



Please find our Research on Bloomberg BRYG <GO>

12th April 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17556.41	-0.12%	+0.75%
S&P 500	2041.99	-0.27%	-0.10%
Nasdaq	4833.4	-0.36%	-3.48%
Nikkei	15928.79	+1.13%	-17.25%
Stoxx 600	332.873	+0.31%	-9.01%
CAC 40	4312.63	+0.22%	-7.00%
Oil /Gold			
Crude WTI	39.5	0.00	+6.18%
Gold (once)	1257.57	+1.29%	+18.37%
Currencies/Rates			
EUR/USD	1.1443	+0.31%	+5.34%
EUR/CHF	1.08855	+0.11%	+0.11%
German 10 years	0.116	+20.00%	-81.69%
French 10 years	0.394	+6.72%	-59.84%
Euribor	-	+-%	+-%

Economic releases :

Date	
12th-Apr	JP - Machine Tool Orders Mar. y/y
	GB - CPI Mar. (0.4% y/y)
	GB - Core CPI Mar. (1.3% E y/y)
	DE - CPI (0.3% E y/y)
	US - NFIB small Business Optimism index (93.6 E)
	US - Treasury Budget

Upcoming BG events :

Date	
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)
15th-Jun	GENMAB (BG Paris roadshow)

Recent reports :

Date	
11th-Apr	ALTICE NUMERICABLE SFR : The time of Marketing?
8th-Apr	Nicox A visible decrease in pressure... (CORPORATE, FV EUR14)
6th-Apr	EDP Renovaveis : Renewables, what else?
4th-Apr	GAMELOFT : Nothing to gain by tendering your GFT shares now!
29th-Mar	IPSEN Cabozantinib makes Ipsen a different story
23rd-Mar	Feedback from our TMT Conference in Paris

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



LVMH

BUY, Fair Value EUR177 (+21%)

Q1 sales grew 3% organically, below expectations (+4%)

Yesterday, after market closure, LVMH reported Q1 sales at EUR8.62bn (consensus: EUR8.73bn), implying a 4% increase and a 3% organic growth (consensus: +4%). The main information from this release is the disappointing sales stability of the Fashion & Leather business. Nevertheless, we keep our Buy recommendation with an unchanged EUR177 FV. LVMH remains our preferred stock among our luxury sample, mainly thanks to a well-balanced portfolio business that was efficient in Q1.

PRADA

NEUTRAL, Fair Value HKD35 vs. HKD37 (+48%)

Many initiatives implemented, but there still a long way to recovery

At the analysts' meeting yesterday, management explained the FY15 results (released last Friday) in more detail and presented the actions aimed at revitalizing top-line growth and controlling opex costs more tightly. The main initiative involves the price harmonization strategy, as Prada intends to maintain a 10% price gap across the different regions, but only for specific products and categories (mainly Leather goods and Shoes). Management has also guided on flattish opex costs (in value terms) thanks to the end of the retail expansion and some cost-cutting measures, which is good news as current trading does not seem to be improving. We nudge down our FY16-17 assumptions by 3% on average, leading to our new FV of HKD35 vs. HKD37.

SAINT GOBAIN

BUY, Fair Value EUR42 (+9%)

Sika: steady Q1 2016 sales growth

Sika has reported steady Q1 sales y/y growth at 5.4% I-F-I, with double-digit organic performance in North America. Based same forex exchange but included acquisitions, every geographic zones reported an acceleration in growth (vs same period last year), except LatAm, which furthermore has been impacted by negative forex. 2016 target confirmed, with 6-8% sales growth. Uncertainties remain regarding the deal between SGO and the Burkard family. Zug Court decision on voting rights expected this summer. Sika AGM today.

TELECOM SERVICES

Bouygues Telecom raises prices of Box offers: end of price war? Not quite there yet...

Bouygues Telecom announced this week-end that it is raising the prices of its Bbox and Miami Box offers for new customers. Although this is a good signal for the market, we believe it is too soon to conclude that the broadband price war is over.

