Please find our Research on Bloomberg BRYG <GO>)

20th April 2016

# BG's Wake Up Call

| | Last close | Daily chg (%) | Chg YTD (%) |
|---|---|---|---|
| **Indices** | | | |
| Dow Jones | 18053.6 | +0.27% | +3.61% |
| S&P 500 | 2100.8 | +0.31% | +2.78% |
| Nasdaq | 4940.33 | -0.40% | -1.34% |
| Nikkei | 16874.44 | +3.68% | -11.34% |
| Stoxx 600 | 349.238 | +1.46% | -4.53% |
| CAC 40 | 4566.48 | +1.32% | -1.52% |
| **Oil /Gold** | | | |
| Crude WTI | 41.03 | +3.14% | +10.30% |
| Gold (once) | 1254.19 | +1.55% | +18.05% |
| **Currencies/Rates** | | | |
| EUR/USD | 1.13755 | +0.41% | +4.72% |
| EUR/CHF | 1.0919 | +0.06% | +0.41% |
| German 10 years | 0.178 | +5.60% | -71.92% |
| French 10 years | 0.448 | +6.96% | -54.30% |
| Euribor | - | +-% | +-% |

**Economic releases :**

| Date | |
|---|---|
| 20th-Apr | GB - ILO Unemployment rate Feb. (5.1%E )<br>GB - Employment Change 3M/3M (60K E)<br>DE - PPI (-2.8% E y/y)<br>CH -ZEW Survey<br>US - Existing Home Sales Mar. (3.5% m/m)<br>US - DOE Oil Inventories |

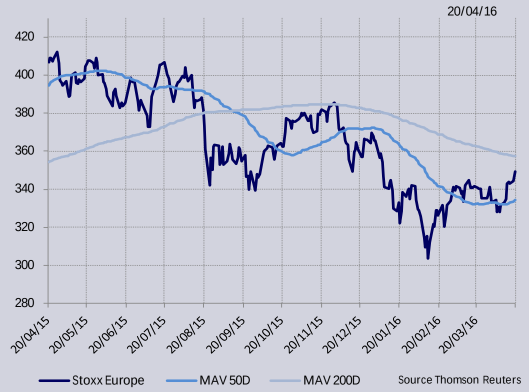
**Upcoming BG events :**

| Date | |
|---|---|
| 20th-Apr | REMY COINTREAU (BG Paris breakfast with CFO) |
| 22nd-Apr | PERNOD RICARD (BG Paris roadshow with Head of IR) |
| 27th-Apr | ELIOR (BG Geneva with CFO) |
| 28th-Apr | ORPEA (BG Luxembourg with IR) |
| 28th-Apr | ORPEA (BG Luxembourg with IR) |
| 3rd-May | Groupe SEB (BG Paris Lunch with IR) |

**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




## ACCORHOTELS — BUY-Top Picks, Fair Value EUR48 (+23%)

*Feedback Q1 conference call: welcome news and positive momentum*

## ARM HOLDINGS — BUY, Fair Value 1340p (+39%)

*Q1 results with no surprises, FY16 guidance in line with Street's expectations*

## ASML — SELL, Fair Value EUR81 (-8%)

*10nm s boost knocking at the door... as widely expected while margin guidance disappoints*

## DANONE — BUY, Fair Value EUR70 (+12%)

*Investment case still valid but more risks in the short to medium term*

## EIFFAGE — BUY, Fair Value EUR73 vs. EUR71 (+9%)

*Strong APRR traffic in Q1 with a 6.5% y/y growth*

## GENMAB — BUY, Fair Value DKK1350 vs. DKK1225 (+40%)

*2016 guidance raised as expected! Our FV and estimates are lifted upward*

## HEINEKEN — BUY, Fair Value EUR79 (-5%)

*Q1 organic volume growth of 7%*

## RÉMY COINTREAU — BUY, Fair Value EUR75 vs. EUR72 (0%)

*Better prospects going forward*

## SAP — NEUTRAL, Fair Value EUR73 (+3%)

*Final Q1 results in line, FY16 guidance confirmed*

## TEMENOS GROUP — NEUTRAL, Fair Value CHF52 vs. CHF51 (-2%)

*Q1 2016 results way above expectations, FY16 guidance reiterated*

### *In brief...*

**ROCHE, *Negative inventory patterns behind poor Q1 performance for major drugs in the US***

**ALTICE, *Refinancing again!***

**PHARMACEUTICALS, *A quick look into J&J Q1 numbers***

Hotels

# AccorHotels

Price EUR38.92

## Feedback Q1 conference call: welcome news and positive momentum

**Fair Value EUR48 (+23%)** **BUY-Top Picks**

| | |
|---|---|
| Bloomberg | AC FP |
| Reuters | ACCP.PA |
| 12-month High / Low (EUR) | 51.3 / 30.0 |
| Market Cap (EUR) | 9,163 |
| Ev (BG Estimates) (EUR) | 8,968 |
| Avg. 6m daily volume (000) | 1,567 |
| 3y EPS CAGR | 6.5% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | -1.1% | 12.0% | -8.0% | -2.7% |
| Travel&Leisure | -0.7% | -0.4% | -2.7% | -9.0% |
| DJ Stoxx 600 | 2.2% | 4.9% | -4.1% | -4.5% |

| YEnd Dec. (€m) | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| Sales | 5,454 | 5,581 | 6,060 | 6,610 |
| *% change* | | *2.3%* | *8.6%* | *9.1%* |
| EBITDA | 923 | 986 | 1,098 | 1,314 |
| EBIT | 602.0 | 665.0 | 734.1 | 918.6 |
| *% change* | | *10.5%* | *10.4%* | *25.1%* |
| Net income | 386.0 | 441.8 | 448.7 | 569.9 |
| *% change* | | *14.5%* | *1.6%* | *27.0%* |

| | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| Operating margin | 11.0 | 11.9 | 12.1 | 13.9 |
| Net margin | 4.1 | 4.4 | 7.4 | 8.6 |
| ROE | 6.2 | 6.8 | 11.5 | 15.9 |
| ROCE | 12.4 | 14.5 | 11.8 | 16.3 |
| Gearing | 4.1 | -4.9 | 18.5 | 17.1 |

| (€) | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| EPS | 1.68 | 1.88 | 1.74 | 2.03 |
| *% change* | - | *12.4%* | *-7.7%* | *16.5%* |
| P/E | 23.2x | 20.6x | 22.4x | 19.2x |
| FCF yield (%) | 6.7% | 6.7% | 7.2% | 8.8% |
| Dividends (€) | 0.95 | 1.00 | 1.10 | 1.25 |
| Div yield (%) | 2.4% | 2.6% | 2.8% | 3.2% |
| EV/Sales | 1.7x | 1.6x | 1.8x | 1.5x |
| EV/EBITDA | 10.1x | 9.1x | 9.9x | 7.4x |
| EV/EBIT | 15.5x | 13.5x | 14.8x | 10.5x |


**Although reported figures were lower with total revenue down 5.2% to EUR1.161bn (consensus at EUR1.195bn) lfl growth improved to 1.9% (RevPAR was up 0.4%) vs. the forecast for a slightly positive increase and compared with 0.4% in Q4 2015. Even HotelInvest was up 0.2% on a lfl basis despite significant exposure to France while HotelServices was up 5.6% lfl benefiting from further strong expansion. The Q1 opening was strong with nearly 9,000 new rooms. The recovery is expected to continue over Q2 especially in France with Euro 2016 starting early June. Positive.**

### ANALYSIS

- **Negative impact from asset management programme and currencies on reported sales but strong lfl growth:** Total revenue reached EUR1.161bn, down 5.2% after -5.4% from disposals with 28 hotels restructured in Q1 o/w 12 Ibis from China Lodging deal, -3.2% from currencies largely due to BRL and a positive impact of 1.5% from expansion (8,961 new rooms). On a lfl basis, revenue was up 1.9% o/w a strong 5.6% for HotelServices and a positive number for HotelInvest up 0.2% despite exposure to France and Paris/Ile de France.
- **HotelInvest largely impacted by Paris attacks…:** Despite exposure to **France** (33% of HotelInvest rooms offer) especially in Paris/Ile de France with lfl revenue down 3.2%, lfl growth was slightly positive 0.2% largely sustained by **MMEA** up 6.1% (11% of HotelInvest offer) and especially Spain up 12.5% Note that **Americas**, was also slightly up 0.7% despite Brazil down 6% with positive figure in Mexico and Carabean.
- **…while HotelService was really strong:** Less exposed to Paris/Ile de France, revenue in France (26% of HotelServices offer) was up 0.6% on lfl basis benefiting from better trend in provinces. All other geographies reported strong performances (NCEE was up 8.3%, MMEA +5.2% especially due to Spain and Portugal, Asia-Pacific +8.2% and Americas +10.8% despite Brazil).
- **RevPAR growth affected by France:** RevPAR was up 0.4% (OR Up 0.1%pt, ADR up 0.2%) after -0.6% in Q4 2015. As anticipated, RevPAR in France was down 2.5% (-6% in Q4 2015) o/w -11% in Paris while RevPAR in Provinces was up 5%. Note that **Germany** (group second biggest market) was also slightly down 0.7% due to unfavourable trade-fair and holiday calendar in Q1.
- **Positive outlook:** Trends look encouraging in France even if slower than anticipated with a positive calendar effect in May (fewer bank holidays) and the start of the Euro 2016 football tournament in early June. Germany should also benefit from a better calendar effect. Management confirmed positive RevPAR growth in a number of regions especially in the UK, southern Europe, central Europe, the Middle East and most of all in the Asia-Pacific. **Strong pipeline** representing more than 158,000 rooms (over 30% of current number of rooms) and 2016 should be another sustained year after strong Q1 with nearly 9,000 new rooms (our FY forecast is based on 30,000 new rooms).

