Please find our Research on Bloomberg BRYG <GO>)

26th April 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17977.24	-0.15%	+3.17%
S&P 500	2087.79	-0.18%	+2.15%
Nasdaq	4895.79	-0.21%	-2.23%
Nikkei	17353.28	-0.49%	-8.38%
Stoxx 600	346.678	-0.51%	-5.23%
CAC 40	4546.12	-0.52%	-1.96%
Oil /Gold			
Crude WTI	41.5	-2.88%	+11.56%
Gold (once)	1240.6	-0.08%	+16.78%
Currencies/Rates			
EUR/USD	1.12685	+0.25%	+3.73%
EUR/CHF	1.09785	-0.05%	+0.96%
German 10 years	0.27	+16.11%	-57.43%
French 10 years	0.519	+6.71%	-47.12%
Euribor	-	+-%	+-%

Economic releases :

Date	
26th-Apr	US - Durable Goods orders Mar. (+1.9% E) US - Consumer Confidence Apr. (96 E) US - FOMC Meeting US - S&P Case Shiller HPI (0.7% E)

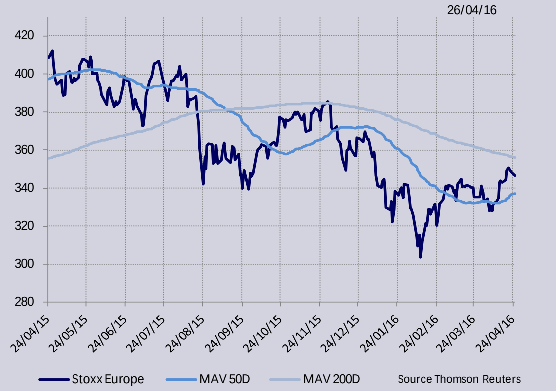
Upcoming BG events :

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

Recent reports :

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

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



BAYER — NEUTRAL, Fair Value EUR110 (0%)

Well ahead of its guidance after Q1 but no increase, poor cash-flow

Bayer is reporting solid first-quarter earnings this morning, characterised by modest revenue performance overall but by an impressive margin improvement in all divisions, in line with what Covestro already disclosed yesterday for the Chemicals business. Now cash-flow generation was less impressive and despite a good performance in the first three months of the year, the group is not comfortable enough to change its guidance of mid-single digit earnings growth for the full-year.

ENGIE — BUY, Fair Value EUR16,5 (+18%)

Q1 2016 preview: thank you Electrabel!

We expect Engie to post positive LfL EBITDA growth this Friday, despite a negative YoY contribution from the E&P business, a negative climate effect and a still declining intrinsic performance in the Energy Europe business due to falling power prices. This LfL growth is expected to stem from a positive scope effect with the restart of Belgian nuclear reactors, as well as from the Lean 2018 cost-cutting programme. We expect a positive share price reaction given that the group should post EBITDA growth in the middle of the group's guidance range.

IPSEN — BUY-Top Picks, Fair Value EUR60 (+14%)

Cabometyx approved by the FDA two months ahead of schedule

Ipsen's recently partnered drug cabozantinib was approved yesterday in the US by the FDA in 2nd line RCC, well ahead of schedule. Top-line OS data are included in the press release (HR=0.66)

SWORD GROUP — BUY, Fair Value EUR26 (+9%)

Q1 16 results in line with our estimates, FY16 guidance fine-tuned from fx

Yesterday evening Sword reported Q1 results with sales in line with our estimates but lfl revenue growth 5.4ppt ahead of the company's target, with Services sales boosted by Benelux and Switzerland. FY16 guidance has been fine-tuned for forex given the weak GBP against the EUR since early March. In addition, the 2015 dividend is unsurprisingly set to be flat at EUR1.20 per share. With lfl revenue growth 5.4pp ahead of the full-year target, we expect the share price to react positively.

TELECOM SERVICES

Q1 2016 results: trend slowly improving

This morning Orange SA has published Q1 2016 results in line with the consensus, with revenues still growing, as well as EBITDA. Revenues in France remained under pressure, with a good commercial performance on the fixed side, but a more mixed one on the mobile side in our opinion, showing intense competition at the low end. The group reaffirmed its guidance for 2016 EBITDA higher than 2015.