In brief...

GAMELOFT, The closing date of the hostile takeover offer on GFT will be known shortly

GLAXOSMITHKLINE, Second generic Advair accepted for filing in the US

ROCHE, Venclexta approved in first indication

Luxury & Consumer Goods

LVMH

Price EUR146.05

Q1 sales grew 3% organically, below expectations (+4%)

Fair Value EUR177 (+21%)

BUY

Bloomberg	MC FP
Reuters	LVMH.PA
12-month High / Low (EUR)	175.6 / 134.7
Market Cap (EUR)	74,044
Ev (BG Estimates) (EUR)	77,796
Avg. 6m daily volume (000)	966.1
3y EPS CAGR	15.2%

Yesterday, after market closure, LVMH reported Q1 sales at EUR8.62bn (consensus: EUR8.73bn), implying a 4% increase and a 3% organic growth (consensus: +4%). The main information from this release is the disappointing sales stability of the Fashion & Leather business. Nevertheless, we keep our Buy recommendation with a unchanged EUR177 FV. LVMH remains our preferred stock among our luxury sample, mainly thanks to a well-balanced portfolio business that was efficient in Q1.

ANALYSIS

- **LVMH Q1 sales reached EUR8.62bn, up 4% and 3% organically, after +5% in Q4 2015 and +6% in 2015.** By division, we highlight the very positive momentum for the Wines & Spirits division (13% of Group sales and 21% of Group EBIT) with a 6% increase (in line with expectations) even if this performance was achieved on an undemanding basis (-1% in Q1 15), particularly with the cognac division (-7%). Champagne and cognac did well during the quarter. For champagne, activity remained positively oriented particularly in Europe and **Hennessy** sales benefited from US market and the end of destocking in China and better underlying trend (sell out flattish), which is encouraging.
- Fashion & Leather division sales (35% of group sales and 53% of Group EBIT) remained stable in Q1 (cs:+2%) on an easy comparison basis (+1%), but this undemanding comp is the consequence of the very strong Q1 14 (+9%), partly due to the higher VAT in Japan from April 1st 2014. We estimate that **Louis Vuitton** sales remained almost stable, in line with the division performance. Nevertheless, **Fendi** and **Celine** achieved stronger sales increase than the division average and **Donna Karan** and **Marc Jacobs** lower than average. Perfumes & Cosmetics revenues achieved a strong quarter with a 9% organic increase. Beyond a very healthy market (+5% in 2015), **Parfums Christian Dior** gained market share thanks to the successful launch of the new mens' fragrance *Savage* and womens' *Poison Girl*. Watches & jewelry sales achieved a robust 7% sales increase, driven by Bulgari and by Tag Heuer. Selective retail division momentum remained positive in Q1 (+4%), despite DFS poor activity, a consequence of lower sales in Hong Kong, but thanks to still dynamic Sephora which continues to gain market share, particularly in the US.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.2%	8.0%	-11.9%	0.8%
Pers & H/H Gds	-1.4%	4.1%	-2.0%	-2.2%
DJ Stoxx 600	-2.7%	-2.2%	-8.3%	-9.0%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	30,638	35,664	37,460	39,660
% change		16.4%	5.0%	5.9%
EBITDA	6,576	7,505	8,025	8,745
EBIT	5,716	6,605	7,075	7,745
% change		15.6%	7.1%	9.5%
Net income	2,972	3,573	4,204	4,547
% change		20.2%	17.7%	8.2%

	2014	2015e	2016e	2017e
Operating margin	18.7	18.5	18.9	19.5
Net margin	9.7	10.0	11.2	11.5
ROE	11.5	12.7	13.6	13.4
ROCE	10.3	10.1	10.5	10.9
Gearing	16.5	13.4	9.4	5.5

