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15th April 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17926.43	+0.10%	+2.88%
S&P 500	2082.78	+0.02%	+1.90%
Nasdaq	4945.89	-0.03%	-1.23%
Nikkei	16848.03	-0.37%	-11.15%
Stoxx 600	343.994	+0.27%	-5.97%
CAC 40	4511.51	+0.47%	-2.71%
Oil /Gold			
Crude WTI	41.33	-0.74%	+11.10%
Gold (once)	1230.84	-1.33%	+15.86%
Currencies/Rates			
EUR/USD	1.1263	-0.18%	+3.68%
EUR/CHF	1.08915	+0.02%	+0.16%
German 10 years	0.163	+19.99%	-74.28%
French 10 years	0.422	+3.24%	-56.97%
Euribor	-	+-%	+-%

Economic releases :

Date	
15th-Apr	US - Industrial Production Mar. (-0.2% E) US - Michigan Confidence Apr. (92E, 91 P) US - Baker Hughes Rig count Apr.

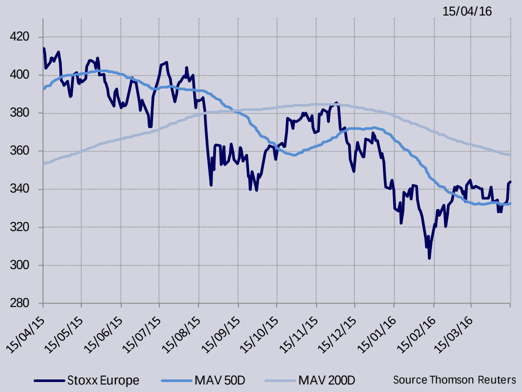
Upcoming BG events :

Date	
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)
27th-Jun	IMERYS (BG Luxembourg with CFO)

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



AB INBEV — NEUTRAL, Fair Value EUR109 (-1%)

Agreement with South African government

AB InBev's acquisition of SABMiller came one step closer as the company reached an agreement with the South African government on issues like employment, localisation of production and inputs used. The South African Government will now recommend the acquisition to the Competition Commission and Competition Tribunal.

CARREFOUR — BUY, Fair Value EUR30 (+19%)

Q1 2016 (first take): very solid and now it is up to management to give a new momentum!

Sales rose +3.8% ex petrol and at constant exchange rates to EUR20.05bn (vs EUR20.07bn e), and +3.1% LFL excl. petrol and calendar. Among other factors, we would highlight Italy, which is obviously recovering (+4.5% LFL vs +2.9%e; many observers agree that consumption is restarting in the country), Spain (+3.4% vs +2.8%e; remains Carrefour's spearhead in terms of operating leverage) and Brazil which, despite strong comps, came in above expectations at +9.9% vs +9.2%e!. Belgium (+1% vs 0%e) and France (flat vs -0.5%e) are less flattering, while China (-8.4%, in line) remains the harsh fact (but improving sequentially!). Not that much to comment following a very solid trading statement!.

EDENRED — NEUTRAL, Fair Value EUR19 (+10%)

Feedback conf call Q1 revenue: Slightly better lfl growth. Again significant negative forex. FY guidance confirmed.

Slightly better lfl growth which was up 7.4% (consensus 6.9%) on Issue Volume and 5.2% (consensus 4.6%) on Revenue reflecting more positive momentum in Europe and France. LatAm was sustained despite disappointed figures from Brazil in Employee benefits due to unemployment. Again significant negative impact from currencies (over 12%) in Issue Volume and revenue. Take-up rate slightly down at 4.6% vs. 4.7% in 2015 with negative trend quarter after quarter in LatAm. Financial revenue was down 3.1% on lfl a bit more negative than anticipated (-2%).

NESTLÉ — BUY vs. NEUTRAL, Fair Value CHF80 vs. CHF72 (+10%)

The momentum is improving

The group's sales trend should accelerate in the remainder of the year for two main reasons. The first one is that the comparison base will become much more favourable due to a number of negative technical effects in Q2/Q3/Q4 2015. The second one is that the pricing effect is expected to gradually improve through 2016. The sales guidance for the year is likely to be exceeded. We now forecast the group's sales to rise 4.7% in 2016 on an organic basis (vs +4.2% as previously guided). This mainly arises from the divisions Americas and EMENA which have margins higher than the group's average. Besides, we think a buyback is still on the agenda to use the excess cash. We upgrade to Buy and we revised upwards our Fair Value to CHF80.

SODEXO — NEUTRAL, Fair Value EUR88 (-5%)

Some earning adjustments. Neutral confirmed.

In the last 6 months, Sodexo posted a strong performance, up nearly 25% in absolute terms benefiting from positive newflow, mainly i/ BellonSA's decision to increase its stake in Sodexo with the acquisition of around 2.2m shares no later than September 2016, ii/ a share buy-back program of EUR300m and iii/ NYSE Euronext's decision to include Sodexo in the CAC 40 index from 21st March. Inevitably, H2 newsflow should be less positive and, after some adjustments on our estimates, we are confirming our Neutral opinion with a FV of EUR88 and we estimate that the share price should trade in a EUR85-95 range for the next few months.

VIDEO GAMES

US packaged software sales back to growth in March; Ubisoft again leading the charts!

The NPD Group has released data for the March packaged video games sales in the US. Hardware sales were down 19% Y/Y (the PS4 was again the top-selling console), due to declines in handheld and last generation consoles. As we expected, packaged software sales returned to growth in March at +8% Y/Y (vs. BG ests: +10%e), mainly thanks to Ubisoft's game Tom Clancy's The Division. Ubisoft led the charts for the second time in a row with two titles: The Division (#1) and Far Cry Primal (#2). It was by far the publisher of the month and also the number one software publisher for calendar Q1 2016. We maintain our ratings: Buy UBISOFT (FV of EUR34) and Buy GAMELOFT (FV of EUR7.2).

In brief...

