Please find our Research on Bloomberg BRYG <GO>)

28th April 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17990.32	+0.07%	+3.24%
S&P 500	2091.7	+0.19%	+2.34%
Nasdaq	4888.28	-0.15%	-2.38%
Nikkei	17353.28	-0.49%	-8.83%
Stoxx 600	347.314	+0.18%	-5.06%
CAC 40	4533.18	-0.28%	-2.24%
Oil /Gold			
Crude WTI	41.5	0.00	+11.56%
Gold (once)	1241.61	+0.08%	+16.87%
Currencies/Rates			
EUR/USD	1.13075	+0.35%	+4.09%
EUR/CHF	1.0999	+0.19%	+1.15%
German 10 years	0.3	+11.23%	-52.65%
French 10 years	0.555	+6.97%	-43.43%
Euribor	-	+-%	+-%

Economic releases :

Date	
28th-Apr	JP - BoJ basic balance rate
	JP - Jobless rate (3.3%E)
	DE - Unemployment Change Apr. (6.2% E)
	DE - CPI Apr. (-0.2% E m/m)
	US - Initial Jobless Claims (260K E)
	US - GDP 1Q (0.5% E)

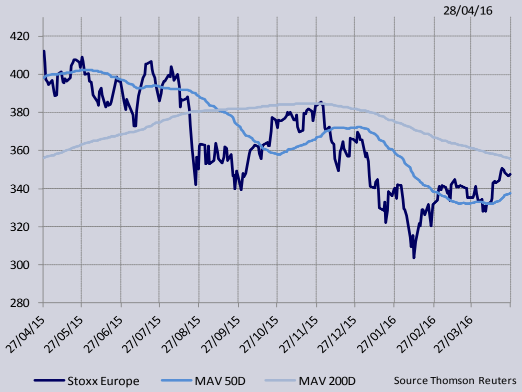
Upcoming BG events :

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

Recent reports :

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

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



ADIDAS GROUP — **BUY, Fair Value EUR122 vs. EUR108 (+7%)**

Impressive start to the year

ALTRAN TECHNOLOGIES — **NEUTRAL, Fair Value EUR13 (+5%)**

Q1 16 sales above expectations, outlook confirmed

AXWAY SOFTWARE — **NEUTRAL, Fair Value EUR20 (+3%)**

Q1 16 sales below our expectations, focused on the transformation plan

BIC — **NEUTRAL, Fair Value EUR119 (-11%)**

Conference call feedback: some margin headwinds should ease off gradually

CAPGEMINI — **BUY, Fair Value EUR96 vs. EUR90 (+22%)**

Q1 16 conference call feedback: more confidence in revenues and margins

GLAXOSMITHKLINE — **BUY, Fair Value 1700p vs. 1670p (+17%)**

Strong start to the year, including favourable phasing

INTEGRATED UTILITIES

Carbon floor price to the rescue?

NUMERICABLE SFR

Buying media assets: great marketing, equity story still to be written…

QIAGEN

Delayed ramp-up in profitability

SAINT GOBAIN

Q1 in line. Buy reiterated despite cautious comments on outlook in France.

STMICROELECTRONICS

The environment is improving but execution remains the key

SUEZ

Q1 metrics: flat LfL EBIT growth, as expected. 2016 guidance confirmed despite poor year start

VICAT

Q1 sales slightly above our expectations. Decent outlook.

In brief...

CARREFOUR, *The Moulin Family has crossed the threshold of 15% of Carrefour's voting rights*

HERMÈS INTL., *Q1 sales up 6% organically (in line with expectations) but the quality is there!*

IPSEN, *Unfavourable inventory effects in emerging markets take harsh toll on Q1 sales*

MUNICH RE, *Poor Q1, FY guidance at risk*

SANOFI, *Battle over Medivation is just starting*

CONSTRUCTION & MATERIALS, *Healthy growth in Nexity sales in Q1 2016*

Luxury & Consumer Goods

adidas Group

Price EUR114.00

Impressive start to the year

Fair Value EUR122 vs. EUR108 (+7%) **BUY**

Bloomberg	ADS GY
Reuters	ADSG.F
12-month High / Low (EUR)	108.6 / 63.7
Market Cap (EUR)	22,975
Ev (BG Estimates) (EUR)	23,964
Avg. 6m daily volume (000)	1 061
3y EPS CAGR	20.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.0%	16.2%	31.5%	19.7%
Consumer Gds	1.7%	2.0%	-4.3%	-3.3%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	16,915	18,924	20,219	21,750
% change		*11.9%*	*6.8%*	*7.6%*
EBITDA	1,442	1,712	1,996	2,234
EBIT	1,059	1,276	1,511	1,712
% change		*20.5%*	*18.4%*	*13.3%*
Net income	630.0	842.9	1,019	1,166
% change		*33.8%*	*20.9%*	*14.5%*

	2015	2016e	2017e	2018e
Operating margin	6.3	6.7	7.5	7.9
Net margin	3.7	4.5	5.0	5.4
ROE	11.1	15.2	16.5	17.0
ROCE	10.0	11.9	13.9	15.1
Gearing	8.1	17.9	10.4	3.5

(EUR)	2015	2016e	2017e	2018e
EPS	3.32	4.18	5.05	5.79
% change	-	*26.0%*	*20.9%*	*14.5%*
P/E	32.4x	27.3x	22.6x	19.7x
FCF yield (%)	2.7%	1.8%	3.3%	3.8%
Dividends (EUR)	1.60	1.85	2.15	2.40
Div yield (%)	1.5%	1.7%	2.0%	2.2%
EV/Sales	1.4x	1.2x	1.1x	1.0x
EV/EBITDA	15.9x	14.0x	11.8x	10.4x
EV/EBIT	21.7x	18.8x	15.6x	13.6x

Yesterday's better-than-expected Q1 preliminary results again confirmed adidas' strong comeback, supported not only by powerful and structural drivers in sporting goods markets (not new) but also by positive results from the new consumer-centric organisation and improved execution (new). Following this publication and the more optimistic FY outlook, we are revising up our FY16-17 assumptions (+7% on average) and our normative operating margin (10% vs. 9.5% previously), leading to our new FV of EUR122 vs. EUR108. Buy recommendation confirmed.