(EUR)	2014	2015e	2016e	2017e
EPS	5.92	7.11	8.37	9.05
% change	-	20.2%	17.7%	8.2%
P/E	24.7x	20.5x	17.4x	16.1x
FCF yield (%)	3.9%	3.1%	3.8%	4.3%
Dividends (EUR)	3.20	3.55	3.90	4.30
Div yield (%)	2.2%	2.4%	2.7%	2.9%
EV/Sales	2.6x	2.2x	2.1x	1.9x
EV/EBITDA	11.9x	10.4x	9.6x	8.7x
EV/EBIT	13.7x	11.8x	10.9x	9.8x

Quarterly organic sales growth by division

in %	Q3 15	9m 15	Q4 15	2015	Q1 16
Wine & Spirits	16	7	4	6	6
Fashion & Leather	3	5	3	4	0
Perfumes & Cosmetics	7	7	7	7	9
Watches & Jewelry	11	10	3	8	7
Selective Retail	5	5	5	5	4
LVMH Group	7	6	5	6	3

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

- Even if LVMH did not yet release its Q1 sales performance by geographic area (we will get this information today during the 3pm conference call), we anticipate that Europe (excluding France) and Japan were still growing during the quarter, albeit likely at a lower pace than in Q4 15 (respectively +6% and +12%), while we argue that the situation should have improved slightly in Asia-Pacific. The US remained likely dynamic.

VALUATION

- LVMH share price remained almost stable YTD (-7% on 1m), implying a 10% outperformance vs DJ Stoxx. LVMH is trading 10.9x on 2016 EV/EBIT vs 11.3x for our luxury sample. We remain Buy on the stock with an unchanged EUR177 FV.

NEXT CATALYSTS

- Conference call today at 3pm.

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

Sector Team :
Nikolaas Faes
Antoine Parison
Cédric Rossi
Virginie Roumage

Luxury & Consumer Goods

Prada

Price HKD23.70

Many initiatives implemented, but there still a long way to recovery

Fair Value HKD35 vs. HKD37 (+48%)

NEUTRAL

Bloomberg	1913 HK
Reuters	1913.HK
12-month High / Low (HKD)	44.9 / 20.4
Market Cap (HKD)	60,644
Ev (BG Estimates) (HKD)	60,133
Avg. 6m daily volume (000)	1 234
3y EPS CAGR	-3.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.6%	13.9%	-28.2%	-1.7%
Pers & H/H Gds	-1.4%	4.1%	-2.0%	-2.2%
DJ Stoxx 600	-2.7%	-2.2%	-8.3%	-9.0%

YEnd Jan. (EURm)	01/15	01/16e	01/17e	01/18e
Sales	3,552	3,548	3,583	3,691
% change		-0.1%	1.0%	3.0%
EBITDA	954	803	849	893
EBIT	701.6	502.9	562.6	616.4
% change		-28.3%	11.9%	9.6%
Net income	450.7	328.6	368.4	407.1
% change		-27.1%	12.1%	10.5%

	01/15	01/16e	01/17e	01/18e
Operating margin	19.8	14.2	15.7	16.7
Net margin	12.7	9.3	10.3	11.0
ROE	15.0	11.1	12.4	13.6
ROCE	16.2	11.5	12.9	14.3
Gearing	-6.3	-1.9	-4.6	-6.8

(EUR)	01/15	01/16e	01/17e	01/18e
EPS	0.18	0.13	0.14	0.16
% change		-27.1%	12.1%	10.5%
P/E	15.2x	20.8x	18.5x	16.8x
FCF yield (%)	1.8%	2.4%	5.5%	5.8%
Dividends (EUR)	0.11	0.11	0.12	0.14
Div yield (%)	4.1%	4.1%	4.5%	5.2%
EV/Sales	1.9x	1.9x	1.9x	1.8x
EV/EBITDA	7.0x	8.4x	7.9x	7.4x
EV/EBIT	9.5x	13.5x	11.9x	10.8x

At the analysts' meeting yesterday, management explained the FY15 results (released last Friday) in more detail and presented the actions aimed at revitalizing top-line growth and controlling opex costs more tightly. The main initiative involves the price harmonization strategy, as Prada intends to maintain a 10% price gap across the different regions, but only for specific products and categories (mainly Leather goods and Shoes). Management has also guided on flattish opex costs (in value terms) thanks to the end of the retail expansion and some cost-cutting measures, which is good news as current trading does not seem to be improving. We nudge down our FY16-17 assumptions by 3% on average, leading to our new FV of HKD35 vs. HKD37.

