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21st April 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18096.27	+0.24%	+3.85%
S&P 500	2102.4	+0.08%	+2.86%
Nasdaq	4948.13	+0.16%	-1.18%
Nikkei	17363.62	+2.7%	-11.18%
Stoxx 600	350.745	+0.43%	-4.12%
CAC 40	4591.92	+0.56%	-0.97%
Oil /Gold			
Crude WTI	42.61	+3.85%	+14.54%
Gold (once)	1254.82	+0.05%	+18.11%
Currencies/Rates			
EUR/USD	1.13335	-0.37%	+4.33%
EUR/CHF	1.09435	+0.22%	+0.64%
German 10 years	0.151	-14.99%	-76.13%
French 10 years	0.41	-8.47%	-58.17%
Euribor	-	+-%	+-%

Economic releases :

Date	
21st-Apr	CH - Trade Balance Mar. GB - Retail Sales Mar. (3.8% E y/y) ECB - Rate decision (0% unchanged US - Chicago Fed Nat. Activity index US- Initial Jobless Claims Apr. (265K E) US - Philadelphia Fed. Apr. (8.0% E)

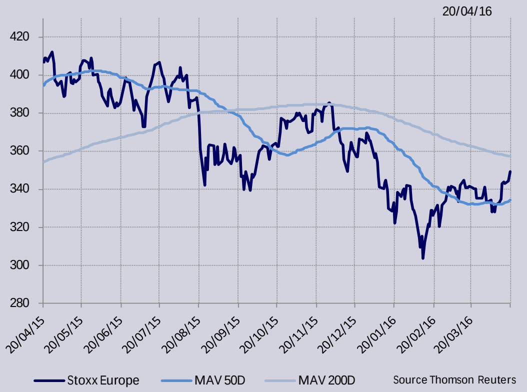
Upcoming BG events :

Date	
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)
4th-May	Groupe SEB (BG Luxembourg 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



ACTELION — **BUY-Top Picks, Fair Value CHF172 vs. CHF163 (+12%)**

How much does this quarter tell about underlying trends?

ARM HOLDINGS — **BUY, Fair Value 1340p (+40%)**

The group confirmed its resilience to Smartphone slowdown

ASML — **SELL, Fair Value EUR81 (-4%)**

Bumpy road ahead

ATOS — **BUY-Top Picks, Fair Value EUR90 (+20%)**

Q1 2016 sales above expectations, FY16 guidance reiterated

BIOMÉRIEUX — **BUY, Fair Value EUR115 (+7%)**

Strong start to the year

DASSAULT SYSTÈMES — **SELL, Fair Value EUR63 (-14%)**

Q1 16 results above expectations, FY16 guidance reiterated

ESSILOR — **BUY-Top Picks, Fair Value EUR130 (+16%)**

Strong performance in Lenses partly dented by a temporary one-off in sunwear

HEINEKEN — **BUY, Fair Value EUR83 vs. 79 (-5%)**

Increase in earnings estimates after strong Q1

PERNOD RICARD — **BUY, Fair Value EUR113 (+9%)**

Worse than expected decline in China

SABMILLER — **NEUTRAL, Fair Value 4400p (+3%)**

Solid quarter testimony of no disruptive impact from bid

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

Q1 conference call feedback: relying on the ability to execute

WORLDLINE — **BUY, Fair Value EUR29 (+26%)**

A strong start to the year and FY16 guidance maintained

In brief...

GENMAB, *Details from the CASTOR study to be presented at the 2016 ASCO meeting*

NOVARTIS, *Not bright but not worse than expected*

Healthcare

Actelion

Price CHF153.20

How much does this quarter tell about underlying trends?

Fair Value CHF172 vs. CHF163 (+12%) **BUY-Top Picks**

Bloomberg	ATLN VX
Reuters	ATLN.VX
12-month High / Low (CHF)	155.0 / 115.9
Market Cap (CHFm)	17,484
Ev (BG Estimates) (CHFm)	17,080
Avg. 6m daily volume (000)	400.8
3y EPS CAGR	8.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	17.0%	19.3%	18.0%	9.7%
Healthcare	6.3%	2.2%	-4.4%	-7.8%
DJ Stoxx 600	2.6%	8.8%	-3.3%	-4.1%

YEnd Dec. (CHFm)	2014	2015e	2016e	2017e
Sales	1,956	2,042	2,085	2,205
% change		*4.3%*	*2.1%*	*5.8%*
EBITDA	687	769	799	846
EBIT	570.1	655.6	685.4	731.0
% change		*15.0%*	*4.5%*	*6.6%*
Net income	648.2	693.5	732.9	775.2
% change		*7.0%*	*5.7%*	*5.8%*

	2014	2015e	2016e	2017e
Operating margin	40.1	40.7	40.4	41.3
Net margin	33.1	34.0	35.1	35.2
ROE	33.8	52.6	41.7	34.6
ROCE	70.4	77.0	80.1	91.0
Gearing	-50.5	-30.7	-48.6	-62.5

(CHF)	2014	2015e	2016e	2017e
EPS	5.58	6.17	6.62	7.07
% change	*-*	*10.6%*	*7.4%*	*6.8%*
P/E	27.5x	24.8x	23.1x	21.7x
FCF yield (%)	0.8%	3.7%	3.9%	4.5%
Dividends (CHF)	1.30	1.50	1.50	1.50
Div yield (%)	0.8%	1.0%	1.0%	1.0%
EV/Sales	8.4x	8.4x	8.0x	7.3x
EV/EBITDA	24.1x	22.2x	20.8x	19.0x
EV/EBIT	29.0x	26.0x	24.3x	22.0x

This morning Actelion released Q1 earnings characterised by very strong top-line growth of 11% driven by resilient Tracleer, sustained Opsumit and outstanding Uptravi, whose sales significantly exceeded expectations on the back of a strong underlying adoption rate in the US and also a meaningful inventory build-up. With very well controlled COGS and despite higher operating costs both in R&D and in selling and marketing, core EPS rose by 17% to CHF1.98 and by 23% in reported terms as currencies helped. The first changes to our estimates point to a new FV of CHF172.

ANALYSIS

- Actelion has released very strong first-quarter revenues of CHF590m, up 14% in reported terms including 3pp positive currency impact. This compares to CHF553m for the consensus i.e. a meaningful beat that is mainly explained by two outperforming products: (i) firstly Tracleer which proved more resilient than expected in the absence of generics in the US and despite progressive decline of treated patients with PAH as new ones opt for new-generation drugs like Opsumit and Letairis. Digital ulcer indication in Europe also helps. Actelion reported that overall volumes fell 14% with an additional small price decline, notably in countries where generics are available like Spain; (ii) much more relevant for the future was the performance of Uptravi during the quarter as it far exceeded market expectations (and our's) although we understood from recent interactions with the company that numbers would be inflated by inventory build-ups in the US. Indeed, this was a key element in the reported figure as Uptravi landed at CHF35m in the quarter, which included CHF15m in underlying sales and CHF20m in inventories of the various dose packs. What is more interesting to us is that the company mentioned that approx.. 650 patients were using Uptravi at the end of the quarter. This compares very favourably to the first targeted population of prostacyclin analogs that we assumed would be 4,500 patients in the US.
- After a relatively weak fourth quarter of 2015, Opsumit is back on a more normal trajectory with CHF178m reported sales in Q1. We did not find the performance by geographies but the specific performance in the US will have to be more closely monitored vs Letairis.
- Even smaller drugs performed well in the quarter, including Veletri (+20%) ou Valchlor (+80%). To note for the coming quarters is that Japan required a 12% price decline for Veletri as of March.
- Moving to the content of the P&L, we would note that COGS remained very low at 8.2%, which questions whether Actelion started paying Nippon Shinyaku on Uptravi's sales or if there is a delay as we do not see any sign of royalty impact yet. For the rest of operating expenses, we see an increase in R&D and marketing costs which reflects a maturing pipeline (including progress in phase III for ponesimod in MS, that is anticipated to end recruitment by year-end, like cadazolid) and Uptravi roll-outs or preparation for launch in various countries.
- In the end, core operating income grew 14% in reported terms, representing a small margin increase and core EPS stood at CHF1.98 where CS was expecting CHF1.89 or a growth by 23% which includes 6pp currency impact. This drives a first annual guidance raise from low-single digit growth to high-single digit growth in core operating income for 2016.

VALUATION

- We see Uptravi's take-off, beyond inventory build-ups, as stronger than expected. We are increasing the first year penetration rate in the US from 25% to 35% in the target population. We cannot (yet) assume that Uptravi is enlarging this market segment. We are also slightly delaying entry of bosentan generics in the US.
- This afternoon's conference call might permit new estimate changes but the ones we have made already point to a new FV of CHF172 that is supportive of our BUY rating.