ANALYSIS

- **Fast and healthy momentum within the sporting goods industry... adidas'** stellar performance over Q1 (+22% FX-n vs. CS of 12%e) and recent publications (**Nike**: Q3 FY16 sales up 14% FX-n, **Under Armour**: Q1 revenue soared 32% FX-n) show that the industry is clearly benefiting from structural demographic, fashion and distribution trends: **1/** Indeed growing wealth and the emerging middle-class in fast-growing markets are key drivers, but the market growth was also driven by consumers who are becoming more health-conscious, as highlighted by the increasing sports participation across the world. **2/** The frontier between Performance and Lifestyle is getting thinner and thinner and social media play a key role in driving consumers, ADS is well-positioned to capitalise on this fashion trend thanks to Originals and NEO. While this move towards fashion implies higher volatility (consumers are more volatile, risk that part of the collections will not be well received by customers, etc.), it plays positively on volumes and price-mix if brands are successful. **3/** The direct-to-consumer channel is a significant growth driver, especially the online business which grew 42% to over EUR600m last year.
- **… and adidas Group has improved its execution.** The group has not communicated growth by region but we believe that it was broad-based across the key markets such as **Western Europe** (BG: ~+30%e), **Greater China** and **MEEA** (>+20%e) and with an acceleration in **North America** (~+15%e). In our view, these sound performances are explained by the combination of an improved execution and effective marketing campaigns which produce a strong resonance amongst consumers. The success of Originals' footwear franchises (*Stan Smith*, *Superstar*, *Yeezy Boost*, etc.) is backed by a convincing presence on social media.
- **FY sales outlook raised...** The group now anticipates FX-n sales growth of "around 15%" vs. +10-12% previously, representing the fastest top-line increase since 2006 (+14% FX-n excluding the acquisition of Reebok). Besides the Lifestyle Division, the Performance category is also gaining traction ahead of three major sporting events (Copa America, EURO Championship and Rio Olympics to a lesser extent), without forgetting the acceleration in Running and in US sports. Our new FY16 forecast is aligned with the revised guidance (+15% vs. 10% previously) but we have also retained a more adverse FX impact (~3pp vs. ~2pp).
- **… and FY earnings outlook as well.** ADS expects net income from continuing operations to increase by 15-18% (vs. +10-12% initially). Operating margin guidance is unchanged but the target is wide enough ("*at least stable vs. the 2015 level*") to allow a slight improvement over 2015. Hence we now anticipate an operating margin of 6.7% (+20bp over 2015) vs. 6.5% previously, as the negative FX impact will be offset by a more favourable product/price-mix and a more positive operating leverage (stronger top line growth).

VALUATION

- Our new FV to EUR122 is derived from our 7% upward revision to our FY16-17 assumptions, as well as our new normative operating margin (10% vs. 9.5%). This adjustment is justified by the ramp up in margin enhancers (i.e. robust organic growth, favourable product/price-mix, better execution) resulting from the group's new strategy, which bodes well for MT. Buy recommendation confirmed.

NEXT CATALYSTS

- Q1 results and conference call at 3:00pm (CET) on 4th May // AGM on 12th May.

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TMT

Altran Technologies

Price EUR12.40

Q1 16 sales above expectations, outlook confirmed

Fair Value EUR13 (+5%) **NEUTRAL**

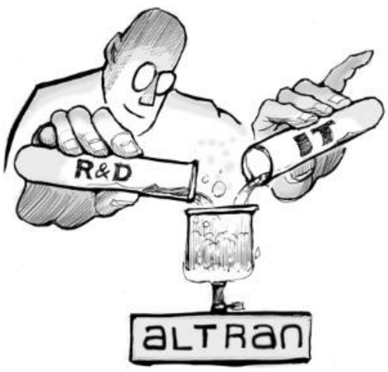
Bloomberg	ALT FP
Reuters	ALTR.PA
12-month High / Low (EUR)	12.6 / 9.3
Market Cap (EUR)	2,179
Ev (BG Estimates) (EUR)	2,235
Avg. 6m daily volume (000)	260.8
3y EPS CAGR	14.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.2%	5.4%	11.6%	0.4%
Softw.& Comp.	-0.5%	-0.5%	1.1%	-3.8%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	1,945	2,081	2,194	2,316
% change		*7.0%*	*5.4%*	*5.6%*
EBITDA	208	236	268	305
EBIT	155.0	185.0	218.0	251.0
% change		*19.4%*	*17.8%*	*15.1%*
Net income	123.0	140.0	162.0	186.0
% change		*13.8%*	*15.7%*	*14.8%*

	2015	2016e	2017e	2018e
Operating margin	9.6	10.2	11.0	11.9
Net margin	5.2	5.7	6.5	7.1
ROE	12.6	13.6	14.9	15.6
ROCE	15.0	16.5	18.4	21.1
Gearing	18.0	6.0	-3.0	-14.0

(€)	2015	2016e	2017e	2018e
EPS	0.70	0.80	0.92	1.06
% change	-	*14.3%*	*15.0%*	*15.2%*
P/E	17.7x	15.5x	13.5x	11.7x
FCF yield (%)	3.6%	5.1%	6.5%	7.6%
Dividends (€)	0.20	0.25	0.30	0.30
Div yield (%)	1.6%	2.0%	2.4%	2.4%
EV/Sales	1.2x	1.1x	1.0x	0.9x
EV/EBITDA	11.2x	9.5x	8.0x	6.7x
EV/EBIT	12.5x	10.5x	8.9x	7.4x



This morning Altran reported Q1 16 revenues 2% ahead of our forecasts and 1% above the consensus average, with accelerating growth momentum in France, Asia and the US. Germany is still declining but the country is expected to be back to growth in Q2 as expected. Unsurprisingly, management considers 2016 will be another year of profitable growth. We expect the share price to react positively short-term.