ANALYSIS

- FY15 net revenues** virtually stable at EUR3,548m (-7.7% FX-n) were pre-announced on 17th February. In **Retail**, sales fell 5.3% FX-n, implying a very slight improvement in Q4 (-6%) vs Q3 (-8%) which was derived from the performance in **Asia-Pacific** (38% of retail sales: -10% in Q4 vs. -20% in Q3). **Wholesale** sales dropped by approx. 21% in Q4, justified by the rationalisation strategy which is now over in Europe. It is worth mentioning that the 13.5% increase in **royalties** was driven by a very successful year for eyewear (Luxottica) and fragrances (Coty).
- Prada intends to gradually reduce the price gap to 10%**. The new price architecture will apply to the new S/S 16 collection, but management has already declared that this 10% price gap across the regions would mainly concern **Leather goods** (63% of sales) and **Footwear** (18%). Although we believe it might take time to fully achieve this objective, this price harmonization should reduce the business volatility caused by tourism flows since Prada estimates that travellers account for approx. 50% of group sales.
- E-commerce: Prada wants to double its exposure in the MT**. The Italian group was relatively lagging its peers (~2-3%e of sales) vs. 6% on average (Bain & Company ests), but Prada has decided to catch up in this fast-growing channel (+22% FX-n in 2015) by: (i) doubling the product offering on its online platform (developed by Yoox), except Apparel, (ii) increasing its presence on social media (Instagram, Snapchat, etc.) and (iii) implementing the price harmonization.
- Priority for 2016: revitalize organic sales growth**. Whilst some luxury brands have already decided not to follow the "see now, buy now" model, Prada has successfully tested it during its F/W 16 fashion show by selling two new handbag models (Pionnière at EUR1,600 and Cahier over EUR2,000). However, Prada is not willing to use this model on a larger scale, which will be limited to special projects only. All these above-mentioned measures are aimed at fuelling the organic sales growth for 2016, all the more since the group admitted that current trading has not improved vs Q4, i.e. **Europe** suffers from fewer tourists visiting the region, trends in **Asia-Pacific** are still negative and **US** consumers have adopted a wait-and-see behaviour. We now anticipate 1% organic growth for 2016 vs. +2% previously (after -7.7% in 2015).
- Margin rebound in 2016?** Whilst FX should have a neutral impact on GM this year, opex cost inflation related to retail expansion would be significantly reduced this year as the retail network should remain unchanged at 618 DOS. Management expects that a tight cost control, except on A&P expenses, will enable the group to keep stable opex costs in value terms, hence a slight but symbolic operating leverage might be possible in 2016 after two successive years of EBITDA margin decline (-930bp between 2013 and 2015). Given a lower organic growth forecast for 2016, we have nudged down our margin assumptions by 3% over 2016-17.

VALUATION

- Our new FV of HKD35 vs. HKD37 reflects our margin adjustments over 2016-17. Neutral recommendation confirmed as it quite too early to play the improving sales and earnings momentum, particularly in tough market conditions.
- In accordance with the regulation of HK's securities markets (+Italian new legislation), Prada will now report its results on a semi-annual basis. [Click here to download](#)*



Analyst:
Cédric Rossi
33(0) 1 70 36 57 25
crossi@bryangarnier.com

Consumer Analyst Team:
Nikolaas Faes
Loïc Morvan
Antoine Parison
Virginie Roumage

Construction & Building Materials

Saint Gobain

Price EUR38.63

Sika: steady Q1 2016 sales growth

Fair Value EUR42 (+9%)