NEXT CATALYSTS

- Today 3pm: Conference Call - Click here to download

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ARM Holdings

Price 954.00p

The group confirms its resilience to Smartphone slowdown

Fair Value 1340p (+40%) **BUY**

Bloomberg	ARM.LN
Reuters	ARM.L
12-month High / Low (p)	1,201 / 848.5
Market Cap (GBPm)	13,436
Ev (BG Estimates) (GBPm)	12,461
Avg. 6m daily volume (000)	3,585
3y EPS CAGR	15.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.5%	0.6%	-0.9%	-8.2%
Semiconductors	-2.6%	6.2%	1.0%	-5.0%
DJ Stoxx 600	2.6%	8.8%	-3.3%	-4.1%

YEnd Dec. (GBPm)	2015	2016e	2017e	2018e
Sales	968.3	1,152	1,291	1,437
% change		*18.9%*	*12.1%*	*11.3%*
EBITDA	542	630	729	823
EBIT	499.8	576.9	668.9	756.1
% change		*15.4%*	*15.9%*	*13.0%*
Net income	429.0	497.3	580.6	654.9
% change		*15.9%*	*16.8%*	*12.8%*

	2015	2016e	2017e	2018e
Operating margin	51.6	50.1	51.8	52.6
Net margin	44.3	43.2	45.0	45.6
ROE	18.9	18.3	18.5	17.8
ROCE	34.9	39.9	46.6	52.4
Gearing	-36.0	-45.6	-53.6	-60.4

(p)	2015	2016e	2017e	2018e
EPS	30.20	35.09	40.97	46.21
% change	-	*16.2%*	*16.8%*	*12.8%*
P/E	31.6x	27.2x	23.3x	20.6x
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%	1.5%	1.5%
EV/Sales	13.2x	10.8x	9.4x	8.1x
EV/EBITDA	23.6x	19.8x	16.6x	14.1x
EV/EBIT	25.6x	21.6x	18.1x	15.4x

Yesterday, ARM published Q1 results and 2016 guidance that confirmed our view. The group's sensitivity to the slowing smartphone market has been significantly reduced thanks to higher diversification and an ongoing increase in the smartphone royalty rate (see our first take from yesterday). In addition, we understand that the group is particularly confident for the mid-term thanks to the currently high demand for Licenses. We reiterate our Buy rating and our FV of 1,340p.

ANALYSIS

- **Strong licensing activity ahead.** Given the current demand for licensing driven by new applications, the group was particularly confident for the mid-term during the conference call. The high level of licenses signed in Q1 (we believe late-Q1) materialised by higher receivables in Q1 vs. Q4. As such, the increase in the number of licensees should therefore have a positive impact on royalties over the mid-term. We believe most of these licenses are for applications in IoT and networking infrastructure, i.e. a mix of high and low ASP. As a result, the group remains particularly confident and continues to see a strong opportunity in networking infrastructure (NFV + SDF + Increasing sophistication), servers (opportunity in China, stronger silicon partners with Qualcomm…) and IoT (increasing ubiquity of smart connected devices using ARM chips). Note that in Q1, smartphones accounted for 45% of shipment estimates at about 4.1bn chips (around 55% in revenue terms).
- **Further market share gains by ARM's new technologies in smartphones.** The group highlighted a continuous trend of market share gains with ARMv8-A penetration at about 60% in Q1, octa-core is close to 25%, and Mali graphic technology is now included in 50% of smartphones. We believe that the adoption of ARMv8 increase by 100bp the Royalty rate, octa-core technology increments by another 50bp and Mali by 100bp. As a result, increasing penetration of this technology drives the average royalty rate higher (BG ests. current ARMv8-A Royalty rate at about 2.5% vs. 1.5% for the previous technology). The group expects to see a continuous improvement in the penetration of these technologies over FY16 and is targeting market share of around 80/85% for ARMv8 by FY16, around 30% for octa-core and 60% for Mali.
- **The group continues to benefit from weak sterling**. Because the group records more than 90% of revenue in USD while 40% of OPEX are in GBP, 40% in USD and 20% in other currencies, ARM benefits from a stronger Dollar. With Brexit as a hot topic, this must be kept in mind. In addition, the group also said that a Brexit would have a negative impact on ARM due to higher challenges in engineer recruitment. Regarding OPEX, the group is guiding for GBP130-133m in Q2 (GBP133m in Q1), broadly in line with our expectations.
- **Overall, yesterday's publication and conference call confirmed our view.** The group should continue to benefit from an increasing penetration of its technologies in smartphones (leading to a higher royalty rate per device) while new applications should gradually come and offer incremental opportunities.

VALUATION

- We have updated our model to integrate Q1 reported results and an updated FX exchange rate (GBP/USD from 1.419 to 1.428). Overall, our EPS estimates are down by 1% due to FX.
- **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

- 28th April 2016: Annual General Meeting.
- 27th July 2016: Q2 results

Detailed P&L

[GBPm]	1Q16	2Q16e	3Q16e	4Q16e	FY16e	FY17e	FY18e
Total Group	**276**	**278**	**294**	**303**	**1152**	**1291**	**1437**
Q/Q growth	*2.7%*	*0.5%*	*6.0%*	*2.9%*	*18.9%*	*12.1%*	*11.3%*
Y/Y growth	*21.5%*	*21.6%*	*21.1%*	*12.6%*	*18.9%*	*12.1%*	*11.3%*
Cost of goods sold	-9	-11	-11	-12	-42	-48	-49
Gross margin	**96.7%**	**96.2%**	**96.3%**	**96.1%**	**96.3%**	**96.3%**	**96.6%**
SG&A	-65	-64	-66	-66	-261	-282	-309
R&D	-68	-68	-68	-68	-272	-293	-323
Adj. EBIT	**134**	**135**	**150**	**158**	**577**	**669**	**756**
adj. operating margin	*48.6%*	*48.7%*	*50.8%*	*52.0%*	*50.1%*	*51.8%*	*52.6%*
Net financial result	2	2	2	2	8	8	9
Income tax	-21	-22	-24	-26	-93	-102	-116
tax rate	*-15.1%*	*-16.0%*	*-16.0%*	*-16.0%*	*-15.8%*	*-15.0%*	*-15.0%*
Adj. Net income (loss)	**91**	**91**	**101**	**107**	**391**	**467**	**530**
Net income (loss)	117	116	129	135	497	581	655
Diluted adjusted EPS	**8.2**	**8.2**	**9.1**	**9.6**	**35.1**	**41.0**	**46.2**

Source: Bryan Garnier & Co. ests.

P&L changes highlights

[GBPm]	Old			New			Old vs. New
	2016e	2017e	2018e	2016e	2017e	2018e	avg. Δ%
Net revenue	**1170**	**1301**	**1448**	**1152**	**1291**	**1437**	**-1%**
% change	*20.8%*	*11.2%*	*11.3%*	*18.9%*	*12.1%*	*11.3%*	
Adj. EBIT	593	674	762	577	669	756	-1%
Adj. operating margin	*50.7%*	*51.8%*	*52.6%*	*50.1%*	*51.8%*	*52.6%*	
Adj. EPS	**36.0**	**41.3**	**46.5**	**35.1**	**41.0**	**46.2**	**-1%**

Source: Bryan Garnier & Co. ests.

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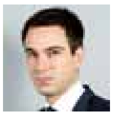

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ASML

Price EUR84.66

Bumpy road ahead

Fair Value EUR81 (-4%) **SELL**

Bloomberg	ASML NA
Reuters	ASML.AS
12-month High / Low (EUR)	103.8 / 71.8
Market Cap (EURm)	36,686
Ev (BG Estimates) (EURm)	35,260
Avg. 6m daily volume (000)	1,276
3y EPS CAGR	21.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.7%	9.6%	9.0%	2.6%
Semiconductors	-2.6%	6.2%	1.0%	-5.0%
DJ Stoxx 600	2.6%	8.8%	-3.3%	-4.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	6,287	6,487	7,415	8,742
% change		*3.2%*	*14.3%*	*17.9%*
EBITDA	1,864	1,774	2,337	3,031
EBIT	1,565	1,469	2,017	2,666
% change		*-6.1%*	*37.3%*	*32.2%*
Net income	1,387	1,266	1,758	2,353
% change		*-8.7%*	*38.8%*	*33.8%*

	2015	2016e	2017e	2018e
Operating margin	24.9	22.7	27.2	30.5
Net margin	22.1	19.5	23.7	26.9
ROE	16.5	15.5	20.0	23.8
ROCE	22.9	19.1	26.4	25.9
Gearing	-27.2	-17.5	-23.6	-7.4

(EUR)	2015	2016e	2017e	2018e
EPS	3.21	3.02	4.26	5.82
% change	-	*-6.0%*	*41.2%*	*36.6%*
P/E	26.4x	28.1x	19.9x	14.6x
FCF yield (%)	4.0%	1.8%	5.0%	NM
Dividends (EUR)	0.70	1.05	1.21	1.39
Div yield (%)	0.8%	1.2%	1.4%	1.6%
EV/Sales	5.5x	5.4x	4.7x	4.1x
EV/EBITDA	18.5x	19.9x	14.8x	11.9x
EV/EBIT	22.0x	24.0x	17.2x	13.5x

Following yesterday's Q1 results (see our first take) and conference call, we continue to have doubts over mid-term visibility and system demand. Industry habits regarding the new node ramp are changing and we believe they add challenges for ASML to deliver its 2020 plan (targeting FY20e sales of EUR10bn). In addition, upcoming EUV sales recognition will have a negative impact on the group's margin. We have updated our model and are maintaining our Sell recommendation and FV of EUR81.

ANALYSIS

- **Industry habits regarding new node ramp is changing.** The group highlighted a change in customer habits regarding new node ramp. Management noted that 28nm capacity is still increasing and generating orders of DUV systems, while only a few customers plan to adopt 10nm in the near term. As a result, we believe this should result in a rapid but short increase in orders compared to a longer wave of orders as seen in the past.

- **Bookings should improve in Q2.** In our first take published yesterday (see here), we highlighted a particularly low level of bookings in Q1 (down 29% compared to Q4). During the conference call, management reassured on this point, stating that we should expect an improvement in bookings in Q2. We will keep a close eye on this data since it may be a leading indicator of H2 momentum.