In brief...

INGENICO GROUP, *Acquisition of Lyudia, a local distributor in Japan*

SOFTWARE AG, *Q1 16 results fully in line with initial estimates and FY16 guidance confirmed*

Healthcare

Bayer

Price EUR109.70

Well ahead of its guidance after Q1 but no increase, poor cash-flow

Fair Value EUR110 (0%) **NEUTRAL**

Bloomberg	BAY GY
Reuters	BAYG.F
12-month High / Low (EUR)	138.4 / 92.8
Market Cap (EURm)	90,716
Ev (BG Estimates) (EURm)	105,153
Avg. 6m daily volume (000)	2 442
3y EPS CAGR	7.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	7.0%	3.7%	-5.8%	-5.3%
Healthcare	6.2%	-2.5%	-7.5%	-7.7%
DJ Stoxx 600	3.5%	3.1%	-8.1%	-5.2%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	46,325	46,611	48,605	50,211
% change		*0.6%*	*4.3%*	*3.3%*
EBITDA	10,267	10,606	11,305	11,905
EBIT	8,851	9,466	9,941	10,496
% change		*6.9%*	*5.0%*	*5.6%*
Net income	5,687	6,015	6,602	7,069
% change		*5.8%*	*9.8%*	*7.1%*

	2015	2016e	2017e	2018e
Operating margin	19.1	20.3	20.5	20.9
Net margin	12.3	12.9	13.6	14.1
ROE	25.6	23.5	23.2	22.2
ROCE	11.6	12.7	13.4	14.2
Gearing	71.0	51.0	34.3	19.2

(EUR)	2015	2016e	2017e	2018e
EPS	6.88	7.27	7.98	8.55
% change	-	*5.8%*	*9.8%*	*7.1%*
P/E	16.0x	15.1x	13.7x	12.8x
FCF yield (%)	4.8%	6.8%	7.3%	7.8%
Dividends (EUR)	2.50	2.60	2.70	2.80
Div yield (%)	2.3%	2.4%	2.5%	2.6%
EV/Sales	2.3x	2.3x	2.1x	1.9x
EV/EBITDA	10.6x	9.9x	9.0x	8.2x
EV/EBIT	12.3x	11.1x	10.2x	9.3x

Bayer is reporting solid first-quarter earnings this morning, characterised by modest revenue performance overall but by an impressive margin improvement in all divisions, in line with what Covestro already disclosed yesterday for the Chemicals business. Now cash-flow generation was less impressive and despite a good performance in the first three months of the year, the group is not comfortable enough to change its guidance of mid-single digit earnings growth for the full-year.

ANALYSIS

- Q1 2016 was a good quarter for Bayer and numbers look very much like those of Covestro yesterday i.e. a touch light at the top-line level but very solid at the operating margin level and again mixed in terms of operating cash-flows with the same comment of "an increase in cash tied up in working capital".
- On a division basis, Pharmaceuticals rose a solid 12.2%, driven by the expected Xarelto and Eylea although it is worth noting that first did not fully reflect the good performance registered by its partner J&S in the US in the first-quarter as underlying growth was 28.6% as reported by J&J whereas revenues booked for the US by Bayer are only EUR86m, up 9.9% in CER terms. There is a delay in the recognition of revenues and so there is reserve for the upcoming quarters. Eylea on the contrary remains on a very strong path with a 49% growth Q/Q to EUR372m. Less expected were the good performances of Kogenate, back to a more than decent growth rate of 13.7% although it seems to agglomerate initial Kovaltry sales that may also include some stocking effect and also Gadovist (up 20.2%) with strong growth in the US and in Japan where it has recently been launched. On a less positive tone were Xofigo, Adempas and Stivarga, all below expectations, including more particularly the last one which declined 5.3% in the quarter and more than ever looks in trouble to meet group's peak sales guidance. Profitability-wise, Pharma division grew 190bp in the EBITDA margin during the quarter where we anticipated only 60bp improvement (and CS 10bp). Bayer is simply mentioning a "very good business performance" but sustainability of this level of profitability and/or growth is the key question for the year and next.
- Same took place in Consumer Health during the quarter as top-line growth was very modest (+2.2%) and below expectations. Bayer mentions tough conditions in Europe and Russia but also decline in the US. Against this unfavourable backdrop, earnings grew and EBITDA margin improved by 150bp, mainly boosted by cost synergies from the integration of the former Merck business.
- And bis repetita with CropScience with disappointing sales numbers, up only 1.2% in CER terms and down 2.2% in reported terms but a 300bp EBITDA margin improvement, this time explained by the joint effect of higher selling prices with lower cost of goods sold.
- All in all, this is a meaningful beat to the consensus numbers that was achieved in Q1 with EBITDA up 15.7% to EUR3.4bn (vs CS: EUR3.05bn, BG: EUR3.13bn) and core EPS up 13.9% to EUR2.37 when CS was expecting only EUR2.15 and although Covestro covers half of the difference.