BUY

Bloomberg	SGO FP
Reuters	SGOB.PA
12-month High / Low (EUR)	44.5 / 32.1
Market Cap (EURm)	21,669
Ev (BG Estimates) (EURm)	28,230
Avg. 6m daily volume (000)	2,051
3y EPS CAGR	19.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.9%	6.9%	-2.5%	-3.1%
Cons & Mat	-0.2%	4.1%	1.1%	-2.5%
DJ Stoxx 600	-2.7%	-2.2%	-8.3%	-9.0%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	41,054	39,623	39,305	40,812
% change		-3.5%	-0.8%	3.8%
EBITDA	4,151	3,844	4,070	4,660
EBIT	2,797	2,636	2,870	3,410
% change		-5.8%	8.9%	18.8%
Net income	1,103	1,165	1,478	1,892
% change		5.6%	26.9%	28.0%

	2014	2015e	2016e	2017e
Operating margin	6.8	6.7	7.3	8.4
Net margin	2.4	1.1	3.2	4.1
ROE	6.1	6.1	7.6	9.3
ROCE	6.3	6.2	7.0	8.2
Gearing	39.2	24.8	22.4	17.8

(EUR)	2014	2015e	2016e	2017e
EPS	1.97	2.06	2.64	3.37
% change		-	4.4%	28.0%
P/E	19.6x	18.8x	14.7x	11.5x
FCF yield (%)	NM	5.7%	4.9%	7.1%
Dividends (EUR)	1.24	1.24	1.30	1.40
Div yield (%)	3.2%	3.2%	3.4%	3.6%
EV/Sales	0.7x	0.7x	0.7x	0.7x
EV/EBITDA	7.4x	7.3x	6.9x	5.8x
EV/EBIT	10.9x	10.7x	9.7x	8.0x



Sika has reported steady Q1 sales y/y growth at 5.4% I-f-I, with double-digit organic performance in North America. Based same forex exchange but included acquisitions, every geographic zones reported an acceleration in growth (vs same period last year), except LatAm, which furthermore has been impacted by negative forex. 2016 target confirmed, with 6-8% sales growth. Uncertainties remain regarding the deal between SGO and the Burkard family. Zug Court decision on voting rights expected this summer. Sika AGM today.

Sika has reported 6.6% sales growth in Q1 at CHF1274m. Organic growth stands at 5.4% (deducted), currency effects are negative at -1.7% and perimeter positive at +2.9%. The 8.3% growth reported by Sika corresponds to the growth in local currencies included acquisitions.

By region, in local currencies included acquisitions, every zone, expect LatAm, reported an acceleration in growth versus last year: EMEA at 8.7% y/y in Q1 2016 vs 1.1% y/y last year in Q1 2015; North America at 12.6% (vs 10.7% last year) and Asia/Pacific at 4.3% (2.5% last year). Deceleration of the growth is dramatic in LatAm, with 4% reported in Q1 vs +17% for the same period last year. Combined with negative forex effect, LatAm sales in Q1 is down -13.5%.

Sika continues to be busy on the expansion side, with 4 new factories or 1 new subsidiary opened in Q1. 2016 annual targets confirmed with 6-8% sales growth expected in 2016, with "above-average rise in margins", combined with 6-8 new factories and 3-4 new subsidiaries..

Sika Q1 sales performance

y/y %	CHFm	y/y in CHF	y/y local curr incl. scope	curr. effect	scope effect	like-for-like (deducted)
EMEA	604	8.7	8.7	0.0	5.0	3.7
North America	184	16.8	12.6	4.2	0.8	11.8
LatAM	131	-13.5	4.0	-17.5	0.0	4.0
Asia/Pacific	235	4.3	4.3	0.0	2.3	2.0
Others	121	14.4	14.2	0.2	0.0	
Net sales	1274	6.6	8.3	-1.7	2.9	5.4