- **Compared to H1, H2 should be flat in Memory, up in Logic and Service & Field options.** In 2016, the memory segment should remain under pressure due to high capacity (high price pressure) and generate lower investments than in 2015. As expected, Logic should be driven by 10nm ramp over 2016 but the pace of the ramp is out of ASML's control and depends on customer's momentum and performance in the ramp of this new node. Finally, regarding Service & field options, it is expected to continue to growth at a 10% yoy rate in FY16. As a result, we expect to see System sales at about EUR4.23bn (flat compared to FY15 with H2-16 up 6.3% compared to H1-16) and Services & field option sales at about EUR2.26bn (+10% yoy)

- **Reuse, a rising concern.** From yesterday's conference call, we understand that the group sees higher customer interest in reuse (upgrade of tool to be used for newer node), however management added it has been factored into the 2020 plan by the group (targeting EUR10bn of sales by 2020) and says it is on track with the company's expectations so far. We remind that we highlighted this risk in our previous comment (early April) and we believe the evolution of reuse deserves attention during future publications as it might influence DUV tools sales momentum over the LT, particularly after EUV introduction.

- **One more EUV system to be shipped during Q2, then four/five in H2.** We believe that EUV revenue recognition should be quicker in 2016 but most of 2016 EUV shipments will be recognised in 2017. Note that EUV sales are recognised only after performance achievement at customer sites which might cause an important delay between EUV system shipment and sales recognition. Depending on contracts signed with customers, performance measures can be achieved earlier or later in the test process impacting negatively the visibility on total group sales.

- **Margin pressure is due to EUV.** Finally, the group remind that guidance for 42% GM is due to partial payment of EUV system in Q2 (EUR110m in Q2 sales guidance). However, we think that the group was unclear regarding changes in the margin over the mid-term with EUV revenue recognition accelerating. As a result, we adopt a more cautious scenario with FY16 GM of 43.6% compared to 45.6% used previously. This margin pressure should lower in FY17 thanks to higher efficiency of the production leading to higher margin on EUV systems (we use a 22%/41%/45% gross margin on EUV systems for FY16/17/18e)

VALUATION

- **We have updated our model to include Q1 results and new Q2 2016 guidance.** We also adopt a more cautious approach regarding gross margin for 2016 (lowered from 45.6% to 43.6%) given the upcoming EUV revenue recognition. Overall, our changes (see details below) have an average negative impact of 3% on our EPS estimates for FY16/17/18e.

- **With a lack of visibility due to EUV revenue recognition, risks on DUV tools demand during H2, risks regarding LT demand and the timing EUV insertion points, we keep our Sell rating.**

- Based on our estimates, ASML's shares trade at a 2016e P/E ratio of 25.6x and a 2016e PEG ratio of 1.2x.

NEXT CATALYSTS

- 20th July 2016: FQ2-16 results.

Detailed P&L

[EURm]	1Q16	2Q16e	3Q16e	4Q16e	FY16e	FY17e	FY18e
Total Group	**1333**	**1734**	**1652**	**1767**	**6487**	**7415**	**8742**
Q/Q growth	*-7.0%*	*30.1%*	*-4.8%*	*7.0%*	*3.2%*	*14.3%*	*17.9%*
Y/Y growth	*-19.2%*	*4.9%*	*6.6%*	*23.2%*	*3.2%*	*14.3%*	*17.9%*
Cost of goods sold	-765	-1003	-912	-979	-3658	-4004	-4616
Gross margin	**42.6%**	**42.2%**	**44.8%**	**44.6%**	**43.6%**	**46.0%**	**47.2%**
R&D	-275	-271	-271	-269	-1087	-1097	-1162
SG&A	-89	-90	-89	-89	-357	-371	-376
Other operating income	23	23	20	18	84	74	79
Adj. EBIT	**228**	**393**	**400**	**448**	**1469**	**2017**	**2666**
adj. operating margin	*17.1%*	*22.7%*	*24.2%*	*25.4%*	*22.7%*	*27.2%*	*30.5%*
Net financial result	-4	-3	-3	-7	-17	-19	-23
Income tax	-26	-51	-52	-57	-186	-240	-291
tax rate	*-11.8%*	*-13.0%*	*-13.0%*	*-13.0%*	*-12.8%*	*-12.0%*	*-11.0%*
Adj. Net income	**198**	**339**	**345**	**384**	**1266**	**1758**	**2353**
Diluted adjusted EPS	**0.46**	**0.80**	**0.82**	**0.92**	**3.02**	**4.26**	**5.82**

Source: Bryan Garnier & Co. ests.

P&L changes highlights

[EURm]	Old			New			Old vs. New
	2016e	**2017e**	**2018e**	**2016e**	**2017e**	**2018e**	**avg. Δ%**
Net revenue	**6485**	**7419**	**8742**	**6487**	**7415**	**8742**	**0%**
% change	*3.1%*	*14.4%*	*17.8%*	*3.2%*	*14.3%*	*17.9%*	
Adj. EBIT	1615	2025	2666	1469	2017	2666	-3%
Adj. operating margin	*24.9%*	*27.3%*	*30.5%*	*22.7%*	*27.2%*	*30.5%*	
Adj. EPS	**3.3**	**4.3**	**5.8**	**3.0**	**4.3**	**5.8**	**-3%**

Source: Bryan Garnier & Co. ests.

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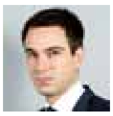

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TMT

Atos

Price EUR74.81

Q1 2016 sales above expectations, FY16 guidance reiterated

Fair Value EUR90 (+20%) **BUY-Top Picks**

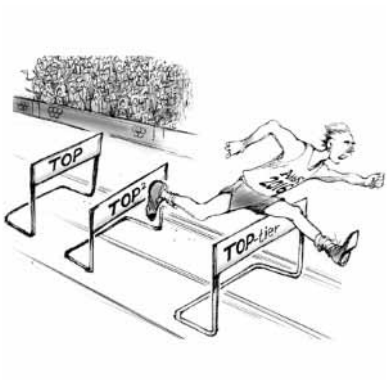
Bloomberg	ATO FP
Reuters	ATOS.PA
12-month High / Low (EUR)	79.3 / 62.7
Market Cap (EURm)	7,745
Ev (BG Estimates) (EURm)	6,886
Avg. 6m daily volume (000)	377.3
3y EPS CAGR	15.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.7%	7.9%	7.5%	-3.4%
Softw.& Comp.	1.1%	4.7%	7.0%	-2.5%
DJ Stoxx 600	2.6%	8.8%	-3.3%	-4.1%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	10,686	11,871	12,327	12,602
% change		*11.1%*	*3.8%*	*2.2%*
EBITDA	1,334	1,529	1,679	1,778
EBIT	589.0	664.0	889.0	1000.0
% change		*12.7%*	*33.9%*	*12.5%*
Net income	608.0	735.0	866.0	943.0
% change		*20.9%*	*17.8%*	*8.9%*

	2015	2016e	2017e	2018e
Operating margin	8.6	9.2	9.9	10.4
Net margin	4.0	4.1	5.6	6.2
ROE	9.9	10.9	13.4	13.4
ROCE	22.9	27.7	38.9	43.9
Gearing	-14.0	-20.0	-45.0	-54.0

(€)	2015	2016e	2017e	2018e
EPS	5.80	6.97	8.19	8.89
% change	-	*20.2%*	*17.5%*	*8.5%*
P/E	12.9x	10.7x	9.1x	8.4x
FCF yield (%)	5.1%	6.9%	7.7%	10.3%
Dividends (€)	0.90	1.10	1.40	1.55
Div yield (%)	1.2%	1.5%	1.9%	2.1%
EV/Sales	0.7x	0.6x	0.4x	0.4x
EV/EBITDA	5.4x	4.5x	3.3x	2.7x
EV/EBIT	7.8x	6.3x	4.6x	3.6x



This morning Atos has reported Q1 sales 1% above our forecasts and the consensus' average, while reiterating FY 2016 guidance. The welcome news from revenues was the successful turnaround of Germany, which delivered 7.4% lfl growth in the quarter. We expect the share price to react positively to this publication in the short term.