### VALUATION

- At the current share price, the stock is trading on 2016e and 2017e EV/EBITDA of 9.0x and 7.5x, which compares with average European peer valuation of respectively 9.5x and 8.6x
- Regarding shareholders, management announced that **Jin Jiang International** owns 14.98% of the share equity and 13.07% of the voting rights.

### NEXT CATALYSTS

- AGM on 22nd April 2016
- H1 results on 28th July 2016

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TMT

# ARM Holdings

Price 964.00p

## Q1 results with no surprises, FY16 guidance in line with Street's expectations

**Fair Value 1340p (+39%)** **BUY**

| | |
|---|---|
| Bloomberg | ARM.LN |
| Reuters | ARM.L |
| 12-month High / Low (p) | 1,201 / 848.5 |
| Market Cap (GBPm) | 13,577 |
| Ev (BG Estimates) (GBPm) | 12,591 |
| Avg. 6m daily volume (000) | 3,552 |
| 3y EPS CAGR | 15.5% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | -4.6% | 0.0% | -1.2% | -7.2% |
| Semiconductors | -0.1% | 9.9% | 2.6% | -2.6% |
| DJ Stoxx 600 | 2.2% | 4.9% | -4.1% | -4.5% |

| YEnd Dec. (GBPm) | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| Sales | 968.3 | 1,170 | 1,301 | 1,448 |
| *% change* | | *20.8%* | *11.2%* | *11.3%* |
| EBITDA | 542 | 648 | 734 | 829 |
| EBIT | 499.8 | 593.2 | 673.9 | 761.6 |
| *% change* | | *18.7%* | *13.6%* | *13.0%* |
| Net income | 429.0 | 510.0 | 584.9 | 659.7 |
| *% change* | | *18.9%* | *14.7%* | *12.8%* |

| | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| Operating margin | 51.6 | 50.7 | 51.8 | 52.6 |
| Net margin | 44.3 | 43.6 | 45.0 | 45.6 |
| ROE | 18.9 | 18.6 | 18.5 | 17.8 |
| ROCE | 34.9 | 40.8 | 46.9 | 52.7 |
| Gearing | -36.0 | -45.8 | -53.8 | -60.7 |

| (p) | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| EPS | 30.20 | 35.99 | 41.27 | 46.55 |
| *% change* | - | *19.2%* | *14.7%* | *12.8%* |
| P/E | 31.9x | 26.8x | 23.4x | 20.7x |
| FCF yield (%) | 0.0% | 0.0% | 0.0% | 0.0% |
| Dividends (p) | 7.60 | 11.24 | 13.94 | 14.49 |
| Div yield (%) | 0.8% | 1.2% | 1.4% | 1.5% |
| EV/Sales | 13.4x | 10.8x | 9.4x | 8.1x |
| EV/EBITDA | 23.9x | 19.4x | 16.6x | 14.2x |
| EV/EBIT | 25.9x | 21.2x | 18.1x | 15.4x |


**ARM Holdings has reported Q1 2016 results in line with consensus expectations and company guidance. Q1 sales came in at USD398m or GBP276m, up 2.6% sequentially, with normalised operating margin at 49%, and EPS at 8.2p. This was broadly in line with the consensus forecast for sales of GBP271m and adjusted EPS at 8.1p. The group also added a comment on FY16 sales, which are expected to be in line with the current street figure at USD1,615m, up +9%. Note that ARM again proved its resilience to the slowing smartphone market thanks to its growing diversification.**

### ANALYSIS

- **While Q1 top-line growth was in line with expectations, EPS was above forecasts.** The company reported Q1 revenues of USD398m, or GBP276m up +2.6% seq. (+21.3% yoy), 2% above consensus expectations. Gross margin came in at 96.7%, flat compared to Q4 (at 96.5%), and operating expenses came out at GBP133m (up from GBP124m in Q4-15). As a result, normalised EBIT was 4% above the consensus figure at GBP134m (cons. GBP129m/BG ests. GBP136m), and EPS was also 2% above at 8.2p (cons. 8.07p / BG ests. 8.28p). Normalised cash generation stood at GBP81m in Q1-16, down from GBP112m in Q4-15. As a result, the net cash position at the end of Q1-16 was GBP1,006m compared with GBP951m at the end of Q4-15.
- **Licencing sales grew by +11% seq. in dollar terms in Q1 and royalties by +17%.** Q1 licencing revenues accounted for USD148m of which USD135m from the processors business and USD13m from the physical IP activity. Overall, the royalties business was the most dynamic with sequential growth of +17% seq. in dollar term. Royalties revenues grew to USD216m, of which USD192m from the processors business and USD24m from physical IP. Software & tools and services revenues came out at USD20m and USD14m respectively, compared with USD17m and USD15m achieved in Q4.
- **FY16 sales expected to be in line with Street's expectations**. Despite the cautious message regarding current economic conditions that could possibly lead customers to lower spending and impact the entire semiconductors industry, the group is nevertheless guiding on FY16 revenue in line with current Street's expectations in dollar terms, i.e. at a level close to USD1,615m (BG ests. FY16 sales at USD1,662m, up +12%). Over FY16, we believe that the group should strongly benefit from a positive move of USD/GBP exchange rate. This should also help to boost GBP revenue.
- **Taking benefit from diversification**. While many expected to see disappointing figures due to a slowdown in the smartphone market, we note that ARM again proved its resilience thanks to a growing diversification. Many highlighted the risk of a slowdown in licence revenues but the group continued to benefit from the emergence of IoT which is said to drive upward the number of licensees while more companies need access to ARM technologies. While IoT chips come with a lower average selling price, they should also help generate incremental royalties revenue in the future.

### VALUATION

- We are making no change to our estimates at this point and will wait for further details from today's conference call (see details below).
- Based on our estimates, ARM's shares are trading on 2016e P/E of 26.8x, well below its 5y historical average of 39.3x.

### NEXT CATALYSTS

- Today: Q1 results conference call (10:30am CET, +44 (1) 452 555 566, ID: 82498894).
- 28th April 2016: Annual General Meeting.
- 27th July 2016: Q2 results

***(to be continued next page)***

**Actual Q1-16 vs. Consensus**

| [GBPm] | BG ests. 1Q16 | Consensus 1Q16 | 1Q16 Actual | Actual vs. Cons. |
|---|---|---|---|---|
| Net revenue | 269 | 271 | 276 | 1.8% |
| *% change (seq)* | *+0.0%* | *+0.7%* | *+2.6%* | 186bp |
| *% change (yoy)* | *+18.3%* | *+19.1%* | *+21.3%* | 220bp |
| Gross Margin | 96.2% | 96.1% | 96.7% | |
| Adj. EBIT | 136 | 129 | 134 | 4.2% |
| *% of revenue* | *50.7%* | *47.6%* | *48.7%* | |
| Dil. EPS (in p.) | 8.28 | 8.07 | 8.20 | 1.6% |

*Sources: Thomson Reuters I.B.E.S.; Bryan Garnier & Co. ests.*

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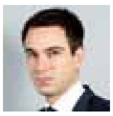

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TMT

# ASML

Price EUR88.25

## 10nm s boost knocking at the door... as widely expected while margin guidance disappoints

**Fair Value EUR81 (-8%)** **SELL**

| | |
|---|---|
| Bloomberg | ASML NA |
| Reuters | ASML.AS |
| 12-month High / Low (EUR) | 103.8 / 71.8 |
| Market Cap (EURm) | 38,242 |
| Ev (BG Estimates) (EURm) | 36,460 |
| Avg. 6m daily volume (000) | 1,263 |
| 3y EPS CAGR | 21.8% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | 1.4% | 19.6% | 12.6% | 6.9% |
| Semiconductors | -0.1% | 9.9% | 2.6% | -2.6% |
| DJ Stoxx 600 | 2.2% | 4.9% | -4.1% | -4.5% |

| YEnd Dec. (EURm) | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| Sales | 6,287 | 6,485 | 7,419 | 8,742 |
| *% change* | | *3.1%* | *14.4%* | *17.8%* |
| EBITDA | 1,864 | 1,920 | 2,345 | 3,031 |
| EBIT | 1,565 | 1,615 | 2,025 | 2,666 |
| *% change* | | *3.2%* | *25.4%* | *31.6%* |
| Net income | 1,387 | 1,390 | 1,765 | 2,353 |
| *% change* | | *0.2%* | *27.0%* | *33.3%* |

| | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| Operating margin | 24.9 | 24.9 | 27.3 | 30.5 |
| Net margin | 22.1 | 21.4 | 23.8 | 26.9 |
| ROE | 16.5 | 16.8 | 19.7 | 23.5 |
| ROCE | 22.9 | 21.6 | 27.2 | 28.0 |
| Gearing | -27.2 | -21.5 | -26.6 | -15.4 |

| (EUR) | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| EPS | 3.21 | 3.31 | 4.27 | 5.80 |
| *% change* | - | *3.0%* | *29.1%* | *35.8%* |
| P/E | 27.5x | 26.7x | 20.7x | 15.2x |
| FCF yield (%) | 3.9% | 2.7% | 4.6% | 1.2% |
| Dividends (EUR) | 0.70 | 1.05 | 1.21 | 1.39 |
| Div yield (%) | 0.8% | 1.2% | 1.4% | 1.6% |
| EV/Sales | 5.7x | 5.6x | 4.8x | 4.2x |
| EV/EBITDA | 19.3x | 19.0x | 15.3x | 12.1x |
| EV/EBIT | 23.0x | 22.6x | 17.7x | 13.8x |