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

ANALYSIS

- Although Sika AGM is scheduled for today, we doubt something significant could happen here. The local press already said that all members of the board will ask for a new mandate. Besides, in the last release of the Sunday newspaper *Schweiz am Sonntag*, Chairman Paul Hälg said that he intends to ask again the shareholders to limit the family holding SWH voting rights. Hence the board is likely to remain unchanged and the SWH voting rights limited.
- The next key event remains the first instance decision from the Zug Court regarding the voting rights of SWH. The family holding has 16% of the capital but 52% of the voting rights of Sika and these rights have been limited at the last two EGMs.
- This decision is expected this Summer. As it is a first instance, appeals could add up to approx. 2 years of delays to the process, we understand. Bear in mind Saint-Gobain and Sika have extended their agreement to the end of June 2017 and that Saint-Gobain has an option for another extension until the end December 2018.

VALUATION

- EUR42 FV from the application of historical EV/EBIT to our 2017 estimates, discounted back.

NEXT CATALYSTS

- SIKAMG today at 1pm
- SGO Q1 revenues on 27 April, after trading

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Analyst :

Eric Lemarié
33(0) 1.70.36.57.17
elemarie@bryangarnier.com



Sector View

Telecom services

	1 M	3 M	6 M	31/12/15
Telecom	-3.3%	-6.1%	-5.8%	-9.2%
DJ Stoxx 600	-1.7%	-2.8%	-8.2%	-9.3%

*Stoxx Sector Indices

Companies covered

ALTICE

Last Price EUR13,965 Market Cap. EUR15,282m

ILIAD NEUTRAL EUR212

Last Price EUR192,7 Market Cap. EUR11,308m

NUMERICABLE SFR

Last Price EUR29,5 Market Cap. EUR12,928m



Bouygues Telecom raises prices of Box offers: end of price war? Not quite there yet...

Bouygues Telecom announced this week-end that it is raising the prices of its Bbox and Miami Box offers for new customers. Although this is a good signal for the market, we believe it is too soon to conclude that the broadband price war is over.

ANALYSIS

- Bouygues Telecom now charges an extra EUR3 for Box rental on top of its Bbox and Miami Box offers. In addition, Bouygues Telecom is raising the price of the Miami Box offer by EUR1, with new Android TV OS, and all broadband and Fiber offers now include a 12-month commitment.
- Bouygues Telecom is following Orange and NC-SFR, charging for the Box rental. This should not have a dramatic impact on sales, as displayed prices will remain unchanged. On the other hand the impact on ARPU and Revenues will be quite progressive, as the new tariffs do not apply to the customer base. In 2016, the impact on total ARPU should be close to EUR1 according to our estimates, ie EUR34m, ie 1% of 2015 revenues from the network.
- This hike will not be enough for Bouygues Telecom to ensure its recovery. The company still needs sustained landline customer growth to fuel its plan. Even with the price increases, if growth is insufficient, promotions will be needed again.
- The impact should not be highly significant for its competitors, as we do not expect a significant negative impact on Bouygues Telecom's sales from this move. Nevertheless, this price hike is a good signal for the market, and other players could afford a little less promotions while maintaining their sales. In particular, benefits could be expected for Iliad, Sosh and Red – the offers which have the closest price points to Bouygues Telecom.
- At this point, we maintain our assumptions of 2016 fixed ARPU yoy growth of 3.5% for NC-SFR, -0.9% for Iliad.

VALUATION

- We stick to our Fair Value of EUR 28.4 for NC-SFR and EUR212 for Iliad, with Neutral recommendations.

NEXT CATALYSTS

- Bouygues Telecoms Q1 results on May 13th, NC-SFR results on May 10th, and Iliad's Q1 results expected mid-may.

