



18th April 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17897.46	-0.16%	+2.71%
S&P 500	2080.73	-0.10%	+1.80%
Nasdaq	4938.22	-0.16%	-1.38%
Nikkei	16275.95	-3.4%	-11.48%
Stoxx 600	342.789	-0.35%	-6.29%
CAC 40	4495.17	-0.36%	-3.06%
Oil /Gold			
Crude WTI	40.36	-2.35%	+8.49%
Gold (once)	1229.88	-0.08%	+15.77%
Currencies/Rates			
EUR/USD	1.12975	+0.31%	+4.00%
EUR/CHF	1.09205	+0.27%	+0.43%
German 10 years	0.134	-18.12%	-78.94%
French 10 years	0.395	-6.44%	-59.74%
Euribor	-0.249	-0.80%	+90.08%

Economic releases :

Date	
18th-Apr	US - NAHB housing market index

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



CARREFOUR

BUY, Fair Value EUR30 (+15%):

Q1 2016 conference call: more talk.. and more action!

BEFORE THE CONF. CALL: Investors were dissatisfied following FY. We now view improved communication as a potential catalyst (EBIT guidance? More details about e-commerce? Potential investor day?)

In brief...

MELIA HOTELS, Convertible bonds: Nearly 100% converted

Food retailing

Carrefour

Price EUR26.11

Q1 2016 conference call: more talk.. and more action!

Fair Value EUR30 (+15%):

BUY

Bloomberg	CA FP
Reuters	CARR.PA
12-month High / Low (EUR)	32.4 / 22.3
Market Cap (EUR)	19,281
Ev (BG Estimates) (EUR)	25,439
Avg. 6m daily volume (000)	3,254
3y EPS CAGR	10.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.8%	6.1%	-4.0%	-2.0%
Food Retailing	1.7%	8.4%	0.6%	2.9%
DJ Stoxx 600	0.6%	3.9%	-5.0%	-6.3%

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	17.0x	16.6x	14.3x	12.6x
FCF yield (%)	NM	1.9%	4.8%	7.1%
Dividends (EUR)	0.91	1.04	1.15	1.27
Div yield (%)	3.5%	4.0%	4.4%	4.9%
EV/Sales	0.3x	0.3x	0.3x	0.3x
EV/EBITDA	6.3x	6.2x	5.6x	5.0x
EV/EBIT	11.3x	10.4x	9.4x	8.4x

BEFORE THE CONF. CALL: Investors were dissatisfied following FY. We now view improved communication as a potential catalyst (EBIT guidance? More details about e-commerce? Potential investor day?)

FOLLOWING THE CONF. CALL: Management is clearly trying to communicate more effectively, in our view, since the CFO did not try to avoid unpleasant questions. And within the limit of the exercise, which consists of commenting on a single trading statement (and to the extent that figures were flattering), the CFO addressed precisely the five points that are on investors' minds:

1/ PROMOTIONS IN FRANCE: Carrefour has historically been one of the players that relies most on promotions in France. Carrefour has indicated its intention to be more flexible in this respect going forward (i.e. overhaul of promotion tools). Leclerc was rather EDLP in 2013/14, in order to counter Géant, but turned more promotional in 2015 in a bid to catch up with Carrefour and is returning to a more normative level of promotions. So rather than a disruptive change, we see a rebalancing of the promotional environment.

2/ DIA FRANCE: So far, 267 out of 648 Dia stores have been converted (i.e. 71 City & Express / 95 Contact / 50 Contact Marché / 47 Market / 4 Bio). Out of the 267 renovations, 115 were done in Q1 2016 (31 in January / 39 in February / 45 in March – clearly a strong ramp up). 45% of the renovated stores are located in the Paris area. All of the network should be renovated by the end of the year. In our view, Dia should help to reinforce Carrefour's multi-format strategy with a differentiated offer (organic food notably), more convenience stores (notably in the Paris area) and a densification of the network (from an omnicanal perspective)!