**ASML has posted Q1 results above expectations. Sales came out at EUR1.333bn, down 7.1% on a sequential basis and down 19% year on year. This was in line with the company's guidance for Q1 sales of about EUR1.3bn and slightly below consensus forecasts of EUR1.344bn. However, Q1 EPS stood at EUR0.46, above consensus expectations of EUR0.42 while bookings decreased by 29% in Q1 vs. Q4 2015. Finally, the group expects Q2 sales of close to EUR1.7bn (cons. at EUR1.70bn for Q2-16) and gross margin at around 42% whereas the consensus is forecasting a strong rebound to 45.7%, such that Q2 EBIT is set to be lower than anticipated by the street.**

### ANALYSIS

- **ASML has reported Q1 results above consensus expectations.** The company reported Q1 sales of EUR1.333bn, down 7.1% seq. (down 19% yoy), in line with guidance for sales of EUR1.3bn but slightly below consensus expectations at EUR1.343bn (BG ests. EUR1.28bn). As expected, the gross margin decreased significantly by 340bp vs. Q4 to 42.6% (vs. 46.0%) but was above the company's and consensus' expectations of 42.2%. As such, operating result came in at EUR228m or a 17.1% margin to be compared to 22.2% achieved in Q4-15. Adjusted EPS of EUR0.46 was EUR0.04 above consensus expectations at EUR0.42 (BG ests. EUR0.41).
- **Booking decreases by -29% compared to Q4-15.** We also note that, both net bookings and the systems backlog decreased during Q1-16 by -29% and -10% sequentially to EUR835m and EUR3,018m (from EUR1,184m and EUR3,184m).
- **The group is maintaining its target of six to seven EUV system shipments for 2016**. As mentioned before, EUV keeps improving with availability of more than 80% and productivity of more than 1,350 wafers per day achieved on one NXE:3350B. Today, the group confirms it expects to ship six to seven NXE:3350B during 2016. Note that three EUV systems were shipped during 2015 and hat one system was shipped during Q1. Due to a delay in revenue recognition caused by the performance benchmark to be achieved before triggering tools' payment, revenue from these tools should be partially recorded over 2016.
- **10nm's and EUV's boosts knocking at the door, momentum should start to improve... as widely expected but margins struggle to improve.** Q2 guidance is for sales of approximately EUR1.7bn in line with consensus expectations of EUR1.70bn. However disappointment stemmed from gross margin guidance at 42% compared to the Street's 46%. For Q2, R&D expense is forecast at about EUR270m, SG&A at about EUR90m, while co-investment programme should help by EUR23m, such that EBIT is expected to be close to EUR380m, i.e. 8% below consensus expectations at EUR411m. Overall, we note that stronger momentum is expected to start in Q2 thanks to the 10nm ramp up but we remind that the group has been forecasting a rebound in Q2 since Q3 2015 results (fall 2015). This is a new confirmation but in no way a surprise. In addition, Q2 sales guidance includes a second boost thanks to EUR110m recorded on two NXE:3350B sales.

### VALUATION

- We are making no change to our estimates at this point and will wait for further details from today's conference call (see details below).
- Based on our estimates, ASML's shares trade at a 2016e P/E ratio of 26.7x and a 2016e PEG ratio of 1.2x.

### NEXT CATALYSTS

- Today: Q1 results conference call (3:00pm CET, Personal ID required: registration here).
- 20th July 2016: FQ2-16 results.

(to be continued next page)

### FQ1-16 Actual vs. estimates

| [EURm] | BG ests. 1Q16e | Consensus 1Q16e | 1Q16 Actual | Actual vs. Cons. |
|---|---|---|---|---|
| Net revenue | 1,282 | 1,344 | 1,333 | -0.8% |
| *% change (seq)* | *-10.6%* | *-6.3%* | *-7.1%* | -79bp |
| *% change (yoy)* | *-22.3%* | *-18.5%* | *-19.2%* | -69bp |
| Gross Margin | 42.0% | 42.2% | 42.6% | 40bp |
| Adj. EBIT | 201 | 207 | 228 | 10.0% |
| *% of revenue* | *15.7%* | *15.4%* | *17.1%* | 169bp |
| Dil. EPS | 0.41 | 0.42 | 0.46 | 9.5% |

*Sources: Thomson Reuters I.B.E.S; Bryan, Garnier & Co ests.*

### FQ2-16 Guidance vs. estimates

| [EURm] | BG ests. 2Q16e | Consensus 2Q16e | 2Q16e Guidance | Guid. vs. Cons. |
|---|---|---|---|---|
| Net revenue | 1,588 | 1,697 | 1,700 | 0.2% |
| *% change (seq)* | *23.9%* | *26.2%* | *27.5%* | 128bp |
| *% change (yoy)* | *-4.0%* | *2.6%* | *2.8%* | 16bp |
| Gross Margin | 46.0% | 45.7% | 42.0% | -370bp |
| Dil. EPS | 0.81 | 0.84 | - | - |

*Sources: Thomson Reuters I.B.E.S; Bryan, Garnier & Co ests.*

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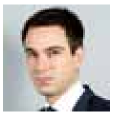

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Food & Beverages

# Danone

Price EUR62.32

| | |
|---|---|
| Bloomberg | BN FP |
| Reuters | DANO.PA |
| 12-month High / Low (EUR) | 67.5 / 53.1 |
| Market Cap (EURm) | 40,817 |
| Ev (BG Estimates) (EURm) | 48,032 |
| Avg. 6m daily volume (000) | 1 685 |
| 3y EPS CAGR | 7.4% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | -0.9% | 6.2% | 7.0% | 0.1% |
| Food & Bev. | 1.4% | 4.7% | 1.9% | -2.1% |
| DJ Stoxx 600 | 0.7% | 4.7% | -5.2% | -5.9% |

| YEnd Dec. (EURm) | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| Sales | 22,412 | 21,865 | 23,053 | 24,508 |
| *% change* | | *-2.4%* | *5.4%* | *6.3%* |
| EBIT | 2,892 | 2,960 | 3,216 | 3,487 |
| *% change* | | *2.4%* | *8.6%* | *8.4%* |
| Net income | 1,791 | 1,833 | 2,011 | 2,213 |
| *% change* | | *2.3%* | *9.7%* | *10.0%* |

| | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| Operating margin | 12.9 | 13.5 | 13.9 | 14.2 |
| Net margin | 8.0 | 8.4 | 8.7 | 9.0 |
| ROE | 10.2 | 15.3 | 15.5 | 15.8 |
| ROCE | 10.7 | 10.7 | 11.5 | 12.3 |
| Gearing | 61.6 | 55.7 | 47.1 | 39.2 |

| (EUR) | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| EPS | 2.93 | 3.00 | 3.30 | 3.63 |
| *% change* | - | *2.5%* | *9.7%* | *10.0%* |
| P/E | 21.3x | 20.8x | 18.9x | 17.2x |
| FCF yield (%) | 4.0% | 4.1% | 4.3% | 4.7% |
| Dividends (EUR) | 1.60 | 1.64 | 1.80 | 1.98 |
| Div yield (%) | 2.6% | 2.6% | 2.9% | 3.2% |
| EV/Sales | 2.2x | 2.2x | 2.1x | 1.9x |
| EV/EBIT | 16.8x | 16.2x | 14.7x | 13.4x |

## Investment case still valid but more risks in the short to medium term

**Fair Value EUR70 (+12%)** **BUY**

**Our Buy recommendation on Danone is based on a recovery in the yoghurts division and a gradual improvement in the group's trading operating margin. So far the company has met our expectations. Although it is only at the beginning of its five-year road plan, it is clearly moving in the right direction. Growth in yoghurts was strong for the second quarter in a row (+2.3% in Q1 after +2.6% in Q4) and the group's EBIT margin should widen 30bp in organic terms in 2016, after +17bp in 2015. However we think the group's risk profile has increased. Danone said that the impact of tax changes on cross border C2C should not be significant, and we agree on this point. However, it also confirmed what Nestlé said at its Q1 sales release, namely that the Chinese authorities have further measures in the pipeline. Danone is overexposed to cross border C2C (an estimated 7% of the group's EBIT). A toughening in regulations is a significant threat to these flows. This needs to be monitored closely.**