ANALYSIS

- **Q1 16 sales above expectations**. Q1 16 sales were up 10.5% to EUR522.4m (+6% lfl, and +6.2% lfl restated from calendar effects) or 2% ahead of our estimate (EUR513.2m, +3.4% lfl) and 1% above the consensus average (EUR515m, +4.2% lfl). Growth momentum has significantly improved in France (driven by Automotive, Aerospace and Life Sciences), Asia and the US and remains solid in Southern Europe, while Germany reached its inflexion point as expected. On a lfl basis, France was up 6.8%, vs. -1.5% for Northern Europe (Germany -8.9%, Benelux -2%, UK +8.9%, Scandinavia -9.5%, Switzerland +20.7%), +11.2% for southern Europe (Italy +8.9%, Spain +15.5%, Portugal +2.4%) and +23.1% in the Rest of World region (USA +23.4%, India +42.7%, China +17%).
- **Sharp headcount increase, stable invoicing rate**. On 31st March 2016, headcount was 26,681, up 746 vs. 31st December 2015, with hirings mainly spread across Southern Europe, France, Morocco and India - taking into account the ramp-up of the deal with Nokia announced in January. The "invoicing" (i.e. utilisation) rate excluding Cambridge Consultants, Foliage and Tessella was stable, at 86.7% in Q1 16 (87.3% excluding Germany), flat vs. Q1 and down 0.9ppt compared to Q4 15.
- **Outlook reiterated**. In its statement, management confirmed that 2016 will be another year of profitable growth for Altran. At this stage, we expect an op. margin of 10.2% for revenues up 5% lfl. Altran is just at the start of its "Altran 2020 Ignition" plan, which aims to generate at least EUR3bn in revenues (based on an average 4.5% lfl annual revenue growth and EUR500m revenues from acquisitions) and an operating margin of c. 13% in 2020.

VALUATION

- Altran's shares are trading at est. 10.5x 2016 and 8.9x 2017 EV/EBIT multiples.
- Net debt on 31st December 2015 was EUR138.3m (net gearing: 19%).

NEXT CATALYSTS

Conference call today at 9am CET / 8am BST / 3am EDT (France: + 33 1 70 77 09 39; UK: + 44 20 33 67 94 59).

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TMT

Axway Software

Price EUR19.44

Q1 16 sales below our expectations, focused on the transformation plan

Fair Value EUR20 (+3%) **NEUTRAL**

Bloomberg	AXW FP
Reuters	AXW PA
12-month High / Low (EUR)	25.7 / 19.3
Market Cap (EUR)	400
Ev (BG Estimates) (EUR)	385
Avg. 6m daily volume (000)	9.10
3y EPS CAGR	3.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.9%	-16.6%	-19.7%	-20.3%
Softw.& Comp.	-0.5%	-0.5%	1.1%	-3.8%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	284.6	305.2	325.3	350.0
% change		*7.2%*	*6.6%*	*7.6%*
EBITDA	50.7	48.4	53.1	59.5
EBIT	27.4	32.0	40.7	47.0
% change		*16.8%*	*27.0%*	*15.6%*
Net income	41.0	36.8	40.8	45.8
% change		*-10.1%*	*10.8%*	*12.2%*

	2015	2016e	2017e	2018e
Operating margin	15.6	14.8	15.3	16.0
Net margin	9.8	8.3	9.8	10.6
ROE	8.2	7.1	8.4	9.0
ROCE	15.3	11.4	12.3	14.0
Gearing	-10.5	-4.3	-13.1	-22.0

(EUR)	2015	2016e	2017e	2018e
EPS	1.96	1.73	1.91	2.14
% change	-	*-11.8%*	*10.5%*	*12.2%*
P/E	9.9x	11.2x	10.2x	9.1x
FCF yield (%)	11.1%	7.8%	10.3%	11.7%
Dividends (EUR)	0.40	0.40	0.39	0.45
Div yield (%)	2.1%	2.1%	2.0%	2.3%
EV/Sales	1.3x	1.3x	1.1x	0.9x
EV/EBITDA	7.2x	7.9x	6.6x	5.2x
EV/EBIT	8.2x	8.5x	7.0x	5.5x

Yesterday evening Axway reported Q1 16 sales 4% below our expectations, essentially due to the slippage in a couple of licence deals in France, while America confirmed its strong recovery. We are making virtually no change to our forecasts as we cannot rule out that the prospect of longer sales cycles in Operational Intelligence (OI, ex Systar) transforming into deals at the back-end of the year. We do not expect the share price to react significantly short-term, pending more positive catalysts.

ANALYSIS

- **Q1 sales penalised by slippage in a couple of deals**. Q1 sales rose 4.3% (+2.3% lfl) to EUR65.3m or 4% below our EUR67.9m estimate, with Licences down 8.6% lfl to EUR12.4m (BG est.: EUR14.8m), Maintenance up 3.5% lfl to EUR34.7m (BG est.: EUR35.4m), and Services up 8.8% lfl to EUR18.2m (BG est.: EUR17.7m) including cloud subscriptions up 20%+ to EUR4.2m. Sales were negatively impacted by the slippage of 5-6 licence deals in France for an est. EUR1.3m, mostly in Operational Intelligence (OI, ex Systar), of which many of them already slipped from Q4 15. The net cash position on 31st March 2016 was EUR15.6m, which means net cash flow in Q1 16 was a negative EUR20.1m, taking into account, on the negative side, the payment of the acquisition of Appcelerator (BG est.: EUR45m) and, on the positive side, the cash-in of maintenance contracts.
- **More details on revenues by geography**. 1). France was down 9.2% lfl to EUR20.1m due to the above-mentioned delayed licence deals with lengthening sales cycles due to the larger number of parties involved in the decision-making process (lines of business on top of IT), and tough comps given that Axway sold a significant amount of software licences to banks in Q1 15; 2). The Rest of Europe was up 2.3% lfl to EUR14.6m, with 20%+ growth in the UK, but flat or slightly declining revenues in Germany and other countries; 3). America was up 11.6% lfl to EUR27.5m, driven by a +24% on licence sales; 4). Asia-Pacific was up 11% lfl to EUR3.3m.
- **The integration of Appcelerator looks promising**. Axway considers the acquisition of Appcelerator in January 2016 looks promising. The customer feedback has been very positive and the synergies between mobile technology and the existing digital offering (notably APIs) show the potential for rapid sales growth. While Appcelerator's SaaS/Cloud model will remain intact, Axway expects the first enterprise licence deals to be signed before the end of Q2.
- **Focused on the transformation plan**. Management considers Q1 sales were in line with the transformation plan (clear move to Digital, "digitising" the product portfolio, streamlining R&D centres, sales focus on America and Digital). It is paying close attention to progress in this plan within the context of the transition started just six months ago. Finally, it is very confident about the performance in America in 2016 (+20% expected on licence sales over the full-year), while growth in France remains conditional on the signature of several licence deals which determine the final performance for the quarter. At this stage, we see no reason to change our forecasts and cannot rule out the prospect of 2016 being more back-end loaded on licence sales.

VALUATION

- Axway's shares are trading at est. 8.5x 2016 and 7.0x 2017 EV/EBIT multiples.
- Net cash position on 31st December 2015 was EUR35.7m (net gearing: -11%).