VALUATION

- What happened with working capital within Bayer Group in Q1 2016 is not fully clear to us. It downgraded by 55% so that operating cash flow would have come down despite increasing earnings. This is what clearly prevents us from being really positive about this quarterly set of numbers. And the fact that, despite a clear advance provided by Q1 numbers, the guidance is simply reiterated might suggest that some caution is deserved.

NEXT CATALYSTS

- Today 2pm: Conference Call on Q1 results

Click here to download

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Utilities

Engie

Price EUR14.04

Q1 2016 preview: thank you Electrabel!

Fair Value EUR16,5 (+18%) **BUY**

Bloomberg	GSZ FP
Reuters	GSZ.PA
12-month High / Low (EUR)	19.5 / 13.1
Market Cap (EUR)	34,179
Ev (BG Estimates) (EUR)	78,104
Avg. 6m daily volume (000)	5 972
3y EPS CAGR	-21.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.5%	-1.0%	-13.6%	-14.0%
Utilities	2.4%	1.1%	-7.4%	-3.8%
DJ Stoxx 600	3.5%	3.1%	-8.1%	-5.2%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	69,883	71,674	68,368	69,445
% change		*2.6%*	*-4.6%*	*1.6%*
EBITDA	11,261	10,820	10,223	10,554
EBIT	-3,243	6,329	5,756	6,041
% change		*NS*	*-9.1%*	*5.0%*
Net income	4,950	2,484	2,302	2,448
% change		*-49.8%*	*-7.3%*	*6.3%*

	2015	2016e	2017e	2018e
Operating margin	-4.6	8.8	8.4	8.7
Net margin	7.1	3.5	3.4	3.5
ROE	10.2	5.1	4.8	5.1
ROCE	6.8	4.3	3.9	4.1
Gearing	61.5	57.6	60.6	61.4

(EUR)	2015	2016e	2017e	2018e
EPS	2.04	0.99	0.92	0.98
% change	-	*-51.3%*	*-7.8%*	*6.8%*
P/E	6.9x	14.1x	15.3x	14.4x
FCF yield (%)	0.7%	6.0%	5.0%	7.5%
Dividends (EUR)	1.00	1.00	0.70	0.70
Div yield (%)	7.1%	7.1%	5.0%	5.0%
EV/Sales	1.0x	1.1x	1.2x	1.2x
EV/EBITDA	6.4x	7.2x	7.7x	7.6x
EV/EBIT	NS	12.3x	13.8x	13.2x

We expect Engie to post positive LfL EBITDA growth this Friday, despite a negative YoY contribution from the E&P business, a negative climate effect and a still declining intrinsic performance in the Energy Europe business due to falling power prices. This LfL growth is expected to stem from a positive scope effect with the restart of Belgian nuclear reactors, as well as from the Lean 2018 cost-cutting programme. We expect a positive share price reaction given that the group should post EBITDA growth in the middle of the group's guidance range.