GAMELOFT, *Gameloft vs. Vivendi: The saga goes on*

NICOX, *FY 2015 results*

STMICROELECTRONICS, *The group may be looking for a new CEO this year*

Food & Beverages

AB InBev

Price EUR110.15

Agreement with South African government

Fair Value EUR109 (-1%) **NEUTRAL**

Bloomberg	ABI BB
Reuters	ABI.BR
12-month High / Low (EUR)	123.3 / 91.3
Market Cap (EURm)	177,148
Ev (BG Estimates) (EURm)	245,060
Avg. 6m daily volume (000)	1,707
3y EPS CAGR	3.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.1%	3.7%	9.4%	-3.7%
Food & Bev.	0.8%	2.8%	2.5%	-2.6%
DJ Stoxx 600	-0.2%	1.3%	-3.3%	-6.0%

YEnd Dec. (USDm)	2014	2015e	2016e	2017e
Sales	47,063	44,386	42,865	59,594
% change		*-5.7%*	*-3.4%*	*39.0%*
EBITDA	18,663	17,838	17,236	24,671
EBIT	15,308	14,508	13,837	20,444
% change		*-5.2%*	*-4.6%*	*47.7%*
Net income	8,865	8,375	8,027	11,721
% change		*-5.5%*	*-4.2%*	*46.0%*

	2014	2015e	2016e	2017e
Operating margin	32.5	32.7	32.3	34.3
Net margin	18.8	18.9	18.7	19.7
ROE	17.7	16.0	14.6	12.3
ROCE	11.1	10.3	9.5	10.0
Gearing	83.5	80.7	75.6	85.0

(USD)	2014	2015e	2016e	2017e
EPS	5.32	5.06	4.85	5.91
% change	-	*-5.1%*	*-4.2%*	*22.0%*
P/E	23.3x	24.5x	25.6x	21.0x
FCF yield (%)	4.5%	4.8%	4.1%	5.8%
Dividends (USD)	2.64	2.65	2.54	3.10
Div yield (%)	2.1%	2.1%	2.1%	2.5%
EV/Sales	6.1x	6.2x	6.4x	5.3x
EV/EBITDA	15.4x	15.5x	15.9x	12.8x
EV/EBIT	18.8x	19.0x	19.9x	15.4x

AB InBev's acquisition of SABMiller came one step closer as the company reached an agreement with the South African government on issues like employment, localisation of production and inputs used. The South African Government will now recommend the acquisition to the Competition Commission and Competition Tribunal.

AB InBev has reached an agreement with the South African Government which will now recommend the Competition Commission and Competition Tribunal to approve AB InBev buying SABMiller.

ANALYSIS

- With the agreement and the recommendation of the South African Government, it is likely that the Competition Commission will have no objection, removing an important obstacle to the acquisition.
- According to the agreement, AB InBev has committed on issues of employment, localisation of production and inputs used in the production of beer and cider, empowerment in the company, long-term commitments to South Africa and participation of small beer brewers in the local market. AB InBev has promised that there will be no involuntary job losses in South Africa as a result of the transaction. In addition, the company has committed to maintaining its total permanent employment levels in South Africa as at the date of closing, for a period of five years.
- The company also agreed to invest ZAR1bn (EUR61.1m) to support small-holder farmers as well as to promote enterprise development; local manufacturing, exports and jobs; the reduction of the harmful use of alcohol (including making available locally produced low and no-alcohol choices for consumers) and green and water-saving technologies. The agreement also includes commitments by AB InBev to support the participation of small craft-beer producers in local markets.

VALUATION

- The stock is trading at 25.6x 2016e earnings which is the highest the stock has ever traded (in terms of PE), reflecting the potential income and cost synergies associated with the SABMiller acquisition.
- We derive a EUR109 fair value based on a DCF using a risk-free rate of 1.7% and a 7% risk premium.

NEXT CATALYSTS

- More news on the regulatory front with the South African competition authorities likely to approve before the recently extended deadline of May 5. The European Commission has said it would decide by May 24.
- 4 May Q1 results

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Food retailing

Carrefour

Price EUR25.13

Q1 2016 (first take): very solid and now it is up to management to give a new momentum!

Fair Value EUR30 (+19%) **BUY**

Bloomberg	CA FP
Reuters	CARR.PA
12-month High / Low (EUR)	32.6 / 22.3
Market Cap (EURm)	18,554
Ev (BG Estimates) (EURm)	24,712
Avg. 6m daily volume (000)	3 216
3y EPS CAGR	10.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.3%	-0.7%	-9.1%	-5.7%
Food Retailing	0.8%	4.7%	0.3%	3.0%
DJ Stoxx 600	0.2%	-0.5%	-4.3%	-6.2%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	76,945	77,218	80,223	83,330
% change		*0.4%*	*3.9%*	*3.9%*
EBITDA	3,914	4,121	4,542	4,970
EBIT	2,187	2,449	2,709	2,967
% change		*12.0%*	*10.6%*	*9.5%*
Net income	1,113	1,155	1,335	1,522
% change		*3.7%*	*15.6%*	*14.0%*

	2015	2016e	2017e	2018e
Operating margin	3.2	3.2	3.4	3.6
Net margin	1.4	1.5	1.7	1.8
ROE	NM	NM	NM	NM
ROCE	9.6	9.0	9.7	10.4
Gearing	42.6	44.0	39.0	31.6

(EUR)	2015	2016e	2017e	2018e
EPS	1.54	1.57	1.82	2.08
% change	-	*2.3%*	*15.6%*	*14.0%*
P/E	16.3x	16.0x	13.8x	12.1x
FCF yield (%)	NM	1.9%	5.0%	7.4%
Dividends (EUR)	0.91	1.04	1.15	1.27
Div yield (%)	3.6%	4.1%	4.6%	5.1%
EV/Sales	0.3x	0.3x	0.3x	0.3x
EV/EBITDA	6.2x	6.0x	5.4x	4.9x
EV/EBIT	11.0x	10.1x	9.1x	8.2x