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Analyst :
Thomas Coudry
33(0) 1 70 36 57 04
tcoudry@bryangarnier.com

Sector Team :
Richard-Maxime Beaudoux
Gregory Ramirez
Dorian Terral

TMT

Gameloft

Price EUR7.50

The closing date of the hostile takeover offer on GFT will be known shortly**Fair Value EUR7.2 (-4%)****BUY**

Bloomberg	GFT FP
Reuters	GLFT.PA
12-month High / Low (EUR)	7.5 / 3.2
Market Cap (EURm)	644
Avg. 6m daily volume (000)	376.1

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.0%	50.0%	85.6%	23.8%
Softw.& Comp.				
SVS	-1.2%	-1.6%	9.0%	-5.9%
DJ Stoxx 600	-2.7%	-2.2%	-8.3%	-9.0%

	2015	2016e	2017e	2018e
P/E	NS	34.6x	24.9x	17.4x
Div yield (%)	NM	NM	NM	NM

FACTS

- The French markets authority (AMF) said yesterday that the closing date of Vivendi's offer will be announced when the Court of Appeal of Paris has made its decision on the request filed by GFT's management. The offer is open since 21st March and the closing date was originally 10th May.
- As a reminder, Gameloft filed on 25th March a complaint with the Court of Appeal of Paris against the clearance decision relating to the takeover bid filed by Vivendi. It has also filed a request with the First President of the Court of Appeal of Paris for a stay of execution of this clearance decision until the Court has rendered its judgment on the merits.

ANALYSIS

- We should know on 14th April (first hearing of the Court of Appeal of Paris) whether Gameloft's complaint will have a suspensive effect on the takeover bid. If it does not have a suspensive effect, we should have the results of the offer in late May/early June; or if it has a suspensive effect, the offer won't be suspended but the results of the offer should be postponed to September/October. As a reminder, in a roadshow we organized with Gameloft's management in Paris (31st March), the CEO was never this convincing, not only on the short term but also for its FY18 financial targets: 1/ GFT 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, op. 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).

VALUATION

- Investors have nothing to gain by tendering their GFT shares now to Vivendi. We maintain our Buy rating and FV of EUR7.2 and estimate a fair offer in the range of EUR7.6-8.6.

NEXT CATALYSTS

- First hearing of the Paris Court of Appeal: 14th April.
- Q1 sales: 28th April (after trading).

[Click here to download](#)Richard-Maxime Beaudoux, rmbeaudoux@bryangarnier.com

Healthcare

GlaxoSmithKline

Price 1,466p

Second generic Advair accepted for filing in the US

Fair Value 1670p (+14%)

BUY

Bloomberg	GSK LN
Reuters	GSK.L
12-month High / Low (p)	1,634 / 1,238
Market Cap (GBPm)	71,381
Avg. 6m daily volume (000)	8 370

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.8%	8.8%	11.9%	6.7%
Healthcare	0.2%	-3.8%	-5.3%	-10.4%
DJ Stoxx 600	-2.7%	-2.2%	-8.3%	-9.0%

	2015	2016e	2017e	2018e
P/E	19.4x	16.5x	15.4x	14.1x
Div yield (%)	6.8%	5.5%	5.5%	6.0%

ANALYSIS

- Hikma and Vectura, which have partnered on the drug for the US, announced that they have received acceptance from the FDA of the filing for their generic version of Advair, using Vectura's proprietary dry powder inhaler and formulation. This triggers a USD10m payment to Vectura. This is the second ANDA to be accepted by the FDA for Advair Diskus after Mylan's last February.
- As a reminder, Vectura originally partnered with Novartis globally on this development, but later on the Swiss company returned US rights to Vectura as it favoured another route when buying Oriol Therapeutics. Sandoz and Vectura have maintained their alliance for Europe where their generic version of Advair is approved and marketed in several countries.
- It remains to be seen if any of the two already-filed versions of Advair will be substitutable, which is key to make a generic a true success. It is unclear where Sandoz exactly is in this battle.

VALUATION

- Advair remains GSK's number 1 product although it has been declining sharply for a couple of years, including in the US under pricing pressure. Down 25% in 2014, it was again down 13% in 2015 and is expected to decline again double-digits in 2016 as GSK is increasing rebates to keep volumes and contracts while also favouring new-generation Breo. That said, in 2017, we nevertheless expect Advair to generate GBP1.3bn in sales i.e. about 5% of group's Pharma sales.
- Advair's generics are factored in company's mid-term guidance stating that core EPS would grow mid to high single digit. We have also assumed that Advair would drop below GBP100m in 2020.