ANALYSIS

- **Our Q1 estimates:** As for its quarterly publication, Engie is set to report sales, EBITDA, current operating income, CCFO, capex and net debt metrics and nothing else. Given the ongoing deterioration in the energy market in Europe, combined with the stronger euro vs. most foreign currencies compared with Q1, we forecast a yoy decline in the group's EBITDA and COI by of **2.5%** and **1.8%** respectively to **EUR3.480bn and EUR2.380bn**. Excluding the negative FX effect, the group's operating performance looks a bit "sexier" as it implies flat EBITDA growth and **1.9%** LfL growth respectively. Most of this earnings growth is likely to have been driven by the positive contribution from **Belgium nuclear** (*+EUR100m*) and by the **Lean 2018** cost-cutting programme (*+EUR125m*). We expect the group to post net debt of **EUR28bn** helped by a positive FX impact notably.
- **What to expect from this publication?** We assume that management's message on the 2016 outlook will remain similar to that of the 2015 earnings presentation in February 2016, given that most macro metrics and commodity prices have remained unchanged during this short period. Most investors will focus on the group's asset rotation programme, and on the strategic changes announced during the recent earnings presentation. However, since the group is to organise "Workshop sessions" before the end of June, we expect most answers to be given during this event.
- **Conclusion**: During 2016, the group should benefit from a positive scope effect from Belgian nuclear assets (*restart of D3/T2*) as well as from new commissioning and the cost-cutting programme. The fairly respectable Q1 performance that we expect to be in the middle of the group's EBITDA growth guidance for 2016 (-4.4%/0%) should be well appreciated by investors. We are sticking to our Buy rating with an unchanged FV at **EUR16.5**. We see upside from the group's strategic transformation compared with the current share price.

VALUATION

- At the current share price Engie is trading at 7.2x its 2016e EBITDA and offers a 7.1% yield
- Buy, FV @ EUR16.5

NEXT CATALYSTS

- 29th April: Q1 earnings publication
- H1 2016: Engie "Investor Day"

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Healthcare

Ipsen

Price EUR52.64

Cabometyx approved by the FDA two months ahead of schedule

Fair Value EUR60 (+14%) **BUY-Top Picks**

Bloomberg	IPN FP
Reuters	IPN.PA
12-month High / Low (EUR)	62.0 / 47.1
Market Cap (EURm)	4,382
Ev (BG Estimates) (EURm)	4,480
Avg. 6m daily volume (000)	80.70
3y EPS CAGR	11.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.3%	-2.0%	-4.7%	-13.7%
Healthcare	6.2%	-2.5%	-7.5%	-7.7%
DJ Stoxx 600	3.5%	3.1%	-8.1%	-5.2%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	1,444	1,552	1,683	1,823
% change		*7.5%*	*8.4%*	*8.3%*
EBITDA	366	398	438	517
EBIT	322.5	332.1	367.2	441.0
% change		*3.0%*	*10.6%*	*20.1%*
Net income	228.0	230.8	261.1	316.9
% change		*1.2%*	*13.1%*	*21.4%*

	2015	2016e	2017e	2018e
Operating margin	22.3	21.4	21.8	24.2
Net margin	12.5	13.7	13.4	15.3
ROE	15.5	16.4	15.7	17.0
ROCE	22.6	17.1	18.4	21.4
Gearing	NM	NM	NM	NM

(€)	2015	2016e	2017e	2018e
EPS	2.78	2.81	3.18	3.86
% change	-	*1.2%*	*13.1%*	*21.4%*
P/E	18.9x	18.7x	16.5x	13.6x
FCF yield (%)	4.0%	4.4%	5.1%	6.3%
Dividends (€)	0.85	0.85	1.04	1.16
Div yield (%)	1.6%	1.6%	2.0%	2.2%
EV/Sales	3.0x	2.9x	2.6x	2.3x
EV/EBITDA	11.7x	11.3x	10.0x	8.2x
EV/EBIT	13.3x	13.5x	12.0x	9.6x

Ipsen's recently partnered drug cabozantinib was approved yesterday in the US by the FDA in 2nd line RCC, well ahead of schedule. Top-line OS data are included in the press release (HR=0.66)