Sales rose +3.8% ex petrol and at constant exchange rates to EUR20.05bn (vs EUR20.07bn e), and +3.1% LFL excl. petrol and calendar. Among other factors, we would highlight Italy, which is obviously recovering (+4.5% LFL vs +2.9%e; many observers agree that consumption is restarting in the country), Spain (+3.4% vs +2.8%e; remains Carrefour's spearhead in terms of operating leverage) and Brazil which, despite strong comps, came in above expectations at +9.9% vs +9.2%e!. Belgium (+1% vs 0%e) and France (flat vs -0.5%e) are less flattering, while China (-8.4%, in line) remains the harsh fact (but improving sequentially!). Not that much to comment following a very solid trading statement! When it comes to France, if one should not focus on the "short-term market share monitoring", then let's try to clarify the long-term strategic intent! Henceforward, it is up to management to give a new momentum to the equity story in terms of the communication.

On the one hand, Spain (+3.4% vs 2.8%e / +2.5% in Q4 and +4.6% in Q3 15), Belgium (+1.0% vs 0%e / -0.4% in Q4 and +2.7% in Q3 15) and Italy (+4.5% on favourable comps vs +2.9%e / +3.5% in Q4 and +5.9% in Q3 15) underpinned resilient momentum in Europe. On the other hand, the trend remains unsurprisingly penalised by Asia (-4.9% vs -7.6%e / -12.9% in Q4 and -7.5% in Q3 15). In China (-8.4% vs -11%e / -16.7% in Q4 and -11.2% in Q3 15), Carrefour continues to develop in an environment which remains marked by frugal consumption, but shows a sequential improvement which reinforces management's view that the country may bottom out in 2016. This performance was offset by Taiwan (+8.4% vs +1.3%e). In Latam, Carrefour is still showing a very strong performances in Brazil (+9.9% vs +9.2%e) thanks to a favourable store mix (Cash & Carry).

In France, the trend remains mixed. LFL sales excl. fuel excl. calendar notched down -0.6% at Carrefour Hypermarkets (vs -0.8%e / -0.7% in Q4, +0.7% in Q3 15, +0.5% in Q2 and +2.1% in Q1 15), while LFL growth stood at +0.7% for supermarkets (vs +0.8%e / +1.5% in Q4, +2.5% in Q3, +1.2% in Q2 and +2.5% in Q1 15). In general, Carrefour is operating in a pricing environment that remains opaque and highly promotional. Despite the optimism shown by Casino in terms of inflation (0-1% in 2016 could be a fair assumption according to the CFO). We remain cautious.

LFL (excl. fuel and calendar effect) in Q1 2016 (*Source: Carrefour, Street account, Bryan Garnier)*

LFL	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16e	Q1 16pp
Total group	**2.7%**	**3.8%**	**1.6%**	**3.1%**	**2.3%**	**1.7%**	**+3.5%**	**+2.1%**	**+2.7%**	**+3.1%**
France	1.7%	2.1%	-0.2%	1.1%	2.5%	0.9%	+1.6%	+0.2%	-0.5%	0.0%
Europe	-1.4%	1.5%	-1.3%	0.5%	0.9%	-0.4%	+4.2%	+2.2%	+1.4%	+3.2%
Latam	12.7%	15.2%	13.7%	15.7%	12.5%	10.7%	+11.7%	+11.9%	+14.3%	+13.5%
Asia	-2.5%	-6.1%	-6.6%	-6.5%	-11.3%	-9.2%	-7.5%	-12.9%	-7.6%	-4.9%

ANALYSIS

- Remember that over the medium term, management still sees room for margin improvement notably thanks to **1/** a more favourable inflation scenario, **2/** logistics and **3/** the recovery in both Italy (could break even in 2016) and China. However in the short term, management needs to add more flavour to 2016 especially in terms of the margin in France, since losses at Dia should be flat in 2016 (i.e. ~EUR50m). Along with further details about e-commerce intiatives (a question mark of the market), this could be a catalyst.

- From a more fundamental viewpoint, we are witnessing a change in paradigm (anorexic growth… the bigger the better!), which for a large number of mature retailers has meant that solid and recurring growth is now close to zero (a disruptive factor in a fixed-cost industry). Yet with hindsight, this challenge for Georges Plassat (and his future successor) has already come up tangentially, especially when the current CEO spoke of an engine that had to be repaired so that it can accelerate in terms of growth going forward. That is the issue going forward.

VALUATION & NEXT CATALYSTS

- 2016 P/E of 13.8x vs 16x on average for the sector
- Investors were dissatisfied following FY. Thenceforward, we see a potential catalyst in terms of the communication (EBIT guidance? more details about e-commerce? potential investor day?)

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Business Services

15th April 2016

Edenred

Price EUR17.30

Feedback conf call Q1 revenue: Slightly better lfl growth. Again significant negative forex. FY guidance confirmed.

Fair Value EUR19 (+10%) **NEUTRAL**

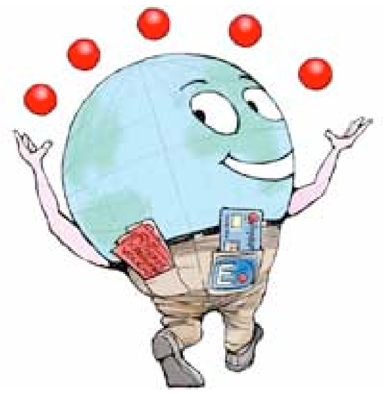
Bloomberg	EDEN FP
Reuters	EDEN.PA
12-month High / Low (EUR)	25.0 / 13.9
Market Cap (EUR)	3,993
Ev (BG Estimates) (EUR)	4,630
Avg. 6m daily volume (000)	1 027
3y EPS CAGR	7.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.6%	8.0%	7.8%	-0.9%
Travel&Leisure	-1.2%	-1.2%	0.3%	-9.1%
DJ Stoxx 600	-0.2%	1.3%	-3.3%	-6.0%