NEXT CATALYSTS

- 27 April 2016: First-quarter results - [Click here to download](#)

Eric Le Berrigaud, eleberrigaud@bryangarnier.com

Healthcare

Roche

Price CHF242.50

Venclexta approved in first indication

Fair Value CHF294 (+21%)

BUY

Bloomberg	ROG.VX
Reuters	ROG.VX
12-month High / Low (CHF)	282.5 / 233.2
Market Cap (CHFm)	170,372
Avg. 6m daily volume (000)	1 476

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.4%	-7.1%	-3.9%	-12.3%
Healthcare	0.2%	-3.8%	-5.3%	-10.4%
DJ Stoxx 600	-2.7%	-2.2%	-8.3%	-9.0%

	2015	2016e	2017e	2018e
P/E	18.0x	17.1x	15.4x	15.2x
Div yield (%)	3.3%	3.5%	3.9%	4.0%

ANALYSIS

- After obtaining priority review for atezolizumab yesterday in NSCLC, Roche got a second good piece of news on the same day: the approval of first-in-class Bcl-2 inhibitor venetoclax, developed in partnership with AbbVie, in its first indication i.e. patients with CLL and p17 deletion that have received at least one prior therapy.
- The drug will be called Venclexta and it is key for Roche and Genentech because the results were simply remarkable with 80% ORR, first time to response below 1 month and reasonably good safety profile, but also because it adds a new line of defence to the rituximab franchise, although it is a shared product with AbbVie. Clearly in CLL most of the patients will have received a first line of treatment that is rituximab-based and if and when they relapse and if an FDA-approved test says that part of chromosome 17 is absent (hence the genomic alteration), which is found in 30-50% of the cases, then Venclexta will be the treatment of choice.
- Venclexta is the first of the three major drugs from Roche that are expected to be approved in 2016. It may be considered that it is the least impacting one because of the partnership with AbbVie. However it could be a significant drug if its success is further expanded towards new indications that include front-line CLL and forms of NHL in combination with Rituxan or Gazyva.

VALUATION

- We are comfortable with peak sales of about USD3.5bn for the drug globally in the early part of the next decade, but we may be too cautious about the ramp-up as we only expect Venclexta to deliver CHF75m for Roche in 2017. We will slightly adjust in connection with Q1 sales due next week.

NEXT CATALYSTS

- 19 April 2016: First-quarter sales - [Click here to download](#)

Eric Le Berrigaud, eleberrigaud@bryangarnier.com

BG's Wake Up Call

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 56.8%

NEUTRAL ratings 35.3%

SELL ratings 7.9%

Bryan Garnier Research Team

Healthcare Team	Pharmaceuticals	Eric Le Berrigaud <i>(Head of Equities)</i>	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
TMT	Food & Beverages	Virginie Roumage	33 (0) 1 56 68 75 22	vroumage@bryangarnier.com
	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
Utilities	Semiconductor	Dorian Terral	33 (0) 1 56 68 75 92	dterral@bryangarnier.com
Insurance		Xavier Caroen	33 (0) 1 56 68 75 18	xcaroen@bryangarnier.com
		Olivier Pauchaut <i>(Head of Research)</i>	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

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London	Paris	New York	Munich	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	Widenmayerstrasse 29	The Imperial Hotel Janpath
15 St. Botolph Street	75008 Paris	New York, NY 10022	80538 Munich	New Delhi 110 001
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Germany	Tel +91 11 4132 6062
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	+49 89 2422 62 11	+91 98 1111 5119
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member		Fax +91 11 2621 9062
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	de résolution (ACPR)			CP 2113
				Genève 1, CH 1211
				Tel +4122 731 3263
				Fax+4122731 3243
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