ANALYSIS

- We had a clear sequence of news for Ipsen over the coming two months that should have started next Thursday with the first-quarter sales release. Then would have come the OS data from the phase III METEOR trial at ASCO early June and lastly the FDA approval of cabozantinib with a PDUFA date set for 22nd June 2016.
- But this calendar has been changed as the US agency yesterday approved the newly named Cabometyx for advanced renal cell carcinoma in second-line of treatment after first antiangiogenic therapy. By approving the drug two months ahead of schedule, the FDA is sending a strong sign of confidence in the clinical data package that Exelixis had submitted at the beginning of the year. As a reminder, the drug received fast-track designation and breathrough therapy designation and was therefore soon been detected as a true innovation in the field of oncology and for the time in RCC.
- In the same press release, Exelixis also disclosed headline clinical data from the METEOR study in terms of overall survival (OS). So far, only median PFS had been presented at the ECC/ESMO meeting in Vienna last September (showing a significant improvement from 3.8 months with everolimus to 7.4 months with cabozantinib). And so median OS with Cabometyx was 21.4 months compared to 16.5 months with everolimus (HR=0.66, p=0.0003). Obviously this data will be compared with that obtained from nivolumab in the CheckMate-025 study i.e. a median OS of 25.0 months vs 19.6 months for the same comparator (p=0.002) i.e. a 27% risk reduction. The complexity relies on the performance of the comparative arm in the two studies which is quite different so that in absolute terms, nivolumab is better but in relative terms, cabozantinib improves survival more significantly.
- In the end, as we said in our note dated 29th March 2016 ("Cabozantinib makes Ipsen a different story"), we do not see Opdivo and Cabometyx fighting head to head for the same patients. Other studies are ongoing in first-line and in combination and we see both products taking the lead at the expense of existing drugs like Afinitor, Sutent or Votrient. Short-term, it is going to be a question of physician's preference and a mix of efficacy perception, patient selection, safety profile and treatment price. We think there is room for two in this segment.
- In the context of a noisy and still highly productive IO segment which particularly includes nivolumab and avelumab in RCC, it is important that Exelixis last week confirmed that OS data for cabozantinib would be presented at an oral session of the ASCO meeting on 5th June 2016. Not only will the METEOR full phase III results be presented but also posters of some of the subgroup analysis like patients with bone mets or patients pre-treated with another TKi and a PD-1 inhibitor. Note that Exelixis has already scheduled a conference call to discuss the data presented at ASCO on 5th June 2016at 7.30pm EDT.
- As for Ipsen, it is good to see that things are developing well in the US but obviously the acquired rights are ex-North America and Japan. In Europe, the filing has been accepted and granted accelerated assessment which suggests a final approval in September whereas the launch is expected to take place in the first markets in early 2017 when the sales force is recruited and trained.

VALUATION

- So far there is nothing to add to our base-scenario that was based on positive OS data and 100% PoS in RCC. New clinical data of interest for Ipsen are in first-line RCC and in HCC but this is expected to be presented late in 2016/early 2017.

NEXT CATALYSTS

- 28th April 2016: First-quarter sales (CS is EUR374m and we do not expect a beat here)

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Sword Group

Price EUR23.79

Q1 16 results in line with our estimates, FY16 guidance fine-tuned from fx

Fair Value EUR26 (+9%) **BUY**

Bloomberg	SWP FP
Reuters	SWP.PA
12-month High / Low (EUR)	25.3 / 19.3
Market Cap (EUR)	223
Ev (BG Estimates) (EUR)	185
Avg. 6m daily volume (000)	8.40
3y EPS CAGR	10.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.2%	-2.9%	-0.6%	-2.1%
Softw.& Comp.	0.0%	-0.3%	1.7%	-3.4%
DJ Stoxx 600	3.5%	3.1%	-8.1%	-5.2%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	138.0	163.0	185.0	211.0
% change		*18.1%*	*13.5%*	*14.1%*
EBITDA	22.0	25.0	29.0	34.0
EBIT	11.0	20.0	24.0	29.0
% change		*81.8%*	*20.0%*	*20.8%*
Net income	16.0	16.0	19.0	22.0
% change		*0.0%*	*18.8%*	*15.8%*