YEnd Dec. (EURm)	2014	2015	2016e	2017e
Sales	1,034	1,069	1,102	1,199
% change		*3.4%*	*3.1%*	*8.8%*
EBITDA	381	387	399	454
EBIT	343.0	341.0	358.3	409.0
% change		*-0.6%*	*5.0%*	*14.2%*
Net income	194.0	206.1	210.9	244.8
% change		*6.2%*	*2.3%*	*16.1%*

	2014	2015	2016e	2017e
Operating margin	33.2	31.9	32.5	34.1
Net margin	15.9	16.6	18.7	19.9
ROE	-12.2	-12.2	-14.3	-16.6
ROCE	-34.2	-44.8	-46.3	-52.0
Gearing	NM	NM	NM	NM

(EUR)	2014	2015	2016e	2017e
EPS	0.86	0.87	0.91	1.06
% change	-	*0.7%*	*5.0%*	*16.1%*
P/E	20.0x	19.9x	18.9x	16.3x
FCF yield (%)	7.8%	7.1%	7.8%	9.8%
Dividends (EUR)	0.84	0.84	0.87	1.01
Div yield (%)	4.9%	4.9%	5.0%	5.8%
EV/Sales	4.1x	4.3x	4.2x	3.8x
EV/EBITDA	11.2x	12.0x	11.5x	10.1x
EV/EBIT	12.4x	13.6x	12.9x	11.2x



Slightly better lfl growth which was up 7.4% (consensus 6.9%) on Issue Volume and 5.2% (consensus 4.6%) on Revenue reflecting more positive momentum in Europe and France. LatAm was sustained despite disappointed figures from Brazil in Employee benefits due to unemployment. Again significant negative impact from currencies (over 12%) in Issue Volume and revenue. Take-up rate slightly down at 4.6% vs. 4.7% in 2015 with negative trend quarter after quarter in LatAm. Financial revenue was down 3.1% on lfl a bit more negative than anticipated (-2%). After Q1, management confirmed its FY guidance i.e. lfl IV growth at the lower end of the Group's historical medium-term target range of 8-14% (our forecast is 7.8%). Stock remains a trading share.

ANALYSIS

- **Lfl Issue Volume growth sustained despite disappointed numbers in Brazil**: Issue Volume reached EUR4,284m (consensus at EUR4,315m) up 7.4% on lfl basis. By geography, better numbers from France with IV up 4.2% (4% anticipated) but mostly in Europe up 8.4% (our estimate was 5%) confirming more positive momentum. On the other hand, LatAm reported 7.5% lfl Issue Volume growth (8% estimated) with very disappointed figures from **Brazil** (+5.3%) especially in Employee Benefits (77% of total IV) up only 1.2% while Expense Management (23%) was up 19.2%.
- **Take-up rate falls again**: Total revenue was EUR249m (Consensus at EUR253m) up 5.2%. Operating revenue with Issue Volume was up 5.8% on lfl basis (5% estimated) i.e. 160bps lower compared to IV reflecting a slight decrease of the take-up rate due to Expense Management development, but also current economic environment in Brazil with pressure on price. Financial revenue was down 3.1% at EUR16m (Europe -16.3%, LatAm +7.1%, RoW 14,3%).
- **Significant negative impact from currencies**: Mainly due to the depreciation of BRL and MXN, Issue Volume was impacted by 12.7% and revenue by 12.3%. No improvement anticipated before Q3 regarding comps.
- **FY guidance confirmed:** After Q1, management confirmed its FY guidance i.e. lfl IV growth at the lower end of the Group's historical medium term target range of 8-14% (our forecast is 7.8%).
-

VALUATION

- After the Q1 revenues, limited adjustment on our estimates with Issue Volume of EUR18,969m up 7.8% on lfl basis and total revenue of EUR1,102m, up 5.6% on lfl growth.
- At the current share price, the stock is trading at 12.9x EV/EBIT 2016e and 11.2x 2017e which compares with CAGR EBIT 2015-2017 of 9.5%.

NEXT CATALYSTS

- H1 results on 22nd July
- Q3 revenue on 13th October
- Investor day (London) on 19th October

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Food & Beverages

Nestlé

Price CHF72.60

Bloomberg	NESN VX
Reuters	NESZn.VX
12-month High / Low (CHF)	76.8 / 67.5
Market Cap (CHF)	231,478
Ev (BG Estimates) (CHF)	242,348
Avg. 6m daily volume (000)	5 989
3y EPS CAGR	7.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.4%	1.8%	-2.4%	-2.6%
Food & Bev.	0.8%	2.8%	2.5%	-2.6%
DJ Stoxx 600	-0.2%	1.3%	-3.3%	-6.0%

YEnd Dec. (CHFm)	2015	2016e	2017e	2018e
Sales	88,785	89,899	93,836	99,476
% change		*1.3%*	*4.4%*	*6.0%*
EBITDA	17,210	17,958	19,023	20,316
EBIT	13,382	13,968	14,902	16,083
% change		*4.4%*	*6.7%*	*7.9%*
Net income	10,351	10,901	11,701	12,631
% change		*5.3%*	*7.3%*	*7.9%*

	2015	2016e	2017e	2018e
Operating margin	15.1	15.5	15.9	16.2
Net margin	11.7	12.1	12.5	12.7
ROE	16.6	16.7	17.5	18.0
ROCE	12.5	12.9	14.1	15.4
Gearing	0.9	0.6	0.4	0.1

(CHF)	2015	2016e	2017e	2018e
EPS	3.30	3.49	3.75	4.05
% change	-	*5.9%*	*7.3%*	*7.9%*
P/E	22.0x	20.8x	19.4x	17.9x
FCF yield (%)	4.4%	4.6%	4.9%	5.2%
Dividends (CHF)	2.25	2.30	2.35	3.35
Div yield (%)	3.1%	3.2%	3.2%	4.6%
EV/Sales	2.8x	2.7x	2.5x	2.4x
EV/EBITDA	14.3x	13.5x	12.5x	11.5x
EV/EBIT	18.5x	17.3x	16.0x	14.5x