### ANALYSIS

- **Our investment case remains intact. Our Buy recommendation on Danone is based on a recovery in the yoghurts division and the gradual improvement of the group's trading operating margin. So far the company has met our expectations**. It is only at the beginning of its five-year road plan but is clearly moving in the right direction. **Growth in yoghurts was strong for the second quarter in a row (+2.3% in Q1 after +2.6% in Q4 2015).** Although the group was clearly helped by a technical effect in Europe related to the streamlining of its portfolio, the region is reportedly making progress. Actimel and Danonino have already been relaunched and Activia will follow in H2. The group reiterated its target to stabilise Europe by the end of the year. The United States returned to positive territory in Q4 and confirmed the healthy Q1 performance with mid single digit growth. The US is an emerging country for yoghurts and, as such, offers strong potential. We maintain our estimate for 2% organic sales growth for the yoghurts division in 2016. This is close to the group's 2020 guidance (+3-5%). **Danone's EBIT margin should rise in 2016 for the second consecutive year.** Guidance is for "solid" improvement, with "solid" meaning higher than in 2015 (+17bps in LFL). Our forecast is for a margin of 13.54%, up 63bps in reported and 30bps in organic. Management said that the increase in H1 should be significantly higher than in H2 as H1 2015 was impacted by: 1/ a fire in a factory and 2/ the Dumex adaptation plan.

- **However, we think the group's risk profile has increased.** During the call, the group discussed tax changes in cross border e-commerce, following tax increases from 10% to 15% on C2C and from 10% to 12% in the free trade zones. A number of exemptions were also eliminated in these free trade zones. **Danone said that the impact of these tax changes should not be significant, a point on which we agree. But it has also confirmed what Nestlé said at its Q1 sales release: more measures are in the pipeline from Chinese authorities.** Danone said it is working on the sales conversion from C2C to B2C but did not give a lot of details. **The group is overexposed to cross border C2C (an estimated 7% of the group's EBIT). We think that a toughening in regulations is a significant threat to these flows. This needs to be monitored closely.** Note that management stated that **organic sales growth in Early Life Nutrition should improve in Q2 (our estimate: +6%) after Q1 (+4.8%).**

### VALUATION

- Our EPS estimates remain globally unchanged over the next three years. At yesterday's share price, the stock is trading on 2016e P/E of at 20.8x vs 21.2x for Nestlé and 22.2x for Unilever.

### NEXT CATALYSTS

- Mead Johnson: Q1 2016 sales on 28th April
- Danone: Shareholders' Meeting on 28th April

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## Construction & Building Materials

# Eiffage

Price EUR67.21

## Strong APRR traffic in Q1 with a 6.5% y/y growth

## Fair Value EUR73 vs. EUR71 (+9%) BUY

| | |
|---|---|
| Bloomberg | FGR FP |
| Reuters | FOUG.PA |
| 12-month High / Low (EUR) | 68.6 / 47.8 |
| Market Cap (EURm) | 6,414 |
| Ev (BG Estimates) (EURm) | 20,365 |
| Avg. 6m daily volume (000) | 301.2 |
| 3y EPS CAGR | 17.1% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | 0.5% | 16.4% | 20.6% | 12.9% |
| Cons & Mat | 3.6% | 9.0% | 6.7% | 1.0% |
| DJ Stoxx 600 | 2.2% | 4.9% | -4.1% | -4.5% |

| YEnd Dec. (EURm) | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| Sales | 13,909 | 13,810 | 14,055 | 14,321 |
| *% change* | | *-0.7%* | *1.8%* | *1.9%* |
| EBITDA | 2,074 | 2,089 | 2,171 | 2,286 |
| EBIT | 1,431 | 1,505 | 1,581 | 1,691 |
| *% change* | | *5.1%* | *5.1%* | *7.0%* |
| Net income | 312.0 | 384.1 | 427.9 | 523.5 |
| *% change* | | *23.1%* | *11.4%* | *22.4%* |

| | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| Operating margin | 10.3 | 10.9 | 11.2 | 11.8 |
| Net margin | 3.3 | 4.1 | 4.5 | 5.4 |
| ROE | 13.2 | 14.1 | 14.0 | 15.0 |
| ROCE | 5.1 | 5.3 | 5.6 | 6.0 |
| Gearing | 351.2 | 295.3 | 255.9 | 214.2 |

| (EUR) | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| EPS | 3.37 | 4.00 | 4.46 | 5.40 |
| *% change* | - | *18.8%* | *11.4%* | *21.2%* |
| P/E | 19.9x | 16.8x | 15.1x | 12.4x |
| FCF yield (%) | 7.7% | 5.7% | 7.7% | 10.6% |
| Dividends (EUR) | 1.50 | 1.50 | 1.50 | 1.50 |
| Div yield (%) | 2.2% | 2.2% | 2.2% | 2.2% |
| EV/Sales | 1.5x | 1.5x | 1.4x | 1.3x |
| EV/EBITDA | 10.0x | 9.7x | 9.2x | 8.4x |
| EV/EBIT | 14.4x | 13.5x | 12.7x | 11.3x |


**A strong start to the year for APRR, with 6.8% revenue growth thanks to an impressive 6.5% traffic increase, mostly driven by light vehicles and notably explained by favourable calendar effects. Of course, these effects will not impact the rest of 2016. Still, despite being more optimistic than Eiffage and Vinci with a 2.5% traffic growth assumption this year, we find it very difficult to be more conservative after such a good performance and are making no change to our estimates. The share price is likely to react positively today. FV slightly adjusted to EUR73 (vs EUR71) following SOTP update.**

As expected, APRR Q1 traffic benefited from a favourable calendar effect, 2016 being a leap year and the Easter Weekend falling in March this year versus April last year. Some school holidays were favourably scheduled too. Cars were the most impacted.

Despite these calendar effects, the traffic trend in Q1 was nevertheless impressive, with 6.5% volume growth. Light vehicle traffic performed particularly well with 7.1% growth, while heavy vehicles traffic rose 3.9%. Obviously the Easter effect should be neutralised in Q2.

Sales rose 6.8% to EUR541m, thanks in particular to a positive tariff effect (from 1.23% to 1.27% for light vehicles as from 1st February).

**Trafic per quarter**

| m-km travelled (VKT) | Q114 | Q214 | Q314 | Q414 | Q115 | Q215 | Q315 | Q415 | Q116 |
|---|---|---|---|---|---|---|---|---|---|
| Cars | 4026 | 4551 | 5720 | 4126 | 4099 | 4674 | 5896 | 4236 | 4388 |
| Trucks | 813 | 826 | 788 | 810 | 829 | 843 | 815 | 844 | 861 |
| Total | 4839 | 5377 | 6508 | 4936 | 4928 | 5517 | 6712 | 5080 | 5249 |
| **y/y change (%)** | **Q1 14** | **Q2 14** | **Q3 14** | **Q4 14** | **Q115** | **Q215** | **Q315** | **Q415** | **Q116** |
| Cars | 0.5 | 3.2 | 0.6 | 2.6 | 1.8 | 2.7 | 3.1 | 2.7 | 7.1 |
| Trucks | 1.9 | 2.5 | 1.3 | 0.4 | 2.0 | 2.1 | 3.5 | 4.1 | 3.9 |
| Total | 0.7 | 3.1 | 0.7 | 2.2 | 1.8 | 2.6 | 3.1 | 2.9 | 6.5 |
| **YTD y/y change (%)** | **Q1 14** | **H1 14** | **9M 14** | **FY 14** | **Q115** | **H1 15** | **9M 15** | **FY 15** | **Q116** |
| VL | 0.5 | 1.9 | 1.4 | 1.6 | 1.8 | 2.3 | 2.6 | 2.6 | 7.1 |
| PL | 1.9 | 2.2 | 1.9 | 1.5 | 2.0 | 2.0 | 2.5 | 2.9 | 3.9 |
| Total | 0.7 | 2.0 | 1.4 | 1.6 | 1.8 | 2.2 | 2.6 | 2.7 | 6.5 |

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

### ANALYSIS

- This is of course positive for the share price, although the good start to the year should not be a surprise for investors. Again, we would underline that the acceleration was mostly due to cars, while traffic growth for trucks was actually lower in Q1 2016 than in Q4 2015. We would have preferred strong HV trends compare with LV, as if trucks weight 15% of the total trafic, they represent 33% of revenues of APRR.
- Anyway, with such a good start, it looks pretty difficult to us to lower our traffic assumptions of 2.5% for 2016, despite being above Eiffage and Vinci expectations, we understood.
- Note that APRR is a key asset for Eiffage. It represents 16% of sales but 67% of EBIT (but roughly half on a group share basis).