	2015	2016e	2017e	2018e
Operating margin	13.8	13.0	13.9	14.4
Net margin	7.2	8.6	9.2	9.5
ROE	6.2	8.5	9.8	10.9
ROCE	13.8	12.0	14.3	15.3
Gearing	-26.0	-23.0	-21.0	-23.0

(€)	2015	2016e	2017e	2018e
EPS	1.72	1.71	2.02	2.33
% change	-	*-0.6%*	*18.1%*	*15.3%*
P/E	13.8x	13.9x	11.8x	10.2x
FCF yield (%)	3.6%	4.0%	4.9%	8.4%
Dividends (€)	1.20	1.20	1.20	1.20
Div yield (%)	5.0%	5.0%	5.0%	5.0%
EV/Sales	1.3x	1.1x	1.0x	0.9x
EV/EBITDA	8.2x	7.4x	6.4x	5.3x
EV/EBIT	9.5x	8.8x	7.1x	6.0x

Yesterday evening Sword reported Q1 results with sales in line with our estimates but lfl revenue growth 5.4ppt ahead of the company's target, with Services sales boosted by Benelux and Switzerland. FY16 guidance has been fine-tuned for forex given the weak GBP against the EUR since early March. In addition, the 2015 dividend is unsurprisingly set to be flat at EUR1.20 per share. With lfl revenue growth 5.4pp ahead of the full-year target, we expect the share price to react positively.

ANALYSIS

- **Q1 sales in line with our expectations but 5% ahead of the company's budget**. Q1 sales rose 22% (+20.4% lfl) to EUR39.8m or 1% above our EUR39.3m estimate, with EBITDA up 22.4% to EUR6m or 15.1% of sales (flat) while we expected EUR5.8m or 14.8% of sales. Sword's Q1 target lfl revenue growth was +15%, so actual lfl growth was 5.4% above it. By division, Software posted sales of EUR12.3m (+18% lfl) and an EBITDA margin of 30.1% (+0.7ppt), while Services posted sales of EUR27.5m (+21.4% lfl) and an EBITDA margin of 8.5% (+0.7ppt). Forex headwinds to revenue growth in Q1 were -3.7ppt, o/w -3.5ppt in Software and -3.7ppt in Services. The net cash position on 31st March 2016 was EUR39.8m, meaning Q1 net cash flow was a negative EUR2.9m.

- **Services growth boosted by Benelux and Switzerland**. Management explained the strong Q1 performance by robust contributions from all business units, as none of them posted a lfl revenue increase below 10%. In Software, the Asset Finance Solutions (AFS) business unit (58% of Software revenues) continued to drive growth generating EBITDA margin of 34.1%. In Services, Benelux (20% of Services sales, and a margin of 6.3%) and Switzerland (24%, and a margin of 10.5%) outperformed the 20.4% lfl growth rate of the division, while France (31%, and a margin of 9.6%) and the UK (16%) performed in line with the target. With a margin of 4.6% in the UK for Q1, management estimates the turnaround of AAA acquired in December 2015 is slightly ahead of plan. Finally, EUR0.4m in R&D was capitalised in the quarter for new software products (EUR1.8m cumulated), but Sword plans to accelerate this in the coming quarter ahead as the 30 staff hired in Q1 for this programme ("Bluebird") - still 15 to recruit - are actually starting to work on it.

- **FY16 guidance fined-tuned for fx**. Sword has confirmed FY16 guidance, i.e. sales up 15% lfl, and an EBITDA margin of 15%. This lfl growth rate is underpinned by a backlog of 23.8 months of sales (vs. 24.8 months end 2015), up 21.8% compared to June 2015. Recently the company renewed deals with Orange and the United Nations. Benelux is now heading towards EUR21m in revenues for 2016 (+24%) instead of the EUR20m initially budgeted. With current fx assumptions, FY16 revenues would reach EUR161m (FY15 pro forma base of EUR140.2m), down from EUR162m (FY15 pro forma base of EUR141m) early March, due to the weakness of the GBP against the euro. Given the Q1 lfl growth trend 5.4ppt ahead of company guidance, we have increased our lfl revenue growth rate to +16.3% from +15% for 2016, but our revision is offset by fx headwinds.