The momentum is improving

Fair Value CHF80 vs. CHF72 (+10%) **BUY vs. NEUTRAL**

The group's sales trend should accelerate in the remainder of the year for two main reasons. The first one is that the comparison base will become much more favourable due to a number of negative technical effects in Q2/Q3/Q4 2015. The second one is that the pricing effect is expected to gradually improve through 2016. The sales guidance for the year is likely to be exceeded. We now forecast the group's sales to rise 4.7% in 2016 on an organic basis (vs +4.2% as previously guided). This mainly arises from the divisions Americas and EMENA which have margins higher than the group's average. Besides, we think a buyback is still on the agenda to use the excess cash. We upgrade to Buy and we revised upwards our Fair Value to CHF80.

ANALYSIS

- **Organic sales growth to accelerate strongly over the rest of the year. The group's sales trend should improve in the remainder of the year for two main reasons. The first is that the comparison base will become much more favourable due to a number of negative technical effects in Q2/Q3/Q4 2015**: the Maggi noodles recall in India, the negative media campaign around the Beneful petcare brand and the rebate adjustments related to the Skin Health products sold in the US. **The second one is that the pricing effect should gradually improve through 2016**, even though it is unlikely to reach the same level than in 2015 (+1.9%). The group indicated that will take some pricing in emerging markets (especially Brazil) to offset the decrease of currencies. More importantly, management said during the conference call that the price of commodities has reached a bottom. This could trigger some upward pressure on retail prices.

- **2016 sales guidance is likely to be exceeded**. The group indicated at the release of its full year results that organic sales growth in 2016 will be in line with 2015 ie +4.2%. This appear really too cautious: an organic sales growth of 4.2% over the year assumes a very slight acceleration in Q2/Q3/Q4 2016. **We forecast the group's sales to rise 4.7% in 2016 on an organic basis** (vs +4.2% previously). The group should return in 2017 to its model ie organic sales growth between 5-6%. This better top-line performance mainly arises from the divisions Americas and EMENA whose margins are higher than the group average. **Our EPS estimates have been revised upwards by 7% on average over the next three years.**

- **A buyback program remains likely. Net debt/EBITDA ratio in 2015 stood at 0.9x and is expected to decline further to 0.6x in 2016e. A credit rating change from AA+ to AAA is likely below 1.0x and Nestlé has specifically indicated that it does not want it.** The group said that its priorities are investing in marketing and research/development and acquisitions (bolt-on). Nevertheless, we think that a share buyback program is on the agenda to use the excess cash. Nestlé has a long history of doing so. This remains a positive catalyst for the stock.

Impact of a share buyback program

	2016e	2017e	2016e	2017e	2016e	2017e
Amount (CHFm)	**10 000**		**15 000**		**20 000**	
Number of repurchased shares (in millions)	132		198		265	
New net debt	**15 870**	**11 929**	**18 370**	**14 429**	**20 870**	**16 929**
Net debt/EBITDA (x)	**0,9**	**0,6**	**1,0**	**0,8**	**1,2**	**0,9**
New diluted EPS	**3,52**	**3,86**	**3,54**	**3,93**	**3,56**	**3,99**
Accretive impact	**0,8%**	**3,0%**	**1,3%**	**4,7%**	**1,9%**	**6,5%**

VALUATION/ NEXT CATALYSTS

- We upgrade our recommendation to Buy. Our DCF points to a Fair Value of CHF80. At yesterday's share price, the stock is trading at 20.8x P/E 2016e and 19.4x P/E 2017, globally in line with the peers' average. We do not think this premium is unjustified given the improvement of the visibility / Danone's Q1 2016 sales on April 19th

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Business Services

Sodexo

Price EUR93.07

Some earning adjustments. Neutral confirmed.

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

Bloomberg	SW FP
Reuters	EXHO.PA
12-month High / Low (EUR)	96.1 / 71.0
Market Cap (EUR)	14,624
Ev (BG Estimates) (EUR)	15,449
Avg. 6m daily volume (000)	327.9
3y EPS CAGR	7.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.1%	7.5%	24.1%	3.3%
Travel&Leisure	-1.2%	-1.2%	0.3%	-9.1%
DJ Stoxx 600	-0.2%	1.3%	-3.3%	-6.0%

YEnd Aug. (EURm)	08/15	08/16e	08/17e	08/18e
Sales	19,815	19,838	20,537	21,314
% change		*0.1%*	*3.5%*	*3.8%*
EBITDA	1,396	1,440	1,560	1,674
EBIT	1,143	1,182	1,293	1,397
% change		*3.4%*	*9.3%*	*8.0%*
Net income	700.0	693.1	765.0	850.6
% change		*-1.0%*	*10.4%*	*11.2%*

	08/15	08/16e	08/17e	08/18e
Operating margin	5.8	6.0	6.3	6.6
Net margin	3.5	3.5	3.7	4.0
ROE	19.5	22.9	18.2	19.1
ROCE	28.6	28.6	30.6	32.3
Gearing	10.2	26.3	-2.2	-7.7

(EUR)	08/15	08/16e	08/17e	08/18e
EPS	4.60	4.66	5.14	5.71
% change	-	*1.2%*	*10.4%*	*11.2%*
P/E	20.2x	20.0x	18.1x	16.3x
FCF yield (%)	4.8%	3.9%	4.7%	6.1%
Dividends (EUR)	2.20	2.33	2.57	2.86
Div yield (%)	2.4%	2.5%	2.8%	3.1%
EV/Sales	0.8x	0.8x	0.7x	0.7x
EV/EBITDA	10.7x	10.7x	9.3x	8.5x
EV/EBIT	13.1x	13.1x	11.2x	10.2x

In the last 6 months, Sodexo posted a strong performance, up nearly 25% in absolute terms benefiting from positive newflow, mainly i/ BellonSA's decision to increase its stake in Sodexo with the acquisition of around 2.2m shares no later than September 2016, ii/ a share buy-back program of EUR300m and iii/ NYSE Euronext's decision to include Sodexo in the CAC 40 index from 21st March. Inevitably, H2 newsflow should be less positive and, after some adjustments on our estimates, we are confirming our Neutral opinion with a FV of EUR88 and we estimate that the share price should trade in a EUR85-95 range for the next few months.