NEXT CATALYSTS

- AGM on 21st June.
- H1 16 results on 27th July after markets close.

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Luxury & Consumer Goods

BIC

Price EUR125.20

Conference call feedback: some margin headwinds should ease off gradually

Fair Value EUR119 (-11%) **NEUTRAL**

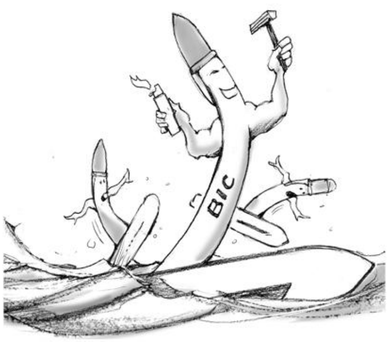
Bloomberg	BB FP
Reuters	BICP.PA
12-month High / Low (EUR)	160.8 / 125.0
Market Cap (EURm)	5,996
Ev (BG Estimates) (EURm)	5,635
Avg. 6m daily volume (000)	49.50
3y EPS CAGR	1.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.0%	-8.7%	-6.4%	-11.7%
Consumer Gds	1.7%	2.0%	-4.3%	-3.3%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	2,242	2,304	2,418	2,527
% change		*2.8%*	*5.0%*	*4.5%*
Normalized IFO	432	422	451	478
IFO	439.9	417.2	446.4	473.1
% change		*-5.2%*	*7.0%*	*6.0%*
Net income	325.1	298.2	320.1	340.2
% change		*-8.3%*	*7.3%*	*6.3%*

	2015	2016e	2017e	2018e
IFO margin	19.6	18.1	18.5	18.7
Net margin	14.5	12.9	13.2	13.5
ROE	17.3	15.3	14.5	13.6
ROCE	18.4	15.4	14.7	14.2
Gearing	-24.2	-18.4	-18.3	-19.5

(EUR)	2015	2016e	2017e	2018e
EPS	6.79	6.23	6.68	7.10
% change	*-*	*-8.3%*	*7.3%*	*6.3%*
P/E	19.7x	19.8x	18.5x	17.4x
FCF yield (%)	5.3%	3.5%	3.8%	4.5%
Dividends (EUR)	5.90	3.50	3.70	3.95
Div yield (%)	4.4%	2.6%	2.8%	2.9%
EV/Sales	2.7x	2.6x	2.5x	2.3x
EV/EBITDA	13.8x	10.4x	9.4x	8.8x
EV/EBIT	13.6x	13.5x	12.5x	11.6x



No breaking news came out of the conference yesterday, although it was a good opportunity for management to explain FY guidance in further detail (e.g.: the FY NIFO margin target includes the negative impact from the special bonus). We have made minor adjustments to our FY16 assumptions, hence our FV is unchanged at EUR119 with a Neutral recommendation.

ANALYSIS

- **Robust Q1 growth levels in Stationery (+7.9%) and Shavers (+10.9%) are not extrapolable to the rest of the year.** Management declared that these two categories grew above internal expectations in Q1 but the group's FY guidance would not include further momentum of this level over the remainder of the year. **Stationery** sales increased in high single-digits in Europe and North America and MSD in Latin America. However the group remains quite cautious about prospects, especially in North America as it anticipates a competitive and promotional back-to-school season there. As for **Shavers**, BIC registered double-digit growth in Europe and in emerging markets, and a MSD increase in North America (+1.9 pts in value share to 27.3%), driven by new launches and brand support.
- **Cello Pens: domestic sales were up 10%.** This good performance confirmed that the brand has regained some traction since Q3, although growth was partly driven by promotions, as the Indian market remains highly competitive. The group continues to reshuffle the supply chain to raise quality standards.
- **We fine-tune our FY16 sales forecast.** We are nudging up our LFL growth assumption to 5.5% vs. 5% previously (CS was expecting 4.7% prior to the publication) and the group maintained its FY16 outlook for "mid single-digit" growth, which could seem cautious given the positive results from the step up in brand support, as highlighted by the better-than-expected Q1 LFL growth (+6.9% vs. CS of 3.8%). Indeed 5% LFL growth in 2016 would imply ~4.5% over the remaining three quarters after +6.9% in Q1. On the negative side, we retain a more harmful FX effect (-2.7% vs. -0.7% previously) given the significant fall of most of the Latin American currencies.
- **We are making no change to our FY16 NIFO assumption.** BIC also reiterated guidance for a 100-150bp decline over 2016, which includes the negative impact from the special bonus. Stripping out this one-off charge, the profitability dropped by 290bp to 17%, as incremental brand support and R&D expenses cost 80bp and 50bp respectively. **What to expect for the remainder of the year?** Management confirmed that these opex investments would remain in the same order of magnitude (i.e. ~130bp) but some pressure at the GM level (packaging costs, etc.) is expected to gradually ease off throughout the rest of the year. We expect a 100bp decline in the 2016 NIFO margin to 18.3%.

VALUATION

- In our view, the 6.5% decrease in the share price yesterday was explained by the margin miss, as investors might have underestimated the significant increase in brand support. Still, we do not see any major downside risk to FY16 targets as the group is traditionally more conservative than the consensus.
- Despite sound fundamentals and an attractive yield, we maintain our Neutral recommendation mainly because of a stretched valuation, the stock trades at 13.5x 2016e EV/EBIT, representing a 33% premium to 2004-16 historical average.

NEXT CATALYSTS

- AGM on 18th May 2016 // H1 Results on 4th August 2016.