ANALYSIS

- **Q1 sales above expectations**. Q1 sales rose 13.6% (+1.6% lfl) to EUR2,757m 1% above our forecast (EUR2,722m or +0.3% lfl) and the consensus' average (EUR2,727m or +0.4% lfl). Sales in the IT Services business were up 14.8% (+1% lfl) to EUR2,470m (BG est.: EUR2,433m) with Managed Services up 0.4% lfl to EUR1,555m, Consulting & Systems Integration up 0.4% lfl to EUR778m, and Big Data & Cyber-security up 12.2% lfl to EUR137m. After the elimination of EUR12m intercompany transactions with Atos, Worldline posted revenues up 6.7% lfl to EUR287m (BG est.: EUR289m).
- **Q1 details**. By geography, for IT Services only: 1) North America: +3.7% lfl to EUR478m; 2) UK: -9.6% lfl to EUR447m; 3) Germany: +7.4% lfl to EUR442m; 4) France: +3.4% lfl to EUR410m; 5) Benelux & The Nordics: -4.4% lfl to EUR246m; 6) Other BUs: +2.8% lfl to EUR446m. In total, lfl revenue growth in Q1 16 was driven by the return to growth of Germany (Managed Services with Siemens, turnaround of Consulting & Systems Integration), followed by North America (growing volumes and new contracts which include a private cloud component), France (strong growth in Systems Integration, good traction in Big data & Cyber-security, improving situation in Managed Services), and Other BUs (strong growth both in Asia Pacific and Latin America). Conversely, revenues were penalised by some decline in the UK (tough comps) and Benelux & The Nordics.
- **FY16 guidance reiterated**. Management has reiterated its 2016 guidance (excluding Equens and KB SmartPay), for an improvement in lfl revenue growth compared with 2015, generating more than 8% revenue growth at cc, and posting an operating margin of 9-9.5% and a free cash flow of c. EUR550m (including a EUR135-140m contribution from Worldline). The Q1 book-to-bill ratio was strong, with bookings up 27% to EUR2,794m, representing a ratio of 1.01x (1.10x for Consulting & Systems Integration, 1.17x for Big data & Cyber-security, c. 1x for Managed Services and Worldline). The full qualified pipeline at the end of March 2016 represented EUR6.4bn or 6.8 months of sales. The backlog was EUR18.9bn or 1.7 year of sales. We forecast lfl revenue growth of 0.8% with an op. margin of 9.2%, while the consensus average is at +0.5% lfl for sales and 9% for op. margin.

VALUATION

- Atos' shares are trading at est. 6.3x 2016 and 4.6x 2017 EV/EBIT multiples.
- Net cash position on 31st December 2015 was EUR593.1m (net gearing: -15%).

NEXT CATALYSTS

Conference call today at 8am CET / 7am BST / 2am EDT (France: +33 1 70 48 01 66; UK: +44 20 34 27 19 15; USA: +1 212 444 04 12).

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Healthcare

bioMérieux

Price EUR107.50

Strong start to the year

Fair Value EUR115 (+7%) **BUY**

Bloomberg	BIM FP
Reuters	BIOX.PA
12-month High / Low (EUR)	118.7 / 92.2
Market Cap (EURm)	4,241
Ev (BG Estimates) (EURm)	4,633
Avg. 6m daily volume (000)	49.20
3y EPS CAGR	26.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.4%	6.1%	6.4%	-2.2%
Healthcare	6.3%	2.2%	-4.4%	-7.8%
DJ Stoxx 600	2.6%	8.8%	-3.3%	-4.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	1,965	2,061	2,191	2,320
% change		*4.9%*	*6.3%*	*5.9%*
EBITDA	388	418	460	516
EBIT	260.0	284.4	317.7	365.4
% change		*9.4%*	*11.7%*	*15.0%*
Net income	110.3	161.9	191.5	225.0
% change		*46.7%*	*18.3%*	*17.5%*

	2015	2016e	2017e	2018e
Operating margin	13.2	13.8	14.5	15.8
Net margin	5.6	7.9	8.7	9.7
ROE	7.3	10.0	10.8	11.6
ROCE	8.2	8.5	9.1	10.3
Gearing	14.9	24.1	19.0	11.0

(EUR)	2015	2016e	2017e	2018e
EPS	2.80	4.10	4.85	5.70
% change	*-*	*46.7%*	*18.3%*	*17.5%*
P/E	38.5x	26.2x	22.1x	18.8x
FCF yield (%)	1.7%	NM	2.8%	4.5%
Dividends (EUR)	1.00	1.03	1.21	1.43
Div yield (%)	0.9%	1.0%	1.1%	1.3%
EV/Sales	2.3x	2.2x	2.1x	1.9x
EV/EBITDA	11.5x	11.1x	9.9x	8.6x
EV/EBIT	17.2x	16.3x	14.4x	12.2x

BioMérieux reported Q1 sales up 11.5%CER. Impacted by a 240bp FX impact, net sales stands at EUR489m. BioFire performed well despite high comparison basis and weak flu season. Main point of interest was China which returned to double-digit growth rate while management expected high-single digit growth rate within a 2 year timeframe.

BIM (EURm)	Q1 2015	Q1 2016	Q1 2016 cs	Delta
Sales	448	489	473	3,4%
% CER	8,7%	11,5%	6,1%	540bp
% growth	20,8%	9,1%	5,7%	

Source : Company Data; BioMérieux' Internal consensus.

ANALYSIS

- BioMérieux reported **sales up 11.5%CER for the first quarter**. Impacted by a 240bp negative FX impact, net sales stands at EUR489m (+9.1% reported). **Performance was lead by BioFire in North America were sales rose 24%CER** (26.4% reported). FilmArray (EUR61m) contributed to more than half of the region's performance (see below), while other lines grew 11% yoy. In Latin America sales growth was dynamic at 15.9%CER (-6% reported) despite economic uncertainties. EMEA sales grew 2.4%CER (+1.4% reported) to EUR207m. Continuous recovery in South Europe offset consolidation of laboratories in France (-4% reported) currently addressed by bioMérieux which is streamlining its offering and weaker than anticipated North European. All in all Western European sales (85% of EMEA sales) are stable. Agreements with national governments boosted Middle-East sales. EE & MEA sales grew 20%. Important to note, APAC grew 10.7%CER to EUR67m (8.9% reported) with **China returning to double-digit growth**. This is good news as management stated on FY2015 conference call that it would expect to return to high single-digit levels within a +/-2 years timeframe.
- **Microbiology sales accelerated to 6.7%CER (EUR207m) compared to 2015 levels (+3% CER FY2015 and 4.8% Q1 2015)** with new products allowing for more aggressive commercial strategy. Molecular biology sales once again drove overall performance with sales amounting to EUR80m (37.1%CER). **FilmArray sales rose 55% yoy to EUR61m**. Considering that the respiratory panel continued to represent the vast majority of sales and that the flu season is exceptionally weak so far, strong growth for the quarter was primarily driven by instrument placement in our view. Going forward, the launch of FilmArray Torch alongside the ramp-up of other panels should support this growth trend. International sales now represents 8% of FilmArray sales. Industrial applications grew 6.1% CER to EUR86m.
- While bioMérieux' profitability guidance disappointed (2016 EBIT expected within the EUR265-290m range vs. BGe EUR284m), we would note that sales of reagent/services sales (92% of sales) grew above group's level at 12.4%CER and that MDx now represents 16% of group's sales.

VALUATION

- We reiterate our BUY rating and EUR115 Fair Value.

NEXT CATALYSTS

- Today 3.00pmCET : conference call on Q1 sales (France: +33 1 76 77 22 27 Europe: +44 203 4271903 USA: +1 212 444 0412 access code 826 5564)

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TMT

Dassault Systèmes

Price EUR72.96

Q1 results above expectations, FY16 guidance reiterated

Fair Value EUR63 (-14%) **SELL**

Bloomberg	DSY FP
Reuters	DAST.PA
12-month High / Low (EUR)	76.1 / 59.9
Market Cap (EUR)	18,731
Ev (BG Estimates) (EUR)	16,790
Avg. 6m daily volume (000)	282.2
3y EPS CAGR	12.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.7%	10.9%	4.1%	-1.1%
Softw.& Comp.	1.1%	4.7%	7.0%	-2.5%
DJ Stoxx 600	2.6%	8.8%	-3.3%	-4.1%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	2,839	3,090	3,361	3,688
% change		*8.8%*	*8.8%*	*9.7%*
EBITDA	897	1,024	1,136	1,280
EBIT	633.2	728.3	837.2	978.5
% change		*15.0%*	*15.0%*	*16.9%*
Net income	617.2	719.1	791.0	883.4
% change		*16.5%*	*10.0%*	*11.7%*

	2015	2016e	2017e	2018e
Operating margin	29.8	31.3	32.0	33.0
Net margin	14.2	15.6	16.5	17.5
ROE	11.5	12.5	13.0	13.6
ROCE	28.9	37.3	46.4	60.2
Gearing	-38.7	-50.4	-60.5	-69.5

(€)	2015	2016e	2017e	2018e
EPS	2.38	2.76	3.03	3.37
% change	-	*16.1%*	*9.8%*	*11.0%*
P/E	30.6x	26.4x	24.0x	21.7x
FCF yield (%)	2.9%	4.0%	4.3%	4.9%
Dividends (€)	0.43	0.47	0.54	0.63
Div yield (%)	0.6%	0.6%	0.7%	0.9%
EV/Sales	6.1x	5.4x	4.8x	4.2x
EV/EBITDA	19.4x	16.4x	14.2x	12.0x
EV/EBIT	20.6x	17.3x	15.0x	12.7x

This morning Dassault Systèmes has reported Q1 2016 results above our expectations and the consensus average. FY16 company guidance is reiterated. Following an 11% rise over the past three months, we expect a mixed share price reaction in the short term.