ANALYSIS

- **Some adjustments to our forecasts following H1 results and FY 2015-16 guidance simply confirmed:** Management confirmed its short-term guidance with lfl revenue growth of around 3% with around 8% growth in operating profit excluding currency effect and exceptional expenses.
  - Challenging forex again in H2, Management highlighted that the negative impact of BRL should continue in H2, with no positive effect from US$. In fact, based on our forecast, EUR/BRL should be negative by 13% in H2 after -27% in H1 (average EUR/BRL in H2 2015 was 3.50), EUR/US$ negative by 2% and EUR/£ negative over 9%.
  - Exceptional expenses should reach EUR100m, as anticipated and despite H1 exceptional of only EUR37m.
  - Lfl growth still under pressure in some segments and areas**:** We are anticipating lfl revenue growth of 2.9% including RWC positive impact in Q1 compared with 2.8% previously. Some improvement in Q2 compared to Q1, but all in all volume in OSS is still under pressure especially in Remote site (9% of consolidated revenue) affected by low prices in oil, metal and minerals and no pickup could be anticipated in existing contracts. Nevertheless, significant contracts have been signed as with Rio Tinto (10y contract to deliver FM services in the company's extensive operations in Australian's Pilbara area for an estimated total amount of EUR1.7bn representing 0.9% to revenue growth when started). By geography, volume trend is improving in **NA** (45% of OSS) but still challenging in **Continental Europe** (29% of OSS) due to **France** (15%) always negative, Sodexo's losses market share.
  - Operating margin should improve by 20bps, but no more: We have reduced our operating result by EUR32m to EUR1,182m i.e. an EBIT margin of nearly 6% vs. c. 5.8% last year, notably due to remote site and Benefit and Rewards impacted by Brazilian economic environment.
- **No new share buy-back program expected in the short term:** Last November, Sodexo announced a share buy-back with cancellation program during FY 2016 of EUR300m o/w ytd EUR237m was bought (EUR193m at the end of H1). Despite sustained operating cash flow (up 16.2%) in H1 and strong balance sheet with net debt of EUR926m i.e. a gearing of 26%, management confirmed that no new share buy-back could be anticipated in the short term. Actually, management wants to maintain its financial flexibility continuing bolt-on acquisitions in OSS or in Benefit and Rewards Services (digital) and share buy-backs will remain exceptional.

VALUATION

- At the current share price, the stock is trading on 2016e and 2017e EV/EBIT multiples of 13.1x and 11.2x which compare with a median historical level of 10.8x and an 2015-18 CAGR in EBIT of 6.9%. 2016e and 2017e EPS capitalise at respectively 20x and 18.1x compared with an 2015-18 CAGR in EPS of 7.4%.

NEXT CATALYSTS

- Q3 revenue on 8th July

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Sector View

Video Games

US packaged software sales back to growth in March; Ubisoft again leading the charts!

	1 M	3 M	6 M	31/12/15
Softw.& Comp. SVS	0.2%	0.5%	10.1%	-3.3%
DJ Stoxx 600	-0.2%	1.3%	-3.3%	-6.0%

*Stoxx Sector Indices

Companies covered

GAMELOFT		**BUY**	**EUR7.2**
Last Price	EUR7.57	*Market Cap.*	EUR659m
UBISOFT		**BUY**	**EUR34**
Last Price	EUR27.195	*Market Cap.*	EUR3,025m

The NPD Group has released data for the March packaged video games sales in the US. Hardware sales were down 19% Y/Y (the PS4 was again the top-selling console), due to declines in handheld and last generation consoles. As we expected, packaged software sales returned to growth in March at +8% Y/Y (vs. BG ests: +10%e), mainly thanks to Ubisoft's game *Tom Clancy's The Division*. Ubisoft led the charts for the second time in a row with two titles: *The Division* (#1) and *Far Cry Primal* (#2). It was by far the publisher of the month and also the number one software publisher for calendar Q1 2016. We maintain our ratings: Buy UBISOFT (FV of EUR34) and Buy GAMELOFT (FV of EUR7.2).

ANALYSIS

- **On Thursday night, the NPD Group released its monthly sales report for March packaged video games in the US** (five-week period ending 2nd April). Bear in mind that these numbers only represent a fraction of the industry (i.e. around 50% of spending). NPD only tracks new games sold at US retailers. This does not include second-hand software, mobile, and digital. As such, it simply gives an insightful glimpse of a much more dynamic industry. **Revenue in the sector was roughly flat over one year (-0.4%) at USD964.1m: 1/ Hardware -18.6% Y/Y at USD253.2m** (higher sales of 8th-gen home consoles offset by lower ASPs, and sharp declines both in handheld hardware and in 7th-gen home consoles sales). **The PS4 was again the best-selling platform** (the current USD349 bundle is at a very attractive price with a copy of *Call of Duty: Black Ops III*), despite the Xbox One temporary price cut to USD299 as of 21st March). **2/ Software +7.7% Y/Y at USD425.8m** (-2.8% YTD), i.e. slightly below our +10%e (no consensus). **Ubisoft's led the US charts thanks to *The Division*** (**#1** as we expected; the game was launched on 8th March) **and *Far Cry Primal* ranked even better than what we hoped** (**#2** while we expected in the low end of the March's Top 10; the game was #1 in February and was launched on 23rd February). **3/ Accessories +8.9% Y/Y at USD285.1m** (it was the highest-selling March on record for video game accessory sales), mainly thanks to gamepads, cards and headphones sales.
- **Worth noting on the software side: 1**/ the successful launch of Ubisoft's *The Division* on PS4 and Xbox One (the best launch month for any *Tom Clancy* title to-date, having sold 40% more than the next best-selling *Tom Clancy* title, March 2008's *Tom Clancy's Rainbow Six: Vegas 2* when adjusted for number of days sold within the month); **2/** sales of new launch titles grew by 26% ; **3/** a fairly unfavourable base effect (-3% in March 2015 when EA launched *Battlefield: Hardline* and Sony released *Bloodborne* for PS4) but a positive Easter calendar effect (27th March in 2016 vs. 5th April in 2015); **4/** a sharp decline of 55% in software sales for 7th generation consoles despite +36% in 8th generation software sales, and finally handheld software sales dropped 16% compared to last March; **and 5/** the growing transition towards digital (gamers are increasingly comfortable with downloading games, all the more so with the highly connected home consoles).
- **Bear in mind that the NPD Group does not track: 1/** digital game sales; **and 2/** games packed-in with consoles.