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Capgemini

Price EUR78.58

Q1 16 conference call feedback: more confidence in revenues and margins

Fair Value EUR96 vs. EUR90 (+22%) **BUY**

Bloomberg	CAP FP
Reuters	CAPP.PA
12-month High / Low (EUR)	90.2 / 69.0
Market Cap (EUR)	13,530
Ev (BG Estimates) (EUR)	14,561
Avg. 6m daily volume (000)	665.1
3y EPS CAGR	11.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.5%	-7.0%	-4.5%	-8.2%
Softw.& Comp.	-0.5%	-0.5%	1.1%	-3.8%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	11,915	12,743	13,202	13,707
% change		*6.9%*	*3.6%*	*3.8%*
EBITDA	1,577	1,721	1,853	1,979
EBIT	1,022	1,231	1,373	1,499
% change		*20.4%*	*11.5%*	*9.2%*
Net income	798.7	940.5	1,032	1,123
% change		*17.8%*	*9.8%*	*8.8%*

	2015	2016e	2017e	2018e
Operating margin	10.6	11.3	12.0	12.4
Net margin	9.4	6.0	6.5	6.9
ROE	16.3	10.3	10.7	11.0
ROCE	17.2	12.8	14.3	15.9
Gearing	25.3	13.9	2.3	-8.5

(EUR)	2015	2016e	2017e	2018e
EPS	4.66	5.44	5.93	6.45
% change	-	*16.9%*	*9.0%*	*8.8%*
P/E	16.9x	14.4x	13.3x	12.2x
FCF yield (%)	6.1%	6.6%	7.4%	7.9%
Dividends (EUR)	1.35	1.50	1.60	1.70
Div yield (%)	1.7%	1.9%	2.0%	2.2%
EV/Sales	1.3x	1.1x	1.0x	0.9x
EV/EBITDA	9.7x	8.5x	7.4x	6.5x
EV/EBIT	12.1x	10.1x	8.7x	7.5x

We reiterate our Buy rating and increase our DCF-derived Fair Value to EUR96 from EUR91 following yesterday's conference call. This factors in the increase in our adj. EPS ests. by 1-2% on fx (+EUR1) and our medium-term lfl sales growth assumption to 5% from 4% (+EUR5) as management reiterated its +5-7% target for 2018 or 2019. As synergies with Igate are delivered ahead of schedule, we expect Capgemini to be able to reach the top-end of the FY16 margin guidance range (11.1-11.3%) at least.

ANALYSIS

- **A bit more confidence in revenues, medium-term target reiterated**. While confirming 2.5-4.5% lfl growth guidance for 2016, management is a bit more confident in revenue trends, based on very solid demand for Digital & Cloud, while service automation helps gain market share. Management considers Capgemini should be close to the middle of the range in H1, which implies nearly +4% lfl in Q2. For the medium-term (2018 or 2019), it is reiterating its 5-7% lfl growth target. France had a good start in Q1 (+2% lfl, driven by +6% in Application Services) and is expected to accelerate further in Q2. The UK posted positive lfl growth despite the fall in government-related revenues thanks to double-digit growth in commercial sectors, and is expected to grow over the full-year. North America was up 3.1% lfl including Energy & Utilities, but the latter (14% of regional revenues) was down in strong double-digits, and will not improve before H2. In the Rest of Europe region, Benelux was down slightly, but Capgemini saw double-digit growth in Germany and Italy and mid-single digit growth in Nordic countries. Finally, Asia Pacific was up double-digit and Latin America shrunk in Q1, will keep declining in Q2 but may get stabilise in H2 as comps will be easier.

- **More optimism on margins**. Capgemini reiterated op. margin guidance for 2016 (11.1-11.3%) but is more optimistic since synergies with Igate are being delivered ahead of schedule. Management admits this will have some impact on the margin. The integrated businesses and P&Ls are fully up and running, and 90% of the merger of legal entities should be complete by end 2016. The 0.3ppt headwind from growth investments to the FY16 margin has been reiterated, but the impact will be lower for H1 (-0.2ppt) than for H2. Despite the strong demand of digital and cloud skills, wage inflation is not a particular issue, and it is still 7-8% offshore, in line with the last 3-4 years. The offshore headcount was up 3.3% vs. end 2015, while onshore was down 1.1%. The offshore leverage of 55% reached 35% in Continental Europe, 60% in the UK, and 72% in North America, and this helps Capgemini increasing its competitiveness. Finally, investments in service automation continue, especially in Infrastructure Services and Business Services (BPO+ITOPS), while IBM Watson artificial intelligence will be used to manage the demand and supply for people staffing.

- **Bigger acquisitions to resume, but not before H2**. Capgemini intends to keep acquiring small companies like Oinio and Fahrenheit 212 in Digital & Cloud - other small deals of 50-100 staff are expected in Q2 and/or later this year. As private equity funds and stock markets are less hungry for high valuations, the company is more keen on acquiring bigger targets - several hundreds of million euros or more, but definitely not of the same size as Igate - with North America as the main priority -, but not before H2, once the bulk of the integration of Igate is complete.

VALUATION

- Capgemini's shares are trading at est. 10.1x 2016 and 8.7x 2017 EV/EBIT multiples.
- Net debt on 31st December 2015 was EUR1,747m (net gearing: 25%).

NEXT CATALYSTS

- AGM on 18th May. Capital Markets day on 1st June in Munich (Germany).
- H1 results on 27th July before markets open.

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Healthcare

GlaxoSmithKline

Price 1,459p

Strong start to the year, including favourable phasing

Fair Value 1700p vs. 1670p (+17%) **BUY**

Bloomberg	GSK LN
Reuters	GSK.L
12-month High / Low (p)	1,562 / 1,238
Market Cap (GBPm)	71,040
Ev (BG Estimates) (GBPm)	97,723
Avg. 6m daily volume (000)	8 379
3y EPS CAGR	11.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.0%	3.0%	6.5%	6.2%
Healthcare	5.0%	-3.7%	-8.4%	-8.7%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%

YEnd Dec. (GBPm)	2015	2016e	2017e	2018e
Sales	23,923	25,866	26,611	27,285
% change		*8.1%*	*2.9%*	*2.5%*
EBITDA	7,429	8,805	9,466	9,606
EBIT	5,729	7,105	7,766	7,906
% change		*24.0%*	*9.3%*	*1.8%*
Net income	3,658	4,366	4,810	5,058
% change		*19.4%*	*10.2%*	*5.2%*

	2015	2016e	2017e	2018e
Operating margin	23.9	27.5	29.2	29.0
Net margin	15.3	16.9	18.1	18.5
ROE	78.0	88.0	89.5	76.1
ROCE	14.7	17.4	18.6	19.0
Gearing	118.9	124.1	94.7	65.1

(p)	2015	2016e	2017e	2018e
EPS	75.71	90.08	96.03	104.35
% change	-	*19.0%*	*6.6%*	*8.7%*
P/E	19.3x	16.2x	15.2x	14.0x
FCF yield (%)	2.7%	5.6%	6.9%	8.1%
Dividends (p)	100.00	80.00	80.00	88.00
Div yield (%)	6.9%	5.5%	5.5%	6.0%
EV/Sales	4.0x	3.8x	3.6x	3.5x
EV/EBITDA	13.0x	11.1x	10.2x	9.9x
EV/EBIT	16.9x	13.8x	12.5x	12.0x

At mid session yesterday, GSK reported first-quarter earnings that were comfortably above estimates with both top-line and margins healthier than expected. The two majors beats at the revenue level stemmed from an under-estimated full-quarter consolidation impact from Novartis' CHC business and from favourable phasing in vaccine shipments and tenders. Together with seasonality and some positive mix effects, these two elements also boosted Q1 margins to a level that will not be sustainable over the year. In all, we would say that while Q1 earnings were pleasant and support our investment thesis, they have less of an impact on FY numbers than thought hence a modest FV move.

