation after the strong outperformance in 2015 (up 56.9%). Volatility remained sharp for **Edenred** due to the group's exposure to the Brazilian economy.

In the **TIC** sector, **Bureau Veritas** and **SGS** had strong performances, up 6.4% and 5.7% respectively in absolute terms and in euros, and outperforming the DJ Stoxx by 14.1% and 13.3%. After share price volatility in 2015 reflecting macroeconomic uncertainties and the end of the commodities hyper cycle, FY 2015 results were reassuring and confirmed the groups' cost flexibility in an environment lacking visibility.

WHAT WE SEE FOR Q2 2016

In **Foodservices**, **Sodexo** is due to release its H1 results on 14th April. After strong Q1 lfl revenue growth, H1 is automatically set to be lower given the lack of specific events and the consensus is forecasting growth of 3.5% bearing in mind that the contribution from RWC stood at 2.7% in Q1. Operating margin is expected to come in at 6.4% up 20bps vs. last year with an EBIT of EUR668m. Management's FY guidance should be confirmed i.e. lfl revenue growth of around 3% and an increase in operating profit of around 8% (excluding currency effects and before exceptional items). Despite reporting better Q1 lfl revenue growth of 5.9% in early February, the **Compass** share price was broadly stable and should remain so. Indeed, business trends remain the same from one quarter to the next, with NA still the main growth engine, a continued recovery in Europe and ongoing challenges in the ROW. We also confirm that no cash return is anticipated before 2017. **Edenred's** share price volatility is likely to remain due to the group's exposure to the Brazilian economy. It is still too early to revisit the share in view of this situation and the stock remains a trading share.



FY 2015 results confirmed TIC sector fundamentals. Nevertheless, the short term still looks challenging with a lack of visibility reflected in 2016 group guidance expectations (more or less the same performance as in 2015 with a wide range of expectations).

Bureau Veritas is forecasting lfl revenue growth of between 1% and 3% compared with 1.9% in 2015 (our forecast is 1.6%, while the consensus was at 1.5% at end-March vs. 2.1% before FY 2015 results) with an adjusted EBITA margin of between 16.5% and 17% compared with 16.7% in 2015 (our forecast is flat at 16.7% in line with consensus recently downgraded from 16.8%). Lfl revenue growth is expected to be better in H2 2016 bearing in mind that Q1 lfl revenue should be negative (consensus at -0.4%) and H1 only slightly positive (consensus at 0.2%).

The same situation goes for **SGS**, with management expecting to deliver lfl growth of between 2.5% and 3.5% compared with 2% in 2015 (our forecast is 2.7%) with a stable margin vs. 2015 i.e. 16.1%.

CONCLUSIONS AND TOP PICKS

Elior (Buy, FV EUR23)

Last quarter, we decided to add **Elior** in our Top Picks list, given that the group's transformation was implemented more quickly than expected with significant concrete actions (see our note of 17th December) and **we maintain the stock in our Top Picks list in Q2**. In fact, Q1 2015-2016 results, released at the end February, confirmed positive expectations with i/ total revenue up 4.5% and lfl revenue growth of 1% with the termination or disposal of insufficiently profitable contracts impacting growth by 2.1%, ii/ EBITDA up 6.9% generating an EBITDA margin of 7.7%, up 20bp. FY 2015-2016 guidance has been reaffirmed, with management expecting lfl revenue growth of more than 3% excluding the impact of voluntary contract exits (probably less than 150bp) with an EBITDA margin up 20bp at least to 8.6%. Our forecast is 1.9% lfl revenue growth after contract exits with

EBITDA margin slightly over 8.6%.

Our FV is based on a DCF (WACC of 8.4% with a leverage beta of 1.35) using our "Base Case" scenario anticipating:

- Total revenue of c. EUR7.5bn in 2020 i.e. the mid-point of management's target for between EUR7bn and EUR8bn, representing a 2015-2020 CAGR in revenue of 5.7% o/w 1.9% stemming from acquisitions.
- 2020 EBITDA margin of 9.3% compared with management's target for 9-10%.

In a "Blue sky" scenario, with total revenue of EUR8.1bn in 2020 and an EBITDA margin of 9.7%, our DCF valuation would be EUR29.5.

FV changes using our new ERP of 7% vs.6.2% previously with a RFR of 1.6% vs. 2%

	FV(before)	FV(after)	last price	Potential
Sodexo (EUR)	88	88	94.4	-6.8%
Compass Group (p)	1200	1200	1238	-3%
Elior (EUR)	23,5	23	19.3	19%
Edenred (EUR)	20	19	17	11.8%
Bureau Veritas (EUR)	22	22	19.6	12.2%
SGS (CHF)	2150	2150	2034	5.7%

Source: Bryan Garnier & Co. ests.

NEXT CATALYSTS

Sodexo: H1 2015-2016 results on 14th April

Edenred: Q1 2016 revenue on 14th April

Compass Group: H1 2015-2016 results on 11th May

Bureau Veritas: Q1 2016 trading update on 12th May

Elior: H1 2015-2016 results on 27th May

SGS: H1 2016 results on 18th July

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TMT

Dassault Systèmes

Price EUR69.20

Merger of Geometric into 3DPLM, Dassault Systèmes' joint venture in India

Fair Value EUR63 (-9%)

SELL

Bloomberg	DSY FP
Reuters	DAST.PA
12-month High / Low (EUR)	76.1 / 59.9
Market Cap (EURm)	17,765
Avg. 6m daily volume (000)	285.5

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.6%	-6.2%	4.8%	-6.2%
Softw.& Comp.				
SVS	0.6%	-3.1%	15.6%	-3.1%
DJ Stoxx 600	-1.6%	-8.9%	-3.8%	-8.9%
	2015	2016e	2017e	2018e
P/E	29.3x	25.4x	23.0x	20.6x
Div yield (%)	0.6%	0.7%	0.8%	0.9%

ANALYSIS

- **Structure of the deal.** Last Friday Geometric announced the transfer of its business to HCL Technologies by way of a demerger, except for its 58% stake in the JV with Dassault Systèmes, 3DPLM Software Solutions. In return, shareholders of Geometric will receive 10 HCL shares for every 43 Geometric shares. Simultaneously, Geometric will be merged into 3DPLM, thereby giving 100% ownership of 3DPLM to Dassault Systèmes. In exchange for the ownership in Geometric, shareholders of Geometric will all receive one listed redeemable preference share of INR68 each in 3DPLM against every one share of Geometric. 3DPLM, formed in 2002, comprises a team of 2,000 staff in India working on R&D and services related to DS' platform and applications.
- **Neutral on DS' revenues and expenses.** The transaction is being undertaken through a court-approved scheme, and the closing is expected to take place in Q4 2016. Since 3DPLM is already consolidated in Dassault Systèmes financial statements despite the 42% stake it had in the company (as it has full control of it), this transaction will be neutral on revenue and expenses. We estimate 3DPLM's revenue run rate with Dassault Systèmes at USD50m.

VALUATION

- Dassault Systèmes' shares are trading at est. 16.4x 2016 and 14.0x 2017 EV/EBIT multiples.
- Net cash position on 31st December 2015 was EUR1,351.3m (net gearing: -39%).

NEXT CATALYSTS

Q1 2016 results on 21st April before markets open.

[Click here to download](#)Gregory Ramirez, gramirez@bryangarnier.com

BG's Wake Up Call

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BUY	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
NEUTRAL	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
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 29.4%

SELL ratings 6.6%

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