ANALYSIS

- **Q1 16 results above expectations**. For Q1, on a non-IFRS basis, revenues were up 6% (+6% non-IFRS at cc) to EUR693.5m, while the operating margin was up 0.4ppt to 26.2%, and EPS was up 19% to EUR0.51. These figures were below of our ests. for revenues (EUR710.5m, +5.6% at cc) but above our forecasts for the operating margin (25.4%) and EPS (EUR0.47), while the consensus was revenues of EUR702.7m, an op. margin of 25.6%, and EPS of EUR0.46. The figures were above the high-end of the company's guidance range (non-IFRS sales of EUR685-695m, up 3-5% cc, non-IFRS op. margin of 24-25%, and a non-IFRS EPS of EUR0.42-0.45, all based on EUR/USD and EUR/JPY assumptions of 1.10 and 130, vs. actual rates of 1.10 and 127.2 and consensus at 1.10 and 130.5).
- **Q1 details**. On a non-IFRS basis, initial licence fees were down 3% at cc due to tough comps, recurring licence fees were up 7% at cc, and total software sales were up 4% at cc. Services were up 7% at cc. On the product side, sales were up 5% at cc for Catia (double-digit new licence sales), +11% at cc for Enovia (+30% for new licence sales), and +8% at cc for SolidWorks (driven by maintenance), while other solutions were down 2% at cc, due to less contracts. By geography, Europe was up 4% at cc, the Americas were up 4% at cc and Asia was up 5% at cc.
- **FY16 guidance reiterated**. For FY16, based on Q1 results and updated fx assumptions for the full-year (EUR/USD 1.14, EUR/JPY 130, both unchanged), DS now expects: 1). Non-IFRS sales up 6-7% at cc to EUR2,985-3,015m (vs. EUR2,980-3,010m) while we expect EUR3,093m (consensus: EUR3,062m); 2). Non-IFRS op. margin of c. 31% (unchanged), while we expect 31.4% (consensus: 31.2%); 3). Non-IFRS EPS up 7% to EUR2.40 (unchanged), while we expect EUR2.51 (consensus: EUR2.46). For Q2 16, DS expects non-IFRS sales of EUR735-745m (BG est.: EUR765m), a non-IFRS op. margin of 29-30% (BG est.: 28.9%), and a non-IFRS EPS of EUR0.53-0.55.

VALUATION

- Dassault Systèmes' shares are trading at est. 17.3x 2016 and 15.0x 2017 EV/EBIT multiples.
- Net cash position on 31st March 2016 was EUR2,590.2m (net gearing: -46%).

NEXT CATALYSTS

Analysts' meeting at 8.30am BST / 9.30am CET / 3.30am EDT in London (200 Aldersgate, Aldersgate street, call + 33 1 76 77 22 23 (France) or + 44 20 34 27 19 09 (UK)). Conference call at 3pm CET / 2pm BST / 9am EDT (Europe: +44 14 52 55 55 66; USA: +1 631 510 74 98).

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Luxury & Consumer Goods

Essilor

Price EUR111.75

Strong performance in Lenses partly dented by a temporary one-off in sunwear

Fair Value EUR130 (+16%) **BUY-Top Picks**

Bloomberg	EF FP
Reuters	ESSI.PA
12-month High / Low (EUR)	123.6 / 100.4
Market Cap (EUR)	24,191
Ev (BG Estimates) (EUR)	26,196
Avg. 6m daily volume (000)	534.2
3y EPS CAGR	12.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.7%	4.1%	0.9%	-2.9%
Consumer Gds	2.7%	9.4%	1.6%	-1.2%
DJ Stoxx 600	2.6%	8.8%	-3.3%	-4.1%

YEnd Dec. (€m)	2014	2015e	2016e	2017e
Sales	5,670	6,716	7,186	7,683
% change		*18.4%*	*7.0%*	*6.9%*
EBITDA	1,043	1,263	1,358	1,460
EBIT	1,222	1,183	1,288	1,390
% change		*-3.2%*	*8.9%*	*7.9%*
Net income	929.3	756.6	843.8	930.9
% change		*-18.6%*	*11.5%*	*10.3%*

	2014	2015e	2016e	2017e
Operating margin	21.6	17.6	17.9	18.1
Net margin	16.4	11.3	11.7	12.1
ROE	18.9	15.1	14.9	15.1
ROCE	16.9	20.8	21.2	21.7
Gearing	34.6	37.4	27.6	21.5

(€)	2014	2015e	2016e	2017e
EPS	3.05	3.57	3.98	4.39
% change	*-*	*16.9%*	*11.5%*	*10.3%*
P/E	36.6x	31.3x	28.1x	25.5x
FCF yield (%)	3.3%	2.5%	3.5%	4.0%
Dividends (€)	1.05	1.15	2.15	3.15
Div yield (%)	0.9%	1.0%	1.9%	2.8%
EV/Sales	4.6x	3.9x	3.6x	3.3x
EV/EBITDA	24.9x	20.7x	19.0x	17.5x
EV/EBIT	21.3x	22.2x	20.1x	18.4x

Q1 sales came in at EUR1,784m (+7.5%), bang in line with expectations at EUR1,782.5m. LFL growth of 5% also matched our expectations (+5%) but was slightly below the CS forecast (+5.2%) only due to one-off events in the Sunglass & Readers division (-1.5% vs. CS of 9.3%e). We would highlight the robust performance by the Lenses activity (+5.7% LFL), the highest since Q1 2012. Ahead of the conference call today at 10am (CET), Essilor is reiterating all FY16 guidance.

ANALYSIS

- **Q1 sales increased 7.5% as reported to EUR1,784m.** The contribution from acquisitions was higher-than-expected with a 4.4% increase (CS: +3.3%e), thanks to the numerous deals completed over the past months. On the other hand, the FX impact was more adverse than anticipated (-1.9% vs. CS of -1.3%) given the decline in many key currencies (GBP, BRL, MEX, etc.)
- **Ongoing strong momentum in North America and Europe.** Sales in **North America** grew by 4.7% LFL (Q4: +4.8%), confirming that final demand remained healthy over Q1 in all channels, especially the online activity which grew in double-digits. Advertising campaigns and new products have played positively in **Europe** (+4.7% after +4.5% in Q4).
- **Good surprise in LatAm, strong Asia-Pacific.** Indeed sales increased 9.1% LFL as the soft trends in Brazil were more than offset by strong performances in other markets such as Colombia, Mexico or in Central America. Business in Brazil continued to grow, helped by Essilor's multinetwork strategy (e.g. mid-tier Kodak brand performed strongly). Sales in the **AMEA** region increased by 8.9% (Q4: 7.6%), driven by strong domestic demand in China and in India, an acceleration in export sales while Japan and Australia returned to positive territory.
- **Temporary air pocket in Readers & Sun (-1.5%).** This decline was caused by the implementation of the new ARTEMIS dealer fulfilment system at Xiamen Yarui (Bolon), which caused some sales disruption in the sunwear division (sales dropped by 33%). **The group expects an immediate catch-up effect as its guidance is still for double-digit growth in 2016.** It is worth noting the 3.5% increase in **Equipment** driven by a strong performance in North America.

Essilor Q1 16 sales:

EURm	Q1 15	Q1 16	LFL growth	Q1 16 CS*
North America	650	710	4.7	4.7
Europe	441	470	4.7	4.0
Asia-Pacific-Middle-East- Africa	267	283	8.9	7.2
Latin America	96	104	9.0	5.0
Lenses & Optical Instruments	**1,453**	**1,567**	**5.7**	**5.0**
Equipment	42	44	3.5	-3.0
Readers & Sun	163	173	$\boxed{-1.5}$	9.3
Total group	**1,659**	**1,784**	**5.0**	**5.2**

** CS median* *Source: Company Data*

- **FY16 targets confirmed.** Following this Q1 performance, Essilor has naturally reiterated its FY16 outlook: the top line growth is expected to "to exceed 8%" at constant currency and organic growth should be "around 5%". The group is maintaining its cautious contribution margin guidance ("at least 18.8%" after 18.8% achieved in 2015) as it invests further in consumer marketing spend to fuel revenue growth.

VALUATION

- In our view, this tiny organic growth miss (20bp) should be seen in perspective as it was only caused by the introduction of this new dealer fulfilment system at Xiamen Yarui, whilst Q2 should be marked by a catch-up effect. Today's publication confirms our positive stance on the stock, highlighted by the strong performance in the Lenses & Optical division (+5.7%). Buy recommendation and FV of EUR130.

NEXT CATALYSTS

- Conference call today at 10am (CET) // AGM on 11th May // H1 16 results on 29th July.

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Food & Beverages

Heineken

Price EUR83.24

Increase in earnings estimates after strong Q1

Fair Value EUR83 vs. 79 (-5%) **BUY**

Bloomberg	HEIA NA
Reuters	HEIN.AS
12-month High / Low (EUR)	85.2 / 67.2
Market Cap (EURm)	47,946
Ev (BG Estimates) (EURm)	62,099
Avg. 6m daily volume (000)	720.9
3y EPS CAGR	10.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.3%	12.2%	5.5%	5.7%
Food & Bev.	3.3%	7.7%	3.4%	-0.3%
DJ Stoxx 600	2.6%	8.8%	-3.3%	-4.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	20,511	21,712	22,600	23,317
% change		*5.9%*	*4.1%*	*3.2%*
EBITDA	4,975	5,267	5,679	6,082
EBIT	3,381	3,673	3,961	4,245
% change		*8.6%*	*7.8%*	*7.2%*
Net income	2,048	2,310	2,540	2,772
% change		*12.8%*	*9.9%*	*9.1%*

	2015	2016e	2017e	2018e
Operating margin	16.5	16.9	17.5	18.2
Net margin	10.0	10.6	11.2	11.9
ROE	15.1	15.7	15.8	15.7
ROCE	8.2	8.8	9.4	10.1
Gearing	86.0	73.1	59.6	46.7

(EUR)	2015	2016e	2017e	2018e
EPS	3.57	4.03	4.43	4.84
% change	-	*12.8%*	*9.9%*	*9.1%*
P/E	23.3x	20.6x	18.8x	17.2x
FCF yield (%)	3.5%	4.1%	5.1%	5.7%
Dividends (EUR)	1.11	1.20	1.32	1.44
Div yield (%)	1.3%	1.4%	1.6%	1.7%
EV/Sales	3.0x	2.9x	2.7x	2.5x
EV/EBITDA	12.5x	11.8x	10.6x	9.6x
EV/EBIT	18.5x	16.9x	15.3x	13.8x

On the back of yesterday's strong 7% organic volume growth, we are increasing our earnings forecasts for Heineken. We have raised our EBIT forecasts by 1% for 2016 and 2% for 2017. The ensuing 5% higher level of free cash flow prompts us to revise our Fair Value for Heineken upwards to EUR83 (from EUR79).