### VALUATION

- EUR73 (vs EUR71) Fair Value derived from an SOTP, roughly half of it stems from APRR. We have adjusted our SOTP with an updated book value from new projects, notably the High Speed Line PPP in Britanny (Bretagne-Pays de la Loire) and the Grande Arche refurbishment at la Défense.

### NEXT CATALYSTS

- Eiffage Q1 revenues on 9th May 2016

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Healthcare

# Genmab

Price DKK967.00

## 2016 guidance raised as expected! Our FV and estimates are lifted upward

**Fair Value DKK1350 vs. DKK1225 (+40%)** **BUY**

| | |
|---|---|
| Bloomberg | GEN DC |
| Reuters | GEN.CO |
| 12-month High / Low (DKK) | 967.0 / 514.0 |
| Market Cap (DKKm) | 57,709 |
| Ev (BG Estimates) (DKKm) | 54,164 |
| Avg. 6m daily volume (000) | 430.7 |
| 3y EPS CAGR | 11.7% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | 18.1% | 15.3% | 52.4% | 5.4% |
| Healthcare | 6.9% | 0.2% | -5.2% | -7.3% |
| DJ Stoxx 600 | 2.2% | 4.9% | -4.1% | -4.5% |

| YEnd Dec. (DKKm) | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| Sales | 1,133 | 1,031 | 1,513 | 1,730 |
| *% change* | | *-9.0%* | *46.7%* | *14.3%* |
| EBITDA | 554 | 215 | 610 | 775 |
| EBIT | 730.4 | 214.8 | 609.6 | 774.5 |
| *% change* | | *-70.6%* | *NM* | *27.1%* |
| Net income | 587.3 | 249.8 | 649.6 | 819.5 |
| *% change* | | *-57.5%* | *NM* | *26.2%* |

| | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| Operating margin | 64.5 | 20.8 | 40.3 | 44.8 |
| Net margin | 67.4 | 24.2 | 42.9 | 47.4 |
| ROE | 21.9 | 6.7 | 14.8 | 15.7 |
| ROCE | -15,400 | 129.5 | 168.6 | 143.2 |
| Gearing | -100.2 | -94.9 | -91.2 | -89.0 |

| (DKK) | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| EPS | 9.71 | 4.13 | 10.74 | 13.55 |
| *% change* | *-* | *-57.5%* | *NM* | *26.2%* |
| P/E | 99.6x | NS | 90.0x | 71.3x |
| 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 | 47.8x | 52.5x | 35.5x | 30.7x |
| EV/EBITDA | 97.8x | 252.2x | 88.1x | 68.5x |
| EV/EBIT | 74.2x | 252.2x | 88.1x | 68.5x |


**Yesterday, JNJ published its Q1 16 results and we noted that the "Other Oncology Products" revenues in the US jumped to USD145m from USD11m a year ago. And we can say this is mainly due to the increasing uptake of daratumumab. This is undoubtedly why Genmab has significantly raised its 2016 sales guidance for this product (USD400-450m vs USD250-300m) along with the rest of the P&L (the operating income being now expected to be in the range of DKK125-175m at the end of the year, while the cash position should reach DKK3,400-3,500m). That being said, we think this updated objective can once again be outmatched 1/ US sales will improve on a sequential basis (like Ibrance for example); 2/ we expect an European approval in the coming weeks (and we're pretty sure the uptake in Europe should be as strong as in the US). BUY reiterated with a FV of DKK1,350 vs DKK1,225 previsouly.**

### ANALYSIS

- **Yesterday, JNJ published its Q1 16 results and we noted that the "Other Oncology Products" revenues in the US jumped to USD145m from USD11m a year ago.** And we can say this is mainly due to the increasing uptake of daratumumab (which as a reminder got its very first green light from the FDA on November, 16 2015) as 1/ no other significant cancer therapies from JNJ's pipeline have since then been approved; and 2/ the management stated during its conference call that "Darzalex contributed over 2% to the US Pharmaceutical (USD4.9Bn) growth rate".
- 1/ Assuming that "dara" generated USD90-110m during this first quarter (thus leading to an annualized run rate of USD360-440m while solely taking into account the US), and 2/ bearing in mind we still expect a market authorization from the European regulator in the coming weeks, this is why **Genmab has significantly raised its 2016 sales guidance for this product (USD400-450m vs USD250-300m) along with the rest of the P&L** (the operating income being now expected to be in the range of DKK125-175m at the end of the year, while the cash position should reach DKK3,400-3,500m)…
- That being said, **we think this updated objective can once again be outmatched 1/** US sales will improve on a sequential basis (like Ibrance for example); 2/ we expect an European approval in the coming weeks (and we're pretty sure the uptake in Europe should be as strong as in the US).
- **We've raised our sales and bottom line estimates** following these two publications as followed: 1/ daratumumab's sales: USD590m this very year and USD1.0Bn as for 2017 (vs USD249m and USD505m respectively but we've always said we were very conservative); 2/ operating income: DKK215m (vs DKK34m previously).

| | New BG est. | Former BG est. | New guidance | Former guidance |
|---|---|---|---|---|
| Revenues (DKKm) | 1,403 | 867 | 925-975 | 825-875 |
| Darzalex JNJ's sales (USDm) | 590 | 249 | 400-450 | 250-300 |
| Operating income | 215 | 34 | 125-175 | 25-75 |
| Cash position at year end | 3,917 | 3,381 | 3,400-3,500 | 3,300-3,400 |

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

### VALUATION

- **BUY reiterated with a FV of DKK1,350 vs 1,225 following the above-mentioned adjustments.**

### NEXT CATALYSTS

- April, 27 2016: Q1 16 results.
- Q2 16: European approval of daratumumab as a monotherapy for heavily pre-treated patients.
- Q2 16: Phase III results of the POLLUX study.

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Food & Beverages

# Heineken

Price EUR83.16

## Q1 organic volume growth of 7%

**Fair Value EUR79 (-5%)** **BUY**

| | |
|---|---|
| Bloomberg | HEIA NA |
| Reuters | HEIN.AS |
| 12-month High / Low (EUR) | 85.2 / 67.2 |
| Market Cap (EURm) | 47,900 |
| Ev (BG Estimates) (EURm) | 58,987 |
| Avg. 6m daily volume (000) | 715.8 |
| 3y EPS CAGR | 12.3% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | 5.2% | 9.7% | 5.8% | 5.6% |
| Food & Bev. | 3.4% | 5.2% | 3.3% | -0.3% |
| DJ Stoxx 600 | 2.2% | 4.9% | -4.1% | -4.5% |

| YEnd Dec. (EURm) | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| Sales | 19,257 | 20,361 | 20,984 | 21,712 |
| *% change* | | *5.7%* | *3.1%* | *3.5%* |
| EBITDA | 4,566 | 4,852 | 5,152 | 5,509 |
| EBIT | 3,129 | 3,415 | 3,659 | 3,917 |
| *% change* | | *9.1%* | *7.2%* | *7.0%* |
| Net income | 1,758 | 2,083 | 2,287 | 2,487 |
| *% change* | | *18.5%* | *9.8%* | *8.8%* |

| | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| Operating margin | 16.2 | 16.8 | 17.4 | 18.0 |
| Net margin | 9.1 | 10.2 | 10.9 | 11.5 |
| ROE | 14.2 | 15.1 | 15.3 | 15.3 |
| ROCE | 7.7 | 9.0 | 9.6 | 10.3 |
| Gearing | 89.3 | 66.8 | 54.0 | 41.5 |

| (EUR) | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| EPS | 3.05 | 3.62 | 3.97 | 4.32 |
| *% change* | - | *18.5%* | *9.8%* | *8.8%* |
| P/E | 27.2x | 23.0x | 20.9x | 19.3x |
| FCF yield (%) | 3.3% | 5.1% | 4.4% | 5.0% |
| Dividends (EUR) | 0.94 | 1.11 | 1.18 | 1.28 |
| Div yield (%) | 1.1% | 1.3% | 1.4% | 1.5% |
| EV/Sales | 3.1x | 2.9x | 2.8x | 2.6x |
| EV/EBITDA | 13.2x | 12.2x | 11.3x | 10.3x |
| EV/EBIT | 19.3x | 17.3x | 15.9x | 14.5x |

**Heineken has reported very strong Q1 organic volume growth of 7% (and 11% in total), well ahead of the consensus figure of 2.3%, and setting up the company for potential upgrades to earnings estimates and price targets (consensus is Buy but with a price target of only EUR81.5). We will also be reassessing our estimates. The beat was in all zones but the 23% organic volume growth in Asia was definitely the highlight.**