VALUATION

- **UBISOFT:** We maintain our **Buy rating** and **FV of EUR34**. The stock boasts positive momentum for the coming weeks and months.
- **GAMELOFT:** We maintain our **Buy rating** and **FV of EUR7.2**. Regarding the speculation surrounding the stock, we view **a fair offer in the range of EUR7.6-8.6** to really seduce shareholders.

NEXT CATALYSTS

- **UBISOFT: FY15/16 earnings** on 12th May (after trading), with more details on the FY17e guidance.
- **GAMELOFT: The Paris Court of Appeal's decision** on 4th May (following Gameloft's complaint regarding the hostile takeover bid from Vivendi), and **Q1 sales** on 28th April (after trading).

Top ten selling games in March 2016 by platform in the US

Rank	Games	Consoles	Publisher
1	*Tom Clancy's The Division*	PS4, Xbox One, PC	Ubisoft
2	*Far Cry: Primal*	PS4, Xbox One, PC	Ubisoft
3	*The Legend of Zelda: Twilight Princess HD*	Wii U	Nintendo
4	*Grand Theft Auto V*	PS4, Xbox One, Xbox 360, PS3, PC	Take-Two Interactive
5	*UFC 2*	Xbox One, PS4	Electronic Arts
6	*MLB 16: The Show*	PS4, PS3	Sony Computer Entertainment
7	*Pokken Tournament*	Wii U	Nintendo
8	*NBA 2K 16*	PS4, Xbox One, 360, PS3	Take-Two Interactive
9	*Call of Duty: Black Ops III*	Xbox One, PS4, Xbox 360, PS3, PC	Activision Blizzard
10	*Minecraft*	Xbox 360, PS4, Xbox One, PS3	Microsoft

N.B.: games bundled with hardware are not tracked by the NPD Group

Sources: NPD Group; Bryan, Garnier & Co.

- ***Tom Clancy's The Division*** **(Ubisoft)** was the top-selling game in March. ***The Division*** **is the best-selling title during a March since 2008** (*Super Smash Bro's Brawl* for Wii).
- **Ubisoft** was the publisher of the month, with *The Division* and *Far Cry: Primal* in the TOP 10 (#1 and 2). **And it is also the number one software publisher for Q1 16** (unit sales increase of close to 130%, and dollar sales increase of over 200%).

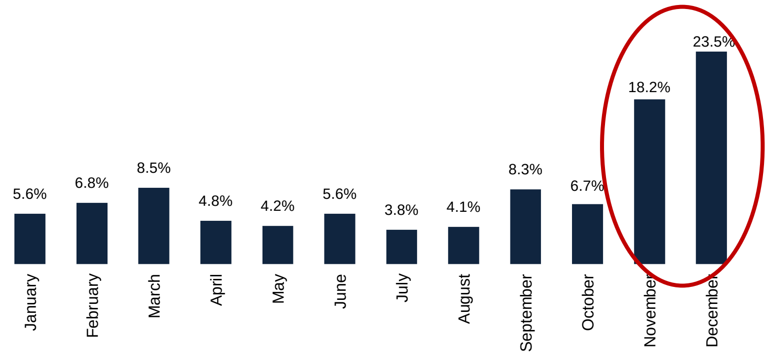
Y/Y % change in retail software sales in the US from 2000 to 2016 (in value)

%	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
January	2	16	4	0	18	0	-5	53	12	10	-12	-5	-38	1	-25	6	-10
February	5	-11	45	-5	5	13	-12	32	48	9	-15	-5	-23	-36	-9	7	-10
March	20	-15	33	8	-6	31	-8	16	64	-17	10	-16	-25	-1	-27	-3	8
April	27	-13	11	39	-3	9	16	-1	69	-22	-22	26	-42	-17	-10	13	
May	4	10	31	20	-17	30	-10	33	42	-17	4	-19	-32	-31	57	-25	
June	4	23	27	-9	12	2	15	22	61	-29	-15	-12	-29	-10	-3	21	
July	-1	26	11	4	27	-10	19	11	41	-26	-8	-17	-23	-19	-15	0	
August	-12	18	43	4	1	0	18	23	13	-15	-14	-34	-9	23	-21	-10	
Septembe	-26	-8	50	-10	44	-24	29	47	-6	5	-6	3	-18	52	-36	-3	
October	13	-20	74	-15	35	-24	1	40	36	-18	6	3	-25	12	-27	-3	
November	1	28	7	7	11	-17	14	63	11	-3	3	11	-11	-24	-1	-7	
December	-9	24	7	13	-1	-3	6	37	15	-7	-8	-14	-26	-17	-2	-3	
Total	-1	10	21	5	8	-3	7	34	27	-10	-6	-6	-23	-9	-12	-2	

Sources: NPD Group; Bryan, Garnier & Co.