3/ E-COMMERCE: Without being too specific, management nonetheless stated that sales were sharply up, both in food (Drives) and non-food (Rue du Commerce). In Q1 2016, Carrefour derived EUR300m of its sales (EUR20bn total group sales, o/w EUR9.3bn in France) on line. "One swallow does not a summer make" but this is a good start, especially as management has rather been mute on this subject so far.

4/ MARKET SHARE IN FRANCE: Again, without being very specific, management nonetheless deigns to comment on market share. Looking beyond "short term market share monitoring" in France, let's try to clarify long-term strategic intentions. Consequently, management invited observers to look at the group's market share more carefully over the coming quarters while Dia is being renovated (again, Dia should help to reinforce Carrefour's multi-format strategy..., more convenience stores... densification of the network from an omnicanal perspective...). Moreover, it seems that hypermarkets are currently doing better in terms of market share.

5/ MORE FLAVOUR ON 2016: The CFO commented on the current expectations of the consensus. At this stage of the year and keeping in mind forex headwinds, the EUR2.5bn current operating profit expected by the consensus (vs EUR2.45 BG estimates) seems to be a "reasonable" assumption. It is worth remembering that, in 2015, Carrefour was able to maintain its FY guidance throughout the year.

VALUATION

- 2016 P/E of 13.8x vs 16x average for the sector

NEXT CATALYSTS

- Investors were dissatisfied following FY. Henceforward, we see a potential catalyst in terms of the communication (more detail about e-commerce? potential investor day?)

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Hotels

Melia Hotels

Price EUR10.99

Convertible bonds: Nearly 100% converted**Fair Value EUR15 (+36%)****BUY-Top Picks**

Bloomberg	MEL.SM
Reuters	MEL.MC
12-month High / Low (EUR)	13.7 / 8.4
Market Cap (EURm)	2,188
Avg. 6m daily volume (000)	739.0

	1 M	3 M	6 M	31/12/15
Absolute perf.	7.7%	2.9%	-7.6%	-9.8%
Travel&Leisure	-1.2%	-1.2%	0.3%	-9.1%
DJ Stoxx 600	-0.2%	1.3%	-3.3%	-6.0%
	2015	2016e	2017e	2018e
P/E	56.7x	29.6x	20.8x	17.7x
Div yield (%)	0.3%	0.6%	0.6%	0.7%

ANALYSIS

- Following the decision to force the convertible bonds, conversion period was between 4th and 14th April, Melia informed that it receive the request for the conversion of 2,499 bonds representing EUR249,9m i.e. almost 100% of the total issue.
- Remember that the maximum dilution is 17.2% of number of shares with early April short position of around 10%. Exact net number of new shares created will be announce no later than 13th May notably regarding number of treasury shares i.e. 5.05m that could be used.
- Debt is no more an issue and financial cost could be improved. In fact the group's debt position will improve significantly with net debt/EBITDA falling to 1.7x on our estimates from 3.1x. Moreover, this multiple could give the group the opportunity to optimise the average cost of debt which was 4.4% in 2015 (4.8% in 2014).
- Finally, note that the Escarrer family will still control the equity capital with a stake of 52.1% vs. 60% previously.

VALUATION

- At the current share price, the stock is trading on 2016e EV/EBITDA of 9.6x and 8.6x for 2017e compared with an EBITDA CAGR 2015-2018 of 12.7x.
- After strong 2015 results, management is reasonably confident in 2016. In fact, it expects mid-single digit RevPAR growth for FY2016, with Q1 set to show mid-to-high single digit growth benefiting from strong business in **America** (high season) but also strong RevPAR in **Spain** (February was up 28.7% after 14% in January).

NEXT CATALYSTS

- Q1 2016 results on 6th May

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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 57.6%

NEUTRAL ratings 33.8%

SELL ratings 8.6%

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