VALUATION

- Sword's shares are trading at est. 8.8x 2016 and 7.1x 2017 EV/EBIT multiples.
- Net cash position on 31st December 2015 was EUR42.7m (net gearing: -27%).

NEXT CATALYSTS

- AGM on 28th April.
- Q2 2016 sales on 26th July after markets close.

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Sector View

Telecom services

Q1 2016 results: trend slowly improving

	1 M	3 M	6 M	31/12/15
Telecom	-0.8%	-2.9%	-7.3%	-6.3%
DJ Stoxx 600	2.4%	3.0%	-5.8%	-4.7%

*Stoxx Sector Indices

Companies covered

ALTICE		**BUY**	**EUR16,3**
Last Price	EUR13,61	*Market Cap.*	EUR14,893m
ILIAD		**NEUTRAL**	**EUR212**
Last Price	EUR190,25	*Market Cap.*	*EUR11,165m*
NUMERICABLE SFR		**NEUTRAL**	**EUR28,4**
Last Price	EUR28,415	*Market Cap.*	*EUR12,453m*

This morning Orange SA has published Q1 2016 results in line with the consensus, with revenues still growing, as well as EBITDA. Revenues in France remained under pressure, with a good commercial performance on the fixed side, but a more mixed one on the mobile side in our opinion, showing intense competition at the low end. The group reaffirmed its guidance for 2016 EBITDA higher than 2015.

ANALYSIS

- **Overall results: Q1 revenues came out at EUR10.009bn, up 0.6% yoy** (vs consensus: EUR10.016bn), compared with +0.1% yoy in Q4. France revenues were down 0.7% yoy vs the consensus for -0.8% and compared with -0.1% in Q4. **Restated EBITDA reached EUR2.569bn** (vs cons EUR2.572bn), **down 1.6% yoy, but up 0.3% excluding employee shareholding transactions,** compared with +1.4% in Q4.
- In France, **mobile commercial performance was lower than in Q1 2015**, and **ARPU remained under pressure**, with **postpaid net adds relying on low cost Sosh offers**. Mobile postpaid net adds reached **41k in Q1**, vs 179k in Q4, and **164k in Q1 2015**. Sosh net adds reached **84k in Q1**, vs 121k in Q4, and 152k in Q1 2015. Postpaid ARPU was EUR26.2 in Q1, down -4.4% yoy vs -5.4% in Q4.
- In France, **fixed performance was better than in Q1 2015**, **especially in fibre**, and **ARPU is on the way to stabilisation**. Broadband net adds reached **96k in Q1**, vs 121k in Q4, and **67k in Q1 2015**. FTTH net adds reached **115k in Q1**, vs 133k in Q4, and **75k in Q1 2015**. Broadband ARPU was EUR33 in Q1, down **-0.6% yoy vs -0.9% in Q4**.
- Q1 might have been disturbed by the merger talks surrounding Orange. The situation seems to be improving on the fixed side, and we are waiting to see the effects of Bouygues Telecom’s price increases. Nevertheless, competition should remain tough on the mobile side, especially in the low end segment.

VALUATION

- We stick to our FV and recommendations on the sector: Altice: Buy with FV EUR16.3; NC-SFR: Neutral with FV EUR28.4; Iliad: Neutral with FV EUR212.

NEXT CATALYSTS

- Altice Q1 results on 10th May, Iliad Q1 results on 17th May, Bouygues Telecom Q1 results on 13th May.