ANALYSIS

- Yesterday, GSK's numbers came out well above estimates, beating sales (up 8% at CER) by about GBP300m and core EPS (up 8% at CER) by 10%, despite an increase in the number of shares used for computation.
- Going through the whole portfolio, it was hard finding big differences in individual pharma products and honestly we would even say that there were more disappointments than nice surprises, from Nucala (only GBP7m) to Breo and Anoro. Only Triumeq was above estimates, once again, but more marginally than in previous quarters. Actually the clear outperformers were Vaccines and CHC by respectively GBP60m and GBP200m. Pro-forma vaccine sales grew 14% during the quarter, helped by strong organic growth from Meningitis vaccines Menveo and Bexsero but also by a different phasing in orders for Synflorix. A significant part of the difference is expected to be reversed in coming quarter(s). As far as CHC goes, the difference is huge and we, as well as the consensus, did not properly factor in the full-quarter impact of a strong quarter for the former Novartis business (one month in Q1 2015 and three months in Q1 2016). Underlying growth was 4% but reported growth excluding currencies was 26% and obviously we did not fully capture this scope impact. Performance of Flonase OTC during the quarter was also particularly strong.
- These two businesses were also behind the surprise for the rest of the P&L as their respective operating margins meaningfully exceeded previous quarters' levels and estimates. Core operating margin in vaccines jumped from 26.4% on average in 2015 to 28.7% in Q1 2016 and although it is headed to the "north of 30%" target, it may not be the full-year level as some positive effects seen in Q1 will not repeat. The same is true for CHC where core margin was 17.2% (vs 13.2% in Q1 2015 and 11.3% on average in 2015). This already significant improvement reflects concentration on core brands and cost reductions including synergies with Novartis (80% of sites are closed and 90% of people decisions implemented). But here again, seasonality in the business and particularly strong quarter for Flonase had positive mix effects that cannot be extrapolated over the full year.

VALUATION

- We have revised our assumptions for full-year CHC revenues and more marginally for CHC operating margin. This was behind most of our revised numbers for 2016. That said, we had already been bullish with margin increase over the years and so this is mainly a quicker uptake this year with no change over the medium-term (we have 20-21% in 2019). This is why our FV is only modestly impacted by GBp30 to GBp1,700. However, our investment thesis is more than endorsed by these results and the quarterly release strengthens our BUY rating.
- Now we see two main potential FV drivers on the upside: the first is R&D as few new products are currently included into our sales model and the second is fresh impetus from new CEO.

NEXT CATALYSTS

- 12th May 2016: ex-Q1 dividend date (GBp19 per share)

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Sector View

Integrated Utilities

Carbon floor price to the rescue?

	1 M	3 M	6 M	31/12/15
Utilities	3.4%	0.8%	-6.5%	-2.8%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%

*Stoxx Sector Indices

Companies covered

E.ON		**BUY**	**EUR10**
Last Price	EUR9,063	*Market Cap.*	EUR18,135m
EDF		**BUY**	**EUR13,5**
Last Price	EUR11,545	*Market Cap.*	*EUR22,168m*
ENGIE		**BUY**	**EUR16,5**
Last Price	EUR14,3	*Market Cap.*	*EUR34,825m*
RWE		**NEUTRAL**	**EUR9,5**
Last Price	EUR12,395	*Market Cap.*	*EUR7,491m*

The implementation of a carbon price floor mechanism in France by 2017 now seems possible with the French President confirming comments made earlier by the Energy Minister. If confirmed, we estimate French power prices could increase by around EUR17/MWh to EUR45/MWh closer to the 2013-14 level and to the benefit of EDF and Engie. We see strong upside for EDF and Engie if confirmed. Positive.

ANALYSIS

- **What's in the news?** Earlier this week, France's President Hollande stated at a conference that France will adopt a **unilateral carbon price floor**, and repeated this in a tweet from the French Presidency official Twitter account. This statement confirms the comments made by Energy minister Ségolène Royal a few days ago when announcing that a French carbon floor could come into force as early as January 2017. Back then, Royal indicated that carbon prices needed to reach a figure of around **EUR30/tonne** to promote switching from coal to gas in France. Her comment was accompanied by interesting figures confirming the strong difference in load factors between gas and coal assets in France. Implementing this carbon floor, similar to a move already implemented in the UK (*GBP18/tonne on top of the EU ETS price implies a full carbon price of EUR29-30/tonne*) should push up French power prices (*and potentially Belgian and German power prices*) given that the **short run marginal cost** (SRMC) of both gas and coal generation assets will increase from **EUR20-29/MWh** today **to EUR42-49/MWh**. This increase in SRMC suggests that French power prices could rise up to **EUR45/MWh vs. EUR28-29/MWh**, primarily to the benefit of **EDF**.

- **Impact for EDF?** Given that this carbon price floor is only set to be implemented in France implies most of the direct impact will occur in the French power market even if repercussions could be seen in other bordering countries such as Belgium or Germany. EDF's strong exposure to non C02 emitting technologies (nuclear, hydro and other renewables in France) logically makes it the most positively impacted by such a mechanism. Assuming this **EUR30/tonne carbon price floor is implemented in France** could imply, as mentioned above, a rise in the French power price curve of **EUR15-17/MWh** to **EUR45/MWh**. Integrating this estimate into our EDF model would imply a near doubling in our restated **EDF 2018e EPS to EUR1.85/share** leading to an implicit **2018e P/E of 6.2x** at the current share price compared with **12.3x** assuming French power prices remain below the **EUR30/MWh** level. We estimate a **EUR1/MWh** increase in French power prices could have a positive impact of around **5-6%** on our restated EPS. **EDF is the most exposed to changes in power prices in our integrated utilities universe.** We also estimate that our FV for EDF could almost double to **EUR25/share** (+80% upside) assuming prices get closer to **EUR45/MWh**.