### ANALYSIS

- After a somewhat slower Q4 2015 (organic volume growth of 1.2% compared to 2.2% for the full year), organic volume growth in the first quarter of 2016 accelerated to 7% helped by ongoing strength in the Americas (+8.2% in Q1 vs +7.2% in Q4, 5.1% in 2015) with Heineken underlying its solid performance in both Mexico, Brazil. In Mexico, volume was up double digit and benefited from the earlier timing of Easter, as well as the positive economic backdrop. Tecate Light and Dos Equis continued to perform strongly. In Brazil, volume grew mid-single digit, with strong double digit Heineken brand volume growth. But also in the US both sales and depletions were positive, outperforming the overall market
- However, Asia was probably the outstanding surprise delivering a solid performance of 23% organic volume growth (+2.8% in Q4 2015 and 6.3% in 2015) with double digit volume growth in Vietnam, Indonesia and Cambodia. In Vietnam strong volume growth reflected the successful Vietnamese New Year campaign and the continued momentum of the Tiger brand. In China higher sales around the Chinese New Year resulted in volume growth. And in Indonesia volume was up double digit, flattered by the low comparable last year when the market destocked heavily ahead of the minimart regulation change. Indeed, last year volumes in Indonesia were down double digit on the back of destocking ahead of the implementation of new regulations banning the sale of alcohol in minimarts (convenience stores).
- The European business also delivered solid growth of 2.3% (after -0.7% in Q4 2015 and +1.3% for 2015) as warmer weather, earlier Easter and Carlsberg's retreat from Tesco in the UK helped volumes.
- There was even a rebound in Africa Middle East & Eastern Europe with organic volume growth of 4.6% (-3.8% in Q4 2015 and -2.0% for 2015), which was driven by growth in Nigeria and Ethiopia. Elsewhere in the region, volume was challenging and remains weak, with both affordability and lower tourism continuing to impact performance. Heineken stipulates that excluding Nigeria, volume would have been down organically for the region. In Nigeria volume was flattered by an easy comparative given the election in the same period last year and the company warns that cycling the forthcoming quarters will be more difficult (weaker consumer environment, due to the low global oil price, continues to drive negative brand mix). In Russia the market remains under pressure, with Heineken's volume down mid-single digit on easy comps.

### VALUATION

- With the stock trading at 20.9x our expected 2016 earnings, there is no upside potential on our DCF based fair value of EUR79. Nevertheless, there is a slight valuation discount to the Stoxx 600 Food & Beverages according to Bloomberg trades at 21.1x. And on the back of the very strong Q1 we will be reassign our earnings estimates.
- Also the consensus price target of EUR81.5 leaves no upside probably indicating that we could see some downgrading (currently 14 are buy, 16 hold, 3 sell)

### NEXT CATALYSTS

- Heineken's 2016 Financial Markets Conference taking place in Ho Chi Minh City on Wednesday 11th and Thursday 12th May

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Food & Beverages

# Rémy Cointreau

Price EUR75.11

| | |
|---|---|
| Bloomberg | RCO FP |
| Reuters | RCOP.PA |
| 12-month High / Low (EUR) | 75.1 / 50.9 |
| Market Cap (EUR) | 3,660 |
| Ev (BG Estimates) (EUR) | 4,152 |
| Avg. 6m daily volume (000) | 118.4 |
| 3y EPS CAGR | 14.1% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | 16.9% | 24.0% | 23.5% | 13.8% |
| Food & Bev. | 3.4% | 5.2% | 3.3% | -0.3% |
| DJ Stoxx 600 | 2.2% | 4.9% | -4.1% | -4.5% |

| YEnd Mar. (EURm) | 03/15 | 03/16e | 03/17e | 03/18e |
|---|---|---|---|---|
| Sales | 965.1 | 1,051 | 1,136 | 1,204 |
| *% change* | | *8.9%* | *8.1%* | *6.0%* |
| EBITDA | 175 | 192 | 219 | 238 |
| EBIT | 156.0 | 174.1 | 199.6 | 217.6 |
| *% change* | | *11.6%* | *14.7%* | *9.0%* |
| Net income | 94.6 | 104.6 | 123.7 | 140.5 |
| *% change* | | *10.6%* | *18.2%* | *13.6%* |

| | 03/15 | 03/16e | 03/17e | 03/18e |
|---|---|---|---|---|
| Operating margin | 16.2 | 16.6 | 17.6 | 18.1 |
| Net margin | 18.0 | 10.0 | 10.9 | 11.7 |
| ROE | 8.8 | 10.7 | 13.0 | 15.6 |
| Gearing | 43.4 | 50.3 | 49.7 | 50.6 |

| (EUR) | 03/15 | 03/16e | 03/17e | 03/18e |
|---|---|---|---|---|
| EPS | 1.95 | 2.16 | 2.55 | 2.90 |
| *% change* | *-* | *10.6%* | *18.2%* | *13.6%* |
| P/E | 38.5x | 34.8x | 29.4x | 25.9x |
| FCF yield (%) | 0.2% | 2.2% | 2.8% | 3.1% |
| Dividends (EUR) | 1.53 | 1.73 | 2.04 | 2.28 |
| Div yield (%) | 2.0% | 2.3% | 2.7% | 3.0% |
| EV/Sales | 4.3x | 4.0x | 3.6x | 3.4x |
| EV/EBITDA | 23.6x | 21.6x | 18.9x | 17.3x |
| EV/EBIT | 26.5x | 23.9x | 20.7x | 18.9x |

## Better prospects going forward

**Fair Value EUR75 vs. EUR72 (0%)** **BUY**

**Cognac consumption trends in China in Q4 confirmed the improvement we saw in Q3. Depletions over the quarter were up mid single digit in volume terms (flat in value) and the Chinese New Year was reported to be solid. The trend also remained very strong in the US driven by *1738*. Excluding VS, volume depletions in the country rose 18.9% over the past 12 months. Overall, Rémy Cointreau should show more consistency in 2016/17 due to a lack of negative technical effects. We have upgraded our EPS estimates by 4% on average for the next three years and adjusted our Fair Value to EUR75.**

### ANALYSIS

- **Better consumption trends for cognac in China. Q4 depletions were flat in value and up mid single digit in volume, confirming the improvement we saw in Q3.** The inflection was led by Mainland China and Taiwan, while Hong Kong and Macau remained soft. Management said that the cognac market rose slightly in volume terms and dropped slightly in value terms. **The Chinese New Year was reported to be solid**, **in line with LVMH's comments.** We think Hennessy was the clear winner of this festive period. But Rémy Martin also won some market share, especially in the intermediate plus category (*Club*). The good news is that Rémy Cointreau thinks it can increase prices in this category by 2-3% in 2016/17. So far it was struggling just to maintain its prices in China. **The group aims to be positive in terms of sell in 2016/17, after a low double digit decline this year.**

- **Cognac to remain very strong in the US. Volume depletions of Rémy Martin (excl VS) in the US were up 18.9% over the past 12 months. This was mainly driven by *1738*** (intermediate plus category) but the group mentioned that Louis XIII picked up nicely. The question mark concerns Martell's comeback in the US market which could strengthen competition since Pernod Ricard is currently intensifying its investments behind the brand in the country. So far this does not seem to have jeopardised Rémy Martin and Hennessy's positions. **On a global basis, underlying sales at Rémy Martin were up 5% in 2015/16 and management said that this performance is possible next year.**

- **Acceleration in Liqueurs & Spirits next year. Sales of Liqueurs & Spirits declined 1.5% organically in 2015/16 after +7.2% in 2014/15. This was due to the situation in Russia, Greece and travel retail. The trend should accelerate next year.** The acquisition of Grand Marnier by Campari is theoretically a threat to Cointreau. Nevertheless, its is worth noting that while Cointreau volumes were up mid single digit over the past 12 months, the performance of Grand Marnier remained sluggish and we think that Campari will need some years to restore the brand.

- **More consistency in 2016/17. The group should not suffer from negative technical effects in 2016/17**. 2015/16 was impacted by the strategic withdrawal from the VS cognac category in the US, the change in the route to market in Canada/Australia/China, the loss of the distribution champagne contracts in the US, and the tough comps for Cointreau in the US (in H1). The performance of Rémy Cointreau will be much more consistent throughout 2016/17. **The group will announce its full-year results on June 9th. We forecast 3% organic EBIT growth.**

### VALUATION

- **We haved upgraded our EPS estimates by 4% on average for the next three years following yesterday's beat and the better prospects for 2016/17. Our DCF points to a Fair Value of EUR75.** At yesterday's share price, the stock is trading at 20.7 EV/EBIT 2016/17e, 14% above the peer average. This compares to a 10-year historical premium vs its peers of 18%.