ANALYSIS

- We are increasing our 2016 and 2017 EBIT forecasts to EUR3,673 (from EUR3,659) and to EUR3,961 (from EUR3,917). We guess that we will remain at the upper end of the consensus, which before yesterday's announcement was expecting between EUR3,444 and EUR3,659 for 2016 and between EUR3,629 and 3,917 for 2017. We remain buyers of the stock as we believe that Heineken will be the next player capable of undertaking significant M&A, which tends to create value. In the meantime organically, the company continues to deliver healthy growth and we believe that results for 2016 will come out at the higher end of consensus forecasts.

- 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 continue to perform strongly. In Brazil volume grew mid-single digit, with strong double digit Heineken brand volume growth. But also in the 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). But also the European business delivered solid 2.3% growth (after -0.7% in Q4 2015 and +1.3% for 2015) as warmer weather, early 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.bullet

- The strong growth in the Vietnamese business on the back of the premium Tiger brand should bode well for margins in the Apac region and we have increased our margin outlook in Apac to 29% (from 28.7% and compared to 28.3% in 2015). The other area were we have changed our margin outlook is western Europe, where the premium portfolio of Heineken (Heineken, Desperados, Strongbow) should be able to deliver some kind of volume in a declining market. We are also adjusting our forecasts to take into account a negative EUR80m currency impact (compared to EUR60m previously).

VALUATION

- Our DCF based Fair Value stands at EUR83 using a risk free rate of 1.6% and a risk premium of 7%.
- At 20.6x 2016 earnings the stock is trading at a slight discount to the 21.1x for the Stoxx 600 Food & Beverages

NEXT CATALYSTS

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

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Food & Beverages

Pernod Ricard

Price EUR103.70

Worse than expected decline in China

Fair Value EUR113 (+9%) **BUY**

Pernod Ricard's Q3 2015/16 sales came out 2% below market expectations at EUR1,855m (consensus: EUR1,890m and our estimate: EUR1,858m), down 3.4%. The FX effect turned out to be more negative than expected. But organic sales growth was also disappointing at 0.8% (consensus: +1.2% and our estimate: +0.1%). This reflects a very negative technical effect in China as the group shipped in advance for the Chinese New Year.

Bloomberg	RI FP
Reuters	PERP.PA
12-month High / Low (EUR)	117.3 / 88.3
Market Cap (EUR)	27,524
Ev (BG Estimates) (EUR)	36,228
Avg. 6m daily volume (000)	495.1
3y EPS CAGR	4.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.6%	7.0%	4.9%	-1.4%
Food & Bev.	3.3%	7.7%	3.4%	-0.3%
DJ Stoxx 600	2.6%	8.8%	-3.3%	-4.1%

YEnd Jun. (EURm)	06/15	06/16e	06/17e	06/18e
Sales	8,558	8,759	8,860	9,160
% change		*2.4%*	*1.1%*	*3.4%*
EBITDA	2,456	2,630	2,638	2,735
EBIT	2,238	2,280	2,301	2,405
% change		*1.9%*	*0.9%*	*4.5%*
Net income	1,329	1,380	1,422	1,516
% change		*3.9%*	*3.1%*	*6.6%*

	06/15	06/16e	06/17e	06/18e
Operating margin	26.2	26.0	26.0	26.3
Net margin	10.1	15.0	15.3	15.8
ROE	6.6	9.5	9.6	9.7
ROCE	8.8	11.0	10.9	11.2
Gearing	67.9	61.7	58.1	52.2

(EUR)	06/15	06/16e	06/17e	06/18e
EPS	4.99	5.18	5.34	5.69
% change	-	*3.9%*	*3.1%*	*6.6%*
P/E	20.8x	20.0x	19.4x	18.2x
FCF yield (%)	4.2%	3.9%	4.2%	4.5%
Dividends (EUR)	1.80	1.89	1.94	2.07
Div yield (%)	1.7%	1.8%	1.9%	2.0%
EV/Sales	4.3x	4.1x	4.0x	3.9x
EV/EBITDA	14.9x	13.8x	13.6x	13.0x
EV/EBIT	16.3x	15.9x	15.6x	14.7x

ANALYSIS

- Q3 reported sales dropped 3.4% to EUR1,855m (consensus: EUR1,890m and our estimate: EUR1,858m). Organically they were only up 0.8% (consensus: +1.2% and our estimate: +0.1%) due to a negative technical effect in China. This is a strong deceleration vs H1 (+3.3%). By region:
  - **Asia-ROW (40% of group's sales):** Organic sales were down 5.4% in Q3, well below expectations (consensus: +1% and our estimate: -1%). This was due to a worse than anticipated decline in China. The group had shipped in Q2 for the Chinese New Year. The performance of India remained very strong, with organic sales up 14% this quarter.
  - **Americas (28% of group's sales):** The region surprised positively (consensus: 1.8% and our estimate: 0%), with organic sales up 11.1% over the quarter. A positive shipment phasing in the US more than offset a very strong decline in Brazil (the excise duty hike at the beginning of December boosted Q2 sales).
  - **Europe (32% of group's sales):** Organic sales growth stood at 1.6% in Q3 (consensus: 1.9% and our estimate: +2%), helped by the Easter timing and easy comps in Russia. Spain continued to perform very strongly while France remained very sluggish.
- The group has confirmed its full-year guidance for organic EBIT growth between 1% and 3%. It also indicated that the FX impact on EBIT should be flat to slightly positive this year (vs +EUR20m previously).

VALUATION

- At yesterday's share price, the stock is trading at 15.9x EV/EBIT 2015/16e and 15.6x EV/EBIT 2016/17e, 16% and 10% below the peer average.

NEXT CATALYSTS

- Conference call at 9am CEST
- Campari's Q1 2016 sales on 9th May

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Food & Beverages

SABMiller

Price 4,260p

Solid quarter testimony of no disruptive impact from bid

Fair Value 4400p (+3%) **NEUTRAL**

Bloomberg	SAB LN
Reuters	SAB.L
12-month High / Low (p)	4,286 / 2,878
Market Cap (GBPm)	69,064
Ev (BG Estimates) (GBPm)	67,088
Avg. 6m daily volume (000)	2 411
3y EPS CAGR	1.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.6%	3.3%	7.6%	4.7%
Food & Bev.	3.3%	7.7%	3.4%	-0.3%
DJ Stoxx 600	2.6%	8.8%	-3.3%	-4.1%

YEnd Mar. (USDm)	03/15	03/16e	03/17e	03/18e
Sales	22,130	20,335	21,101	22,371
% change		*-8.1%*	*3.8%*	*6.0%*
EBITDA	5,690	5,150	5,413	5,826
EBIT	4,459	3,994	4,227	4,592
% change		*-10.4%*	*5.8%*	*8.6%*
Net income	3,835	3,433	3,692	4,061
% change		*-10.5%*	*7.5%*	*10.0%*

	03/15	03/16e	03/17e	03/18e
Operating margin	27.0	26.2	26.7	27.3
Net margin	23.2	22.5	23.3	24.1
ROE	16.6	14.1	14.4	15.0
ROCE	7.4	6.5	6.8	7.3
Gearing	48.3	41.6	34.6	26.2

(USD)	03/15	03/16e	03/17e	03/18e
EPS	2.37	2.12	2.28	2.51
% change	-	*-10.5%*	*7.5%*	*10.0%*
P/E	25.9x	29.0x	26.9x	24.5x
FCF yield (%)	3.4%	3.0%	3.5%	4.3%
Dividends (USD)	1.13	1.19	1.31	1.44
Div yield (%)	1.8%	1.9%	2.1%	2.3%
EV/Sales	4.4x	4.8x	4.5x	4.2x
EV/EBITDA	17.2x	18.8x	17.6x	16.0x
EV/EBIT	22.0x	24.2x	22.6x	20.4x

In Q4, SABMiller delivered healthy volume growth of 4% and net revenue growth of 7%. The acceleration throughout the year despite the worsening economic conditions in its emerging markets indicates that the looming change in ownership to AB InBev has not had much of a disruptive impact on its operations, which is good news for AB InBev.

SABMiller reported this morning Q4 volume growth +4% and net revenue growth of 7% in constant currency with net revenue growth in Latin America +8% and Africa +12% outpacing its Asia Pacific business +4%, Europe +3% and North America +3%.