- **Impact for other integrated utilities?** The above sensitivity assumption for EDF is only based on French power generation assets, yet when extrapolating this impact to the average European power price (*currently at EUR30/MWh*) we estimate Engie and E.ON could see their EPS climb by **1.7% and 1.2%** respectively for a EUR1/MWh increase in prices. Assuming **EUR45/MWh** is the new power price to reflect the **EUR30/tonne** carbon price floor, could then imply a double digit EPS increase for Engie and E.ON (*respectively 22% and 18%),* and a mid-single digit increase for RWE (*higher exposure to coal and lignite and more limited exposure to nuclear*). Based on this estimate this could imply a potential FV impact of +EUR3 for Engie, +EUR1.9 for E.ON and only +EUR0.5 for RWE.

- **Conclusion:** A mechanism of this type would clearly be a strong earnings growth driver for the sector, yet given that the decision to implement it or not remains in the hands of politicians it is hard for us to put a probability in it. In our models we continue to assume power prices will remain below EUR30/MWh on average, yet favour stocks with low exposure to coal and high exposure to renewables.

VALUATION

- At the current share price, the SX6P index is trading at 18x and offers a 4.8% yield.
- We continue to favour Engie and E.ON over EDF and RWE

NEXT CATALYSTS

- 29th April – Engie // Q1-16 earnings

- 10th May – EDF // Q1-16 earnings
- 11th May – E.ON // Q1-16 earnings
- 12th May – RWE // Q1-16 earnings

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TMT

Numericable SFR

Price EUR28.91

Buying media assets: great marketing, equity story still to be written…

Fair Value EUR28,4 (-2%) **NEUTRAL**

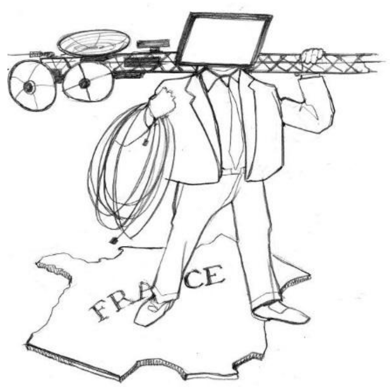
Bloomberg	NUM FP
Reuters	NUME.PA
12-month High / Low (EUR)	48.0 / 28.1
Market Cap (EURm)	12,667
Ev (BG Estimates) (EURm)	27,063
Avg. 6m daily volume (000)	277.0
3y EPS CAGR	17.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-20.6%	-16.9%	-22.3%	-13.7%
Telecom	0.7%	-2.3%	-9.8%	-6.5%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	11,039	10,808	10,886	11,054
% change		*-2.1%*	*0.7%*	*1.6%*
EBITDA	3,860	3,982	4,171	4,402
EBIT	0.0	0.0	0.0	0.0
% change		*NM*	*NM*	*NM*
Net income	682.0	649.3	821.8	1,102
% change		*-4.8%*	*26.6%*	*34.1%*

	2015	2016e	2017e	2018e
Operating margin	11.7	14.9	16.6	19.5
Net margin	6.2	6.0	7.5	10.0
ROE	15.9	13.0	14.2	16.0
ROCE	2.8	4.7	5.2	6.2
Gearing	337.5	292.8	239.5	187.2

(EUR)	2015	2016e	2017e	2018e
EPS	1.45	1.37	1.74	2.35
% change	-	*-5.2%*	*27.0%*	*34.5%*
P/E	19.9x	21.0x	16.6x	12.3x
FCF yield (%)	5.9%	0.0%	4.8%	7.0%
Dividends (EUR)	5.40	0.00	0.00	0.00
Div yield (%)	18.7%	NM	NM	NM
EV/Sales	2.5x	2.5x	2.4x	2.3x
EV/EBITDA	7.0x	6.8x	6.3x	5.8x
EV/EBIT	NS	NS	NS	NS



NC-SFR announced yesterday the acquisition of media assets from Altice and Patrick Drahi's personal holding. Many new products deriving from these deals will soon be lauched by the company, reinforcing its content offer and unique position as a media/telecoms convergent player. Following these acquisitions NC-SFR's net debt is set to increase by EUR575m, and we do not see the acquisition of NextRadioTV's stake as a requirement to deliver convergent offers. Also, although we acknowledge potential editorial, distribution and advertising synergies, we remain cautious on the value creation incurred by these deals, in a French market for Pay-TV and Press where it is still proving difficult to make money.

ANALYSIS

- SFR announced yesterday the acquisition of **Altice's 49% minority stake in NextRadioTV**, a French TV operator focusing on news, sports, business, high-tech and discovery with brands such as **BFM**, **RMC** and **01net.com**. The proposed transaction values NextRadioTV at an **enterprise value of EUR741m** or 7.9x Adjusted EBITDA pro forma for synergies and tax losses carried forward.
- Moreover, SFR announced that it has entered into **exclusive negotiations to acquire Altice Media Group France**, partly owned by Patrick Drahi's personal holding and which publishes major national press titles such as **Libération**, **L'Express**, **L'Expansion**, L'Etudiant and Stratégies, and also operates an international news channel - i24 News. The proposed transaction values Altice Media Group France at an **enterprise value of EUR241 million** or 4.5x Adjusted EBITDA pro forma for synergies and tax losses carried forward.
- The transactions are to be **funded by a combination of SFR's own resources**. EUR100 million of the Altice Media Group France purchase price will be deferred by one year from closing. In our estimates (see below), net debt at NC-SFR will increase by EUR575m, ie +4%, and leverage will increase by **0.1x 2016e EBITDA**.
- SFR will then be organised into **three business units**: SFR Telecom, SFR Media, SFR Advertising. SFR Telecom will be headed by **Michel Paulin**, the other two units by **Alain Weill**.
- Subsequently, SFR will **launch a number of new content services** among which: **SFR Presse** (an application providing access to Altice Media Group titles), **SFR Sport** 1 to 5, (5 new sport channels offering the contents acquired by the group, including Premier League rights), SFR News (including two new channels BFM Sport and BFM Paris).
- Services such as SFR Presse and SFR Sport will **not be exclusively offered to SFR customers**, a **wholesale offer** will be available to other players such as Canal+ or other telecoms operators. We are **positive about this policy**, since we believe it is difficult to make significant profit out of expensive content on a captive customer base, in a tough market for Pay-TV such as France.
- In addition, although we acknowledge some **editorial synergies** allowing to launch new services on **available distribution** platforms at **limited marginal costs**, participating in the **reduction of churn**, we **believe value creation should remain limited:** Customers' **willingness to pay for digital press** is very **uncertain**, and Altice is operating in a **difficult French market for Pay TV** where premium content is expensive and leaders such as Canal+ or BeinSports are still struggling trying to make money.
- Nevertheless, we believe some material **synergies** could arise from the **pooling of advertising agencies**.
- As far the **transaction with NextRadioTV** is concerned: the same marketing opportunities would have been **possible without transfering the 49% stake** from Altice. NC-SFR's **EBITDA and cash will not be impacted** as the stake is not fully consolidated. We see this transaction also as a way for Altice to **deleverage its holding entities and move cash up from its subsidiary**. As already mentioned in our initiation report, minority shareholders in NC-SFR are **exposed to this moving around of assets** between the company and Altice, with the risk of **favouring the interests of the holding company** to the detriment of the daughter.
- We do not impact our Fair Value based on this deal, as the value of NextRadioTV's stake acquired by NC-SFR will be offset by an equivalent **increase in the company's net debt**, and we do not include any significant EBITDA upside stemming from synergies, for the reasons explained above.