### NEXT CATALYSTS

- Pernod Ricard: Q3 2015/16 on 21st April, Rémy Cointreau: 2015/16 results on 9th June

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TMT

# SAP

Price EUR71.03

## Final Q1 results in line, FY16 guidance confirmed

**Fair Value EUR73 (+3%)** **NEUTRAL**

| | |
|---|---|
| Bloomberg | SAP GR |
| Reuters | SAPG.DE |
| 12-month High / Low (EUR) | 74.9 / 55.9 |
| Market Cap (EUR) | 87,261 |
| Ev (BG Estimates) (EUR) | 90,014 |
| Avg. 6m daily volume (000) | 3 082 |
| 3y EPS CAGR | 6.0% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | 0.0% | -1.7% | 7.4% | -3.2% |
| Softw.& Comp. | 1.5% | 2.7% | 7.7% | -2.2% |
| DJ Stoxx 600 | 2.2% | 4.9% | -4.1% | -4.5% |

| YEnd Dec. (€m) | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| Sales | 20,798 | 21,562 | 22,923 | 24,494 |
| *% change* | | *3.7%* | *6.3%* | *6.9%* |
| EBITDA | 6,884 | 7,002 | 7,352 | 7,963 |
| EBIT | 4,251 | 5,052 | 5,537 | 6,108 |
| *% change* | | *18.8%* | *9.6%* | *10.3%* |
| Net income | 4,660 | 4,978 | 5,183 | 5,554 |
| *% change* | | *6.8%* | *4.1%* | *7.2%* |

| | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| Operating margin | 30.5 | 29.9 | 29.5 | 29.9 |
| Net margin | 14.8 | 17.7 | 18.0 | 18.4 |
| ROE | 13.2 | 14.9 | 14.6 | 14.4 |
| ROCE | 18.5 | 18.5 | 19.2 | 21.0 |
| Gearing | 24.7 | 10.7 | -1.7 | -12.7 |

| (€) | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| EPS | 3.69 | 3.95 | 4.11 | 4.40 |
| *% change* | *-* | *6.8%* | *4.1%* | *7.2%* |
| P/E | 19.2x | 18.0x | 17.3x | 16.1x |
| FCF yield (%) | 3.4% | 5.3% | 5.6% | 6.0% |
| Dividends (€) | 1.15 | 1.20 | 1.30 | 1.40 |
| Div yield (%) | 1.6% | 1.7% | 1.8% | 2.0% |
| EV/Sales | 4.5x | 4.2x | 3.8x | 3.4x |
| EV/EBITDA | 13.5x | 12.9x | 11.8x | 10.5x |
| EV/EBIT | 14.7x | 14.0x | 12.9x | 11.4x |


**This morning SAP has reported final Q1 results in line with the preliminary figures released on 8th April. The gross margin for Cloud subscriptions was up 1.2ppt, while the gross margin for Services fell 4.9ppt. Guidance for FY16 is reiterated. We do not expect the share price to react particularly to these numbers.**

### ANALYSIS

- **Confirmed Q1 numbers**. In line with the pre-announcement (8/4/2016), SAP has reported Q1 non-IFRS sales up 5% (+6% lfl) to EUR4,728m, Cloud & Software revenues up 6% lfl to EUR3,851m, Cloud subscriptions up 33% lfl to EUR678m, licence sales down 10% lfl to EUR609m, a non-IFRS operating profit up 4.5% (+4% at cc) to EUR1,104m or 23.3% of sales (-0.1ppt, or -0.4ppt at cc), an EBIT up 27.4% to EUR813m, and a non-IFRS EPS up 10.3% to EUR0.64. As mentioned a week ago, new cloud bookings increased 26% lfl in the quarter to EUR145m. New figures reported today are: 1) A gross margin up 1.2ppt to 66.3% for Cloud subscriptions (o/w +0.2ppt to 75.3% for SAP Business Network and +4.7ppt to 55.2% for Applications & Technology), and down 4.9ppt to 4.1% for Services; 2) Restructuring costs of EUR11m (vs. full-year guidance of EUR40-60m), down from EUR51m in Q1 15; 3) A free cash flow up 3.9% to EUR2,313m, i.e. a free cash flow / sales ratio of 49% (vs. 50% for Q1 15) despite DSOs up six days to 73 days.
- **Other Q1 details**. 1) Q1 sales growth was driven by Germany and the US (both +8% lfl), followed by the rest of EMEA (+7% lfl), Japan (+4% lfl) and the rest of Asia Pacific (+2% lfl), while the rest of America was down 4% lfl; 2) Cloud & Software sales were up 3% lfl in the Americas (instability in Brazil), up 10% lfl in EMEA (solid licence revenue growth), and up 3% lfl in Asia Pacific (tough comps on licence sales as China grew double-digit in Q1 15); 3) Cloud subscriptions were up 28% lfl in the Americas, up 50% lfl in EMEA, and up 30% lfl in Asia Pacific, and, by segment, were up 51% lfl in Applications & Technology (SuccessFactors, CEC, etc.) and up 21% for SAP Business Network (Ariba, Concur, Fieldglass); 4). While SAP already mentioned that the number of S/4HANA customers reached 3,200 at the end of Q1 16 (+500 in the quarter), Employee central has more than 1,100 customers (+100 in the quarter, and vs. 640 as of end of March 2015), and Customer Engagement & Commerce (CEC) saw cloud subscriptions up strong double-digit; 5). 17% of the on-premise licence deals were above EUR5m, down from 23% in Q1 15.
- **FY16 guidance reiterated**. On a non-IFRS basis, SAP still expects for FY16 Cloud & Software revenues up 6-8% at cc, with Cloud subscriptions up 28-33% at cc to EUR2,950-3,050m, and an operating profit of EUR6.4-6.7bn at cc. Based on the rates of the end of March 2016, the management now expects a tailwind from fx of 1-3ppt (0-2ppt for Q2) on Cloud & Software revenues as well as operating profit, which would give a non-IFRS operating profit of EUR6.4-6.9bn (BG est.: EUR6,437m; consensus: EUR6,649m as of 7th April).

### VALUATION

- SAP's shares are trading at est. 14.0x 2016 and 12.9x 2017 EV/EBIT multiples.
- Net debt on 31st March 2016 was EUR3,365m (net gearing: 15%).

### NEXT CATALYSTS

Conference call today at 2pm CET / 1pm BST / 8am EDT (France: +33 1 70 91 87 01; Switzerland: +41 91 261 14 47; UK: +44 20 30 59 81 28; USA: +1 631 302 65 47).

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TMT

# Temenos Group

Price CHF53.00

## Q1 2016 results way above expectations, FY16 guidance reiterated

**Fair Value CHF52 vs. CHF51 (-2%)** **NEUTRAL**

| | |
|---|---|
| Bloomberg | TEMN SW |
| Reuters | TEMN.SW |
| 12-month High / Low (CHF) | 53.3 / 29.3 |
| Market Cap (CHF) | 3,683 |
| Ev (BG Estimates) (CHF) | 3,818 |
| Avg. 6m daily volume (000) | 227.9 |
| 3y EPS CAGR | 19.3% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | 6.0% | 9.7% | 25.9% | 2.0% |
| Softw.& Comp. | 1.5% | 2.7% | 7.7% | -2.2% |
| DJ Stoxx 600 | 2.2% | 4.9% | -4.1% | -4.5% |

| YEnd Dec. (US$m) | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| Sales | 542.5 | 611.5 | 674.7 | 744.4 |
| *% change* | | *12.7%* | *10.3%* | *10.3%* |
| EBITDA | 212 | 247 | 277 | 309 |
| EBIT | 96.8 | 144.9 | 176.3 | 206.0 |
| *% change* | | *49.8%* | *21.6%* | *16.8%* |
| Net income | 121.0 | 151.6 | 178.7 | 205.6 |
| *% change* | | *25.2%* | *17.9%* | *15.1%* |

| | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| Operating margin | 30.8 | 32.3 | 33.5 | 34.3 |
| Net margin | 12.2 | 17.3 | 20.0 | 21.7 |
| ROE | 17.7 | 23.4 | 24.4 | 22.6 |
| ROCE | 23.9 | 29.2 | 36.3 | 45.8 |
| Gearing | 71.2 | 31.2 | -2.5 | -32.8 |

| (US$) | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| EPS | 1.82 | 2.27 | 2.68 | 3.09 |
| *% change* | - | *25.2%* | *17.9%* | *15.1%* |
| P/E | 30.4x | 24.3x | 20.6x | 17.9x |
| FCF yield (%) | 4.4% | 4.6% | 5.4% | 6.2% |
| Dividends (US$) | 0.45 | 0.50 | 0.55 | 0.60 |
| Div yield (%) | 0.8% | 0.9% | 1.0% | 1.1% |
| EV/Sales | 7.6x | 6.5x | 5.7x | 4.8x |
| EV/EBITDA | 19.4x | 16.1x | 13.8x | 11.7x |
| EV/EBIT | 24.6x | 20.1x | 16.9x | 14.1x |


**We are reiterating our Neutral rating and have raised our DCF-derived fair value from CHF51 to CHF52 following the 1% increase in our forecasts. Yesterday evening Temenos reported Q1 results way above expectations on strong licence sales and the number of implementation 'go-lives'. Management is confident it can deliver FY16 guidance. We expect a positive share price reaction in the short-term.**