ANALYSIS

- SABMiller is experiencing increasing momentum in lager volumes over the year with growth of 3% in the second half and fourth quarter compared to 1% in the first half. Constant net revenue growth for q4 of 7% compared to 4% in the first half despite macro-economic conditions worsening in its emerging markets. All this seems to indicate that the looming change in ownership to AB InBev has not had much of a disruptive impact on its operations, which is good news for AB InBev.
- In Latin America, group net revenue grew by 8%, underpinned by strong growth in Colombia, with beverage volume growth of 5% supported by selective price increases and favourable brand mix. Lager volume growth momentum improved in the year to 6% in the second half and for the full year. Soft drinks volumes were up 4%. Africa delivered group net revenue growth of 11% with beverage volume growth of 6% supported by the affordability strategy and selective pricing. Lager volumes increased by 5% and soft drinks volumes grew by 8%.
- In Asia Pacific, group net revenue grew by 3%. The beverage volume decline of 1% was offset by group net revenue per hl growth of 4%. In Australia, group net revenue grew by 4%. Volumes were marginally up on the prior year, with improved momentum in the second half of the year, up 3%. Net revenue per hl growth of 3% was driven by price realisation and positive brand mix. On an underlying trading basis, group net revenue in China grew by 4% and group net revenue per hl grew by 6% which reflected the continued roll out of one-way packaging and premiumisation. Volumes were down 2% primarily due to tough industry and macro-economic headwinds.
- In Europe, group net revenue grew 2% and beverage volumes were in line with the prior year, with a 1% decline in lager volumes offset by soft drinks volumes up 2%. Lager volume growth momentum improved during the year driven by its subsidiaries which were up 6% in the second half of the year with growth across all operations, held back by the continuing weakness in the key lager markets of Anadolu Efes.
- Group net revenue in North America was in line with the prior year, with beverage volumes down 1%. MillerCoors' domestic sales to wholesalers (STWs) were up 1% in the fourth quarter but down 2% in the full year, although this was offset by group NPR per hl growth of 1%.

VALUATION

- Fair value of 4,400p based on AB InBev's offer price

NEXT CATALYSTS

- More news on the progress of the regulatory approvals

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TMT

SAP

Price EUR71.09

Q1 conference call feedback: relying on the ability to execute

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

Bloomberg	SAP GR
Reuters	SAPG.DE
12-month High / Low (EUR)	74.9 / 55.9
Market Cap (EUR)	87,334
Ev (BG Estimates) (EUR)	90,063
Avg. 6m daily volume (000)	3 078
3y EPS CAGR	6.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.1%	0.2%	6.9%	-3.1%
Softw.& Comp.	1.1%	4.7%	7.0%	-2.5%
DJ Stoxx 600	2.6%	8.8%	-3.3%	-4.1%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	20,798	21,724	23,154	24,744
% change		*4.5%*	*6.6%*	*6.9%*
EBITDA	6,884	7,066	7,440	8,039
EBIT	4,251	5,077	5,624	6,183
% change		*19.4%*	*10.8%*	*9.9%*
Net income	4,660	4,991	5,250	5,611
% change		*7.1%*	*5.2%*	*6.9%*

	2015	2016e	2017e	2018e
Operating margin	30.5	29.9	29.5	29.9
Net margin	14.8	17.6	18.2	18.4
ROE	13.2	14.9	14.8	14.5
ROCE	18.5	18.7	19.5	21.2
Gearing	24.7	10.6	-2.0	-13.1

(€)	2015	2016e	2017e	2018e
EPS	3.69	3.96	4.16	4.45
% change	-	*7.1%*	*5.2%*	*6.9%*
P/E	19.2x	18.0x	17.1x	16.0x
FCF yield (%)	3.4%	5.4%	5.7%	6.1%
Dividends (€)	1.15	1.20	1.30	1.40
Div yield (%)	1.6%	1.7%	1.8%	2.0%
EV/Sales	4.5x	4.1x	3.7x	3.4x
EV/EBITDA	13.5x	12.7x	11.7x	10.4x
EV/EBIT	14.7x	13.9x	12.7x	11.2x

We reiterate our Buy rating following the conference call held yesterday, while our adj. EPS ests. remain virtually unchanged. The key messages from the call were that: 1) S/4HANA is progressing well, although the number of projects gone live or under deployment remains small; 2) Services gross margin is under pressure with quick deployments; 3) The very strong pipeline makes management confident in company guidance; 4) SAP intends to maintain discipline in M&A.

ANALYSIS

- **S/4HANA progressing well**. Out of the 500 customer additions on S/4HANA in Q1 2016, more than 30% of these are net new customers for SAP, thereby testifying to SAP's ability to replace third-party solutions on S/4HANA and not only migrate its own ERP systems. Out of 3,700 S/4HANA customers, 146 are live (c. +45 in the quarter, with an increasing number of referenceable customers such as Benetton, Gas Natural or Munich Re) and 539 are under deployment on Finance and/or Logistics. Note importantly that although the vast majority of these customers have bought a software licence, many of them are running them - or planned to run them - on the HANA Enterprise Cloud (private cloud). According to management, S/4HANA, which sees revenues growing triple-digit, is instrumental in the success of the HANA Enterprise Cloud (and vice-versa).
- **Details on gross margin evolution**. The decline in Services gross margin (-4.9ppt to 4%) in Q1 stemmed from a peak in deployments. Services revenues in the quarter were up 6% lfl with very positive growth on Premium maintenance and a return to positive modest growth on traditional services. A lot of projects due for completion in Q1 pushed SAP to use third party services to fill demand. More generally, the switch to the cloud requires services that needs to be consumed quickly, which could lead to low margins. However, as SAP progresses further, management expects services gross margin will pick up again in 2016 and beyond on a sequential basis, but it looks an evidence - and the management admits this - it is unlikely to reach the levels it generated with the 'good old' large on-premise deployments again. The Cloud subscription gross margin is confirmed to be stable or slightly growing in 2016 despite the investments required to migrate the infrastructure and platform to HANA in order to increase the efficiency of operations.
- **A very strong pipeline underpinning FY16 guidance**. Management is confident in delivering FY16 guidance as the pipeline is very strong, despite some weakness in Energy, Manufacturing and Government. However, it insisted on the fact the economic environment was a given, and SAP's growth and margins rely essentially on execution - which was proven in Q1 despite licence sales down 10% lfl. In addition, many licence deals postponed in Q1 16 have been signed early April, and the management expects the momentum accelerates as the year progresses.
- **Update on M&A**. SAP reiterated the fact it is no longer interested in acquiring line-of-business cloud/SaaS vendors with strong growth, no profitability and stellar valuations, just to gain market share in a segment. Other companies are smaller but more profitable and with more reasonable valuation multiples, and may add value to SAP's offering (solution capacity), in order to service customers, but nothing is on the table at this stage.

VALUATION

- SAP's shares are trading at est. 13.9x 2016 and 12.7x 2017 EV/EBIT multiples.
- Net debt on 31st March 2016 was EUR3,365m (net gearing: 15%).

NEXT CATALYSTS

- Sapphire Now 2016 users' conference on 17-19th May in Orlando.
- Q2 results on 20th July before markets open.

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Worldline

Price EUR23.09

Bloomberg	WLN FP
Reuters	WLN.PA
12-month High / Low (EUR)	24.7 / 18.2
Market Cap (EURm)	3,050
Ev (BG Estimates) (EURm)	2,591
Avg. 6m daily volume (000)	85.50
3y EPS CAGR	11.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	10.4%	5.9%	5.3%	-3.3%
Softw.& Comp.	1.1%	4.7%	7.0%	-2.5%
DJ Stoxx 600	2.6%	8.8%	-3.3%	-4.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	1,227	1,286	1,350	1,418
% change		*4.8%*	*5.0%*	*5.0%*
EBITDA	235	257	277	301
EBIT	174.9	200.6	217.4	238.2
% change		*14.7%*	*8.4%*	*9.6%*
Net income	122.9	141.7	154.4	169.1
% change		*15.3%*	*8.9%*	*9.6%*

	2015	2016e	2017e	2018e
Operating margin	14.3	15.6	16.1	16.8
Net margin	8.4	10.3	11.3	11.8
ROE	13.1	14.4	14.6	14.3
ROCE	29.0	31.7	35.8	41.6
Gearing	-41.0	-49.8	-58.3	-65.1

(EUR)	2015	2016e	2017e	2018e
EPS	0.91	1.05	1.14	1.25
% change	-	*15.3%*	*8.9%*	*9.6%*
P/E	25.4x	22.0x	20.2x	18.4x
FCF yield (%)	4.2%	3.7%	5.5%	6.0%
Dividends (EUR)	0.00	0.25	0.29	0.32
Div yield (%)	NM	1.1%	1.2%	1.4%
EV/Sales	2.2x	2.0x	1.8x	1.6x
EV/EBITDA	11.6x	10.1x	8.8x	7.6x
EV/EBIT	15.6x	12.9x	11.2x	9.6x

A strong start to the year and FY16 guidance maintained

Fair Value EUR29 (+26%) **BUY**

Worldline has posted better-than-expected Q1 sales (+6.5% lfl, i.e. 2% above expectations) from its three BUs (notably Merchant Services & Terminals), and reiterated its 2016 guidance (excl. Equens and KB acquisitions). A global clearance on the Equens and Paysquare transaction has been obtained from European antitrust authorities on two conditions, which have no material impact on the expected benefit. In our view, the group still has financial flexibility for other M&A operations. Worldline should now be fully considered as a PSP (77%e of its pro-forma sales derived from Payments with a scale effect), which is not reflected in its current multiples (EV/EBITDA of 9.1x). Buy – FV EUR29.