- **Packaged software sales were up 8% in March** (vs. BG est.: +10%e).
- **Physical sales account for 50%e of the US consumer spend** on the industry (35-40%e in Europe).

Average US retail software contribution in FY sales per month, over 2009/15



Sources: NPD Group; Bryan, Garnier & Co.

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TMT

Gameloft

Price EUR7.57

Gameloft vs. Vivendi: The saga goes on

Fair Value EUR7.2 (-5%) **BUY**

Bloomberg	GFT FP
Reuters	GLFT.PA
12-month High / Low (EUR)	7.6 / 3.2
Market Cap (EUR)	659
Avg. 6m daily volume (000)	376.2

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.8%	41.2%	89.7%	24.9%
Softw.& Comp. SVS	0.2%	0.5%	10.1%	-3.3%
DJ Stoxx 600	-0.2%	1.3%	-3.3%	-6.0%

	2015	2016e	2017e	2018e
P/E	NS	34.9x	25.2x	17.6x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- We should have known yesterday (first hearing of the Paris Court of Appeal) whether Gameloft's complaint (about the compliance of the offer) had a suspensive effect on the takeover bid from Vivendi.
- Following oral submissions from both parties, the Court said it would make its decision on the request filed by GFT's management on Wednesday 4th May.
- As a result, on 4th May we will know if Gameloft's legal action will have a suspensive effect on the takeover: 1/ If it does not have a suspensive effect, we should have the results of the offer on 10th May (the initial date); or 2/ if it has a suspensive effect, the offer won't be suspended but the results of the offer should be postponed to late July/early September.

VALUATION

- We believe 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

- Q1 sales: 28th April (after trading).
- The Paris Court of Appeal's decision on the request filed by Gameloft: 4th May.

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Healthcare

Nicox

Price EUR7.43

Bloomberg	COX FP
Reuters	NCOX.LN
12-month High / Low (EUR)	9.9 / 6.0
Market Cap (EURm)	170
Avg. 6m daily volume (000)	98.00

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.1%	-2.6%	-14.3%	-18.6%
Healthcare	1.2%	-2.3%	-2.0%	-8.6%
DJ Stoxx 600	-0.2%	1.3%	-3.3%	-6.0%

	2014	2015e	2016e	2017e
P/E	NS	NS	NS	NS
Div yield (%)	NM	NM	NM	NM

FY 2015 results

Fair Value EUR14 (+88%) CORPORATE

ANALYSIS

- **Net loss stood at –EUR27.9m (vs BG: –EUR24.4m and –EUR23.2m a year ago)**. Revenues nearly doubled to EUR10.0m following the acquisition of Doliage in France and the launch of new products in the Xailin range. The global evolution of OPEX is actually in line with our expectations (EUR 30.6m vs BG: EUR29.4m) and knowing that 1) R&D costs were lifted to EUR6.3m from EUR4.4m, while 2) SG&A expenses increased by +5% to EUR25.4m. In fact, most of the mismatch with our estimates came from the non-cash line called "fair value changes of contingent considerations" (-EUR2.9m).
- Note that the company already disclosed the amount of cash & cash equivalents that was reached at the end of 2015 (EUR29.6m vs EUR32.0m a year ago).

VALUATION

- **We stick to our FV of EUR14.0**.

NEXT CATALYSTS

- **AC-170** (topical formulation of anti-histamine drug cetirizine) NDA submission at the very beginning of this Q2 16.
- PDUFA date of **latanoprostene bunod (LBN)** for the reduction of intraocular pressure in patients with open-angle glaucoma or ocular hypertension: July 21, 2016.

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TMT

STMicroelectronics

Price EUR4.90

The group may be looking for a new CEO this year

Fair Value EUR6.3 (+29%) **NEUTRAL**

Bloomberg	STM FP
Reuters	STM.FR
12-month High / Low (EUR)	9.3 / 4.6
Market Cap (EURm)	4,463
Avg. 6m daily volume (000)	2,380

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.2%	-11.5%	-21.0%	-20.7%
Semiconductors	1.2%	9.3%	9.0%	-1.7%
DJ Stoxx 600	-0.2%	1.3%	-3.3%	-6.0%

	2015	2016e	2017e	2018e
P/E	27.8x	26.6x	17.6x	12.8x
Div yield (%)	7.2%	4.3%	5.4%	7.2%

ANALYSIS

- According to Bloomberg, STMicroelectronics may be seeking a new CEO. It is the second time we have heard this rumour in three months. Indeed, in February *Le Monde* suggested that the board had already begun reviewing candidates.
- **We note that the mandate of CEO Carlo Bozotti expires in May 2017** but both, *Le Monde* and Bloomberg, say that it could be shortened to revitalize the group, as sales have been falling since 2011. However, it is fair to assume that a transition period will be necessary and this might explain why the board would be looking for a new CEO so soon. In addition, with the French and Italian government holding a 27.5% stake together, discussions about the successor of Bozotti are said to be particularly complex and require time. Note that the group has long been led by Italian CEOs.
- **During our TMT Conference, the group refused to comment on a management transition.** Even today, there is no official confirmation regarding a management transition.

VALUATION

- **Bozotti's strategy has recently been criticized by the Street** and we believe that any newsflow about a management transition should help the stock to regain better momentum in the near term. As a result, we believe the stock is poised to react positively today. However, we keep our Neutral rating given that 1/ the group faces a management transition which implies uncertainty about the successor's name and strategy and 2/ the group is currently drawing up a restructuring plan after the decision to shut down the set-top box business announced in January 2016.
- Based on our estimates, STMicroelectronics shares are trading on FY16e EV/Sales of 0.6x and FY16e P/E of 23.7x.

NEXT CATALYSTS

- April 27th: Q1-16e results.

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Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

Stock rating

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

Distribution of stock ratings

BUY ratings 56.8% NEUTRAL ratings 34.5% SELL ratings 8.6%

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