### ANALYSIS

- **Q1 results way above expectations**. On a non-IFRS basis, Q1 2016 sales rose 26.6% (+14% lfl) to USD129.1m, with total software licensing (licence/SaaS/subscription) revenues up 18% lfl to USD38.9m, maintenance up 8% lfl, and services up 24% lfl following the number of software implementations gone live (26 vs. only 4 in Q1 2015). Non-IFRS operating profit was up 35.4% to USD22.2m or 17.2% of sales (+1.4ppt), and non-IFRS EPS was up 16.7% to USD0.21. These figures were way ahead of our forecasts (sales of USD119m, non-IFRS op. profit of USD17m or 14.3% of sales) and the consensus' average (sales of USD120.9m, non-IFRS op. profit of USD19.8m or 16.4% of sales). Non-IFRS opex were up 14% lfl, while the Services gross margin was up 1.4ppt to 2.6%. On a LTM basis, operating cash conversion remained strong, at 131% of EBITDA (target >100%), with DSOs down an impressive 32 days (vs. a full-year target of 10-15 days).
- **Other Q1 details**. 1) The Q1 performance reflected further strong momentum - new wins stood at 19, up from 10 in Q1 15 - with strong growth in all regions (est. +48% in Europe driven by banks' focus on costs and digitisation, +51% in Middle-East & Africa, +39% in America, and +78% in Asia driven by Wealth), and Retail and Wealth leading the pack (nearly 100% win rate in Wealth) ; 2). The Services gross margin was up only 1.4ppt in the quarter due to a lower share of "premium" services (22% vs. 28% in Q1 15) as Temenos was directly involved in the 'go-live' implementations for some clients (subcontracting on behalf of the implementation partner).
- **Management confident it can reach FY16 guidance**. For FY16, on a non-IFRS basis, Temenos still forecasts revenues up 7.5-11% at cc to USD594-614m, total software licensing up 10-15% at cc to USD234-245m, and an operating margin up c. 2ppt to 30% (USD180-185m) based on opex up 7% at cc to USD422m. Management is confident it can deliver guidance in view of the strong pipeline and increased visibility on revenues. As such, we have increased our forecasts by 1%. We are not significantly more bullish at this stage as we expect licence sales to drop in Q3 due to tough comps (Nordea) and services revenues are likely to be flattish over the next three quarters. While Temenos will continue to hire sales and pre-sales staff, we consider opex growth could slow from the +14% lfl reported in Q1 due to less 'go-lives' and easier comps on variable costs.
- **Customer update on EFG**. The acquisition of private bank BSI (an Avaloq customer) by EFG (a long-standing Temenos customer) will provide additional revenues for Temenos. On 31st March, EFG announced that CHF100m of the CHF185m cost synergies planned for the merger would stem from the migration to the Temenos T24 core banking platform, which is to take place by the end of 2017. NB. EFG runs at half of BSI's IT costs for a similar sized bank.

### VALUATION

- Temenos' shares are trading at est. 20.1x 2016 and 16.9x 2017 EV/EBIT multiples.
- Net debt on 31st March 2016 was USD279.9m (net gearing: 73%).

### NEXT CATALYSTS

- TCF 2016 users' conference on 17-19th May in Barcelona (Spain).
- Q2 results on 21st July after markets close.

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Healthcare

# Roche

Price CHF254.40

## Negative inventory patterns behind poor Q1 performance for major drugs in the US

**Fair Value CHF293 vs. CHF294 (+15%)** **BUY**

| | |
|---|---|
| Bloomberg | ROG VX |
| Reuters | ROG.VX |
| 12-month High / Low (CHF) | 282.5 / 233.2 |
| Market Cap (CHF) | 178,732 |
| Avg. 6m daily volume (000) | 1,465 |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | 8.6% | -2.1% | -2.3% | -8.0% |
| Healthcare | 6.9% | 0.2% | -5.2% | -7.3% |
| DJ Stoxx 600 | 2.2% | 4.9% | -4.1% | -4.5% |

| | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| P/E | 18.9x | 17.4x | 16.2x | 15.9x |
| Div yield (%) | 3.2% | 3.5% | 3.7% | 3.8% |

### ANALYSIS

- We said yesterday morning that the US performance was surprisingly light in Q1 (+3%) for most products including the Big Three. Roche said it had actually faced negative inventory patterns in the country during Q1 that should revert in coming quarters to more accurately reflect underlying trends that are not significantly different from last year's levels, although Herceptin slowed down a bit. This is reassuring as it was our main reservation about the Q1 numbers since these were in line thanks to Tamiflu, which is never good considering the volatile aspect of this drug. Although Esbriet had a favourable comparison base in Q1, we think that quarter on quarter growth in newly launched drugs should offset the impact and make it possible to sustain a 4-5% top-line increase rate over the year. This would then be at the upper-end of annual guidance.
- The other interesting update stemming from the call was the fact that currencies are no longer expected to have an impact on core EPS in 2016 as USD-denominated debt will offset the negative influence from emerging markets. Taking CHF13.85 as the basis for comparison in 2015 (adjusted for exceptional items related to currency devaluations), 2016 core EPS should therefore rise by 5-6% to CHF14.60-14.65. CS should slightly adjust upwards.

### VALUATION

- We have notched up our numbers across the board with little net impact.
- We have corrected our model for Venclexta to reflect the fact that AbbVie is to book worldwide sales and Roche part of the profits in royalties and other income, promting a drop in future sales.

### NEXT CATALYSTS

- 3-7th June 2016: ASCO meeting - Click here to download

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TMT

# Altice

Price EUR14.26

| | |
|---|---|
| Bloomberg | ATC NA |
| Reuters | ATCA.AS |
| 12-month High / Low (EUR) | 32.2 / 10.0 |
| Market Cap (EURm) | 15,599 |
| Avg. 6m daily volume (000) | 2 595 |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | -15.3% | 10.8% | -27.7% | 7.6% |
| Telecom | 0.2% | 1.7% | -1.8% | -5.0% |
| DJ Stoxx 600 | 2.2% | 4.9% | -4.1% | -4.5% |

| | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| P/E | NS | NS | NS | 19.2x |
| Div yield (%) | NM | NM | NM | NM |

## Refinancing again!

**Fair Value EUR16,3 (+14%)** **BUY**

### ANALYSIS

- Altice announced that it successfully priced USD1.5bn of 10-year Senior secured notes yesterday. The proceeds will be used to refinance the entire USD1.481bn principal amount of loans under Suddenlink's existing term loan facility that matures in February 2019.
- On this basis, the average maturity of Suddenlink's capital structure has been extended from 5.7 to 7.3 years, and the weighted average cost of Suddenlink's debt will increase from 5.3% to 5.5%. The USD coupon will be 5.5%.
- Following NC-SFR's USD5.2bn operation on 7th April and yesterday's USD2.75bn operation, Altice is currently taking advantage of strong demand for its bonds as well as good market conditions to refinance significant portions of its debt.
- We are positive about these operations, since they allow Altice to extend its debt maturity at marginal extra costs, postponing the main repayments well beyond 2019, leaving enough time for synergies and strong cash flows to kick in.

### VALUATION

- We stick to our Fair Value of EUR16.3, with a BUY recommendation.

### NEXT CATALYSTS

- Altice Q1 results on 10th May.

Click here to download

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Sector View

# Pharmaceuticals

## A quick look into J&J Q1 numbers

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Healthcare | 6.0% | 0.8% | -5.2% | -8.1% |
| DJ Stoxx 600 | 0.7% | 4.7% | -5.2% | -5.9% |

*Stoxx Sector Indices

| Companies covered | | |
|---|---|---|
| ACTELION | BUY | CHF163 |
| ASTRAZENECA | BUY | 5360p |
| BAYER | NEUTRAL | EUR108 |
| GLAXOSMITHKLINE | BUY | 1670p |
| IPSEN | BUY | EUR60 |
| NOVARTIS | NEUTRAL | CHF95 |
| NOVO NORDISK | NEUTRAL | DKK400 |
| ROCHE HOLDING | BUY | CHF293 vs. 294 |
| SANOFI | NEUTRAL | EUR87 |
| UCB | NEUTRAL | EUR80 |

**From J&J's Q1 numbers we extract positive piece of news for Bayer as US sales for Xarelto were very strong in the quarter in the US. It also seems that the Cosentyx does not come at the expense of Stelara but that injectable drugs are gaining share in psoriasis across the board.**

### ANALYSIS

- Apart comment about Darzalex (see Genmab's note), the key take-away from J&J's quarterly numbers for our European covered stocks is that Xarelto went up by 28.6% in Q1 in the US to USD567m, which is a very healthy sequential growth vs Q4 2015 too. At the heart of a controversy about clinical data in atrial fibrillation and with the idea that Eliquis is gaining share, those numbers are very reassuring for Bayer's main growth engine. We then expect Bayer to book about a quarter of this number i.e. EUR129-130 for Q1, compared to EUR78m in Q1 2015. All geographies combined, Xarelto should come up at around EUR650m, up from EUR482m in the same quarter last year. This bodes well for Bayer's Q1 numbers expected next Tuesday with core EPS of EUR1.15 for both CS and ourselves. Should CropScience and Covestro be ok and Bayer could confirm its come-back despite lack of newsflow in R&D.
- The second product we would pick up from J&J's release is Stelara, up 36% in the quarter whereas we would have expected the drug to show some impact from competition. Actually it looks like Cosentyx is expanding the market for injectable drugs in psoriasis rather than taking share from Stelara. This is good for Novartis and all new players in the field.
- Lastly, after mentioning that Diabetes Care shows tough US market conditions like Roche (although not by the same magnitude), we would stress mixed performance of Invokana in the US, up only 11.7%. It would be fair to expect Farxiga to be in the same ball pack.

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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 57.6%   NEUTRAL ratings 33.8%   SELL ratings 8.6%

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