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TMT

Ingenico Group

Price EUR98.32

Bloomberg	ING FP
Reuters	INGC.PA
12-month High / Low (EUR)	127.6 / 87.9
Market Cap (EURm)	5,997
Avg. 6m daily volume (000)	261.0

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.2%	-9.2%	-10.0%	-15.6%
Softw.& Comp. SVS	0.0%	-0.3%	1.7%	-3.4%
DJ Stoxx 600	3.5%	3.1%	-8.1%	-5.2%

	2015	2016e	2017e	2018e
P/E	22.0x	18.6x	16.0x	14.3x
Div yield (%)	1.3%	1.7%	2.0%	2.3%

Acquisition of Lyudia, a local distributor in Japan

Fair Value EUR144 (+46%) **BUY**

FACTS

- **Ingenico announced today the acquisition of 70% of Lyudia, its distribution partner in Japan** (owned by BroadBand Tower, listed on the Tokyo Stock exchange). The terms of this transaction have not been disclosed. The two companies have been in a partnership agreement since February 2014 providing a full range of services (software development, certification, logistics, maintenance and support in Japan).
- **Japan's transition to EMV is expected between 2017 and 2020**, driven by the Olympic Games organised in Tokyo in 2020 and by the government's aim to promote cashless and secured payment methods. Lyudia's acquisition will allow Ingenico to accelerate the pace of payment applications certification process and represents an opportunity for Ingenico to become a significant player on the Japanese market.

ANALYSIS

- **As we wrote in our last papers, Japan could shift to EMV before the 2020 Olympic Games in order to accept international cards and to deal with fraud** (there are around 3m POS terminals in Japan, mostly innovation-driven-products), but also India and Indonesia in the medium term. And if so, **Ingenico could reasonably reach a 40% market share** (i.e. about its world prime position of 44%) through partnerships or acquisitions of local distributors. **We believe that the acquisition of Lyudia is an indicator that card schemes (Visa, Mastercard...) could impose a deadline for merchants to be equipped with EMV terminals in Japan**, which is exactly what they did in the US. Note also that Japan is the 2nd largest retail market in the world.

VALUATION

- We expect **earnings growth of 25.1%e vs. a P/E of 18.6x over 2016e. Buy rating – FV EUR144.**

NEXT CATALYSTS

- **Q1 2016 revenue:** today (after trading).

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TMT

Software AG

Price EUR33.50

Q1 16 results fully in line with initial estimates and FY16 guidance confirmed

Fair Value EUR40 (+19%) BUY

Bloomberg	SOW GR
Reuters	SOWG.DE
12-month High / Low (EUR)	34.9 / 23.8
Market Cap (EUR)	2,647
Avg. 6m daily volume (000)	250.1

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.7%	10.8%	28.5%	26.8%
Softw.& Comp. SVS	0.0%	-0.3%	1.7%	-3.4%
DJ Stoxx 600	3.5%	3.1%	-8.1%	-5.2%

	2015	2016e	2017e	2018e
P/E	14.4x	14.0x	13.2x	12.4x
Div yield (%)	1.6%	1.8%	1.9%	2.1%

ANALYSIS

- **Software AG has confirmed the preliminary Q1 results announced on 13th April**. The figures are fully in line with those pre-announced: revenues up 6.3% to EUR206.2m (+8.8% lfl), a non-IFRS op. margin of 28.7% (+3.9ppt), and EBIT up 45.6% to EUR45.3m. By division, figures were also confirmed, with DBP (Digital Business Platform) sales up 6% cc, A&N (Adabas & Natural) sales up 20% lfl, and Consulting up 2% lfl. The new figures announced today were: 1) net profit up 57.8% to EUR29.5m (BG est.: EUR29.6m), 2) free cash flow up 0.3% to EUR60.5m (29% of sales).
- **FY16 guidance confirmed**. Software AG confirmed the FY16 guidance announced on 19th January, i.e. DBP product sales up 5-10% lfl, A&N product sales down 4-8% lfl, and a non-IFRS operating margin of 30-31%. Thanks to the improving trend in the DBP division and the strong Q1 in the A&N division we expect 4.1% lfl sales growth and a non-IFRS operating margin of 31.4% - which implies that the margin should widen 1.2ppt (vs. +3.9ppt for Q1) over the last three quarters of the year.

VALUATION

- Software AG's shares are trading at est. 9.1x 2016 and 8.1x 2017 EV/EBIT multiples.
- Net cash position on 31st March 2016 was EUR49.1m (net gearing: -4%).

NEXT CATALYSTS

AGM on 31st May. Q2 results on 20th July before markets open.

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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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