ANALYSIS

- **Q1 sales above expectations:** revenue came out at EUR298.8m, +4.3% Y/Y and +6.5% lfl (vs. BG est. of EUR293m i.e. +4.4% lfl; consensus of EUR294m i.e. +4.8% lfl). EUR11.7m was billed to end clients by Atos (~4% of Q1 revenue). By division: 1/ Merchants services & Terminals (35% of Q1 revenue) up 11.2% lfl thanks to accelerations in commercial acquiring (beneficial price/volume mix and strong commercial momentum) and the international deployment of payment terminals; 2/ Financing processing & Software licensing (34% of revenue) up 5% thanks to high volumes on processing platforms, strong license sales and the success of authentication services and mobile payment solutions in issuing processing; 3/ Mobility & e-transactional services (35% of revenue) up 3.5% thanks to the strong sales of the contact and consumer cloud services in France and in Connected Living in Germany and in France, as well as in the e-government collection (more than offsetting the impact of the termination of the public sector contract in the UK). Finally, the group generated EUR35.3m in FCF (+10.7% Y/Y, i.e. ahead its FY target), net cash of EUR362.3m and its backlog totalled EUR1.7bn (i.e. 1.4 years of revenue).

- **Update on the last two transactions:** 1/ a global clearance on the transaction with Equens and Paysquare (consolidation expected at the end of Q2) has been obtained from European antitrust authorities on two conditions that Worldline has accepted: disposal of the PaySquare business in Belgium (<10% of Paysquare's revenue i.e. <EUR4m, with an EBITDA margin below the average profitability i.e. below 15%), and granting licenses to the Poseidon software in Germany (acceptance software) on fair, reasonable and non-discriminatory terms for 10 years. These commitments have no material impact on the expected benefit of the transaction. 2/ the deal documentation regarding the transaction with KOMERČNÍ BANKA (consolidation expected during the summer) has been signed and the integration preparation work is well on track.

- **2016 guidance reiterated (excl. Equens and KB):** 3% lfl sales growth (underlying business growth of 8% and -5% from major e-government contract ends in 2016; BG est. +2.6%), an 80bp improvement in EBITDA margin to 20% (vs. BG est. 20.0%) and FCF of EUR135/140m (incl. the exceptional cash-out linked to the acquisition costs related to Equens of ~EUR12m). As a result, the 6.5% lfl sales growth in Q1 (underlying business growth of +9.5% and -3% from major e-government contract ends in 2016) shows that Worldline is well on track to reach its FY16 guidance. We estimate that H1 should stand at 4-6% to be consistent with the FY target of +3%.

VALUATION

- **Following the acquisition of Equens, Worldline is to become the no. 1 PSP in Europe** (77% of its pro-forma sales derived from payments with a scale effect, 78% of recurring revenues) vs. no. 3 before.

- **Worldline is currently trading at 2016e EV/EBITDA of 9.1x** (with the consolidation of Equens as of mid-May 2016 and the end of the French radar contract), i.e. **an unjustified discount of 24%** to payment processors evolving in the physical space (EV/EBITDA of 12x).

- **We maintain our Buy rating and FV of EUR29** (Equens, KB and the end of the French radar contract are integrated into our valuation, please see our simulation on page 2). At our FV, the share would be at 11.8x 2016e EV/EBITDA 2016e, which is perfectly consistent with its positioning.

NEXT CATALYSTS

- **AGM:** 26th May.

- **Q2 earnings:** 26th July. Worldline should provide all the elements for the consensus to integrate the last two acquisitions and therefore should update its FY guidance accordingly.

Simulation: Worldline with consolidation of Equens, KB and the end of the French radar contract

EURm	2016e	2017e	2018e	2019e
Revenue	1,454.2	1,617.1	1,694.3	1,775.4
EBITDA	284.1	321.4	348.7	374.5
Margin	19.5%	19.9%	20.6%	21.1%
Synergies	4.0	20.0	40.0	45.0
EBITDA after synergies	288.1	341.4	388.7	419.5
Margin	*19.8%*	*21.1%*	*22.9%*	*23.6%*
Implementation costs of	-16.0	-13.0	-11.0	-5
Reorganisation costs	-6.0	0	0	0
Current EBIT	207.3	252.3	295.6	335.9
Margin	*14.3%*	*15.6%*	*17.4%*	*18.9%*
EBIT	172.1	236.4	281.7	328.0
Margin	*11.8%*	*14.6%*	*16.6%*	*18.5%*
Financial income	-3.9	-2.5	-2.0	-1.5
Minority interests	-6.4	-15.2	-20.4	-26.1
Restated attrib. net income	139.0	163.1	189.1	212.3

Source : Bryan Garnier & Co. ests.

The impact of our simulation on our current EPS sequence would be: -2.3% in 2016e, +5.6% in 2017e, +11.8% in 2018e and +16.1% in 2019e. **Our FV of EUR29 is based on this simulation.**

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Healthcare

Genmab

Price DKK943.00

Bloomberg	GEN DC
Reuters	GEN.CO
12-month High / Low (DKK)	967.0 / 514.0
Market Cap (DKK)	56,276
Avg. 6m daily volume (000)	433.0

	1 M	3 M	6 M	31/12/15
Absolute perf.	15.1%	17.5%	48.2%	2.8%
Healthcare	6.3%	2.2%	-4.4%	-7.8%
DJ Stoxx 600	2.6%	8.8%	-3.3%	-4.1%

	2015	2016e	2017e	2018e
P/E	97.1x	NS	87.8x	69.6x
Div yield (%)	NM	NM	NM	NM

Details from the CASTOR study to be presented at the 2016 ASCO meeting

Fair Value DKK1350 (+43%) **BUY**

ANALYSIS

- **Genmab announced that details from the Phase III CASTOR study will be presented at the 2016 ASCO meeting** (and more precisely on 5th June). Interestingly, the press release gave a few more details regarding the improvement in progression-free survival (PFS) allowed by the addition of daratumumab to bortezomib/dexamethasone. So we are now aware that 1/ **the hazard ratio stood at 0.39** (p<0.0001), meaning that the risk of progression or death was reduced by 61%), whereas we expected a level that would be closer to 0.5; 2/ **the median PFS for patients treated within the active arm was not reached** (vs 7.2 months for the control arm).
- As previously stated, we see the read-out of the POLLUX study as a much more significant catalyst. We're quite positive about it… And **having generated an HR of 0.39 as part of a combination with a proteasome inhibitor is a very encouraging sign** as we anticipate more synergies between "dara" and Celgene's lenalidomide (the latter being known for its numerous immuno-modulating properties; e.g Tregs suppression, Th1 cytokine production, enhanced NK cell ADCC, etc.).
- Amgen's Kyprolis and BMS' Emplicit respectively displayed an HR of 0.69 and 0.70 in the ASPIRE and ELOQUENT-2 studies (knowing that both of them tested these compounds in combo with len/dex vs len/dex alone in refractory/relapse patients who received at least one prior therapy). And we're pretty confident that dara's performance will outmatch this data as 1/ it displayed best-in-class status both as a monotherapy or in combo in previous studies; 2/ its mechanism of action is much more exhaustive than "elo" (see our latest report here for additional details).

VALUATION

- **BUY reiterated with a FV of DKK1,350.** But note that our FV could be increased by +DKK50-100 should POLLUX be indeed positive.

NEXT CATALYSTS

- Q2: European approval of daratumumab as a monotherapy for heavily pre-treated patients with multiple myeloma.
- Q2: Phase III results from the POLLUX study.

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Healthcare

Novartis

Price CHF74.05

Not bright but not worse than expected

Fair Value CHF95 (+28%) **NEUTRAL**

Bloomberg	NOVN VX
Reuters	NOVN.VX
12-month High / Low (CHF)	102.3 / 68.5
Market Cap (CHFm)	198,231
Avg. 6m daily volume (000)	6 014

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.0%	-7.1%	-16.7%	-14.7%
Healthcare	6.3%	2.2%	-4.4%	-7.8%
DJ Stoxx 600	2.6%	8.8%	-3.3%	-4.1%

	2015	2016e	2017e	2018e
P/E	15.3x	15.5x	14.4x	12.7x
Div yield (%)	3.6%	3.9%	3.5%	3.9%

ANALYSIS

- Novartis reported earlier today its first-quarter numbers that are roughly in line with CS estimates with 1% top-line growth and 5% core EPS decline. Sales were a touch weaker than expected at USD11.6bn which mainly comes from Alcon and few products from Pharma including Gilenya (up 12%) and Tasigna (up only 6%). To note is that the two carefully-followed new drugs performed very differently one from the other which should also translate in FY adjustments, on the upside for Cosentyx (likely to reach blockbuster status in 2016 despite upcoming competition) and on the downside for Entresto that Novartis expects to see at about USD200m this year i.e. half our current estimate. The two will more or less cancel their net impacts.
- As far as EBIT and earnings, this is slightly better than expected despite a new sharp decline in Alcon's core EBIT margin by 800bp. Pharmaceuticals and Sandoz did quite well and this reflects tight cost control in purchasing and also in operating costs including R&D this quarter.
- In the end, core EPS came up at USD1.17 which was a touch better than the USD1.15 that CS was expecting for the quarter. This is a decline by 5% at constant currencies and 12% in reported terms. Comparison base was the toughest of the year. Currency impacts should ease as the year progresses. However, competition on Gleevec should worsen. Novartis maintains a guidance of flat sales and earnings compared to 2015 which points a small decline in reported terms, which is well reflected into CS numbers (that may even be slightly pessimistic with its USD4.74).

VALUATION

- We do not expect to make meaningful changes to our estimates.

NEXT CATALYSTS

- Today 2pm: Conference call - Click here to download

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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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