- As far the **transaction with NextRadioTV** is concerned: full year pro forma impact on NC-SFR's EBITDA is estimated at **+EUR53m** (assuming NC-SFR's synergy assumptions), and we except very **little impact on earnings**. The company may neverthelss **benefit from fiscal impacts**. At this point, due to a lack of visibility on Altice Media Group financials we are not reviewing our fair value based on this deal.

Valuation of NC-SFR's stake in NextRadioTV– BG Estimates

NextRadioTV Valuation	EURm
EV	741
Estimated net debt (incl. acquisition of 39% of n°23)	60
Equity Value	681
Value of 49% stake	**334**

Impact of media transactions on NC-SFR's net debt – BG Estimates

	Net Debt (as of dec 31st 2015)	Proforma BG 2016e restated EBITDA	Leverage
- Before transactions with NextRadioTV and AMG	14 653	3982	3,68
- Incl. transaction with NextRadioTV	14 987	3982	3,76
- Incl. both transactions	**15 228**	**4036**	**3,77**

VALUATION

- We are sticking to our Fair Value of EUR28.4 with a NEUTRAL recommendation.

NEXT CATALYSTS

- NC-SFR Q1 results on 10th May.

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Healthcare

QIAGEN

Price EUR21.16

Delayed ramp-up in profitability

Fair Value EUR22 (+4%) **NEUTRAL**

Bloomberg	QIA GR
Reuters	QGEN.DE
12-month High / Low (EUR)	26.0 / 17.8
Market Cap (EURm)	5,072
Ev (BG Estimates) (EURm)	5,627
Avg. 6m daily volume (000)	421.8
3y EPS CAGR	7.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.1%	0.1%	-8.1%	-15.7%
Healthcare	6.2%	-2.5%	-7.5%	-7.7%
DJ Stoxx 600	3.5%	3.1%	-8.1%	-5.2%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	1,281	1,324	1,404	1,509
% change		*3.3%*	*6.0%*	*7.5%*
EBITDA	438	446	472	511
EBIT	314.5	322.6	349.3	387.6
% change		*2.6%*	*8.3%*	*11.0%*
Net income	249.3	258.5	276.7	306.0
% change		*3.7%*	*7.1%*	*10.6%*

	2015	2016e	2017e	2018e
Operating margin	24.6	24.4	24.9	25.7
Net margin	19.5	19.5	19.7	20.3
ROE	5.0	4.8	5.1	5.7
ROCE	23.0	19.5	18.0	23.6
Gearing	38.8	21.9	15.5	8.9

(USD)	2015	2016e	2017e	2018e
EPS	1.05	1.09	1.18	1.31
% change	*-*	*4.1%*	*7.5%*	*11.1%*
P/E	22.7x	21.8x	20.3x	18.3x
FCF yield (%)	6.9%	7.0%	6.1%	6.6%
Dividends (USD)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	5.2x	4.8x	4.4x	4.0x
EV/EBITDA	15.3x	14.2x	13.1x	11.7x
EV/EBIT	21.3x	19.7x	17.7x	15.5x

Q1 sales came slightly above CS while significant cost to reallocate the production of QuantiFERON TB test as well as S&M expenses impacted Operating income which came 10% below expectations. However EPS is in line with expectations at USD0.19. We flagged the risk on overly-optimistic consensus which should put the share price under pressure at opening. Indeed, while Q2 sales guidance is in line with expectations, EPS is expected at USD0.21 i.e. 19% below consensus. This may provide entry points as maintained FY2016 guidance translates management's confidence in ramping-up profitability and should be accompanied by a USD100m share repurchase programme.

QIA (USDm exc. PS)	Q1 2015	Q1 2016	Q1 2016 cs	Δ	Q2 2016	Q2 2016 cs	Δ
Revenue	298,7	298,4	294,9	1%	325,8	327,0	0%
% growth		0%	-1%			10%	
Operating Income	67,4	53,4	59,4	-10%			
% margin	22,6%	17,9%	20,1%				
EPS	0,22	0,19	0,19	0%	0,21	0,26	-19%
% growth		-14%					

Source : Company Data; Vara Consensus.

ANALYSIS

- Q1 sales grew 2% CER (of which 1pp from M&A) at USD298.4m, impacted by 2pp headwind from currencies and slightly ahead of consensus expectations at USD294.9m. **Molecular diagnostic grew 2%CER (48% of sales) and 6% CER when excluding the impact of decreasing US HPV sales** (-40%CER) which now represents less than 3% of sales. This was mainly **driven by the strong momentum in QuantiFERON TB test** sales which increased 25% CER yoy (10% of sales) boosted by marketing efforts as well as **QIAsymphony consumables sales which grew double-digits with the group being confident in achieving 1,750 placements** by year-end. **Applied testing sales decreased 5%CER (8% of sales)** with good performance in APAC offset by weak America and EMEA. We would expect Applied testing sales to growth above 7% CER for the remainder of the year. Pharma grew 7% CER (23% of sales) while Academia sales grew 2% with a ramp-up expected in 2016. By region, America was impacted by strong US HPV decline which would have performed 5% CER without the latter. EMEA sales grew 7% CER and APAC grew 4% CER impacted by Japan.
- Turning to profitability, costs to reallocate the manufacting of QuantiFERON TB which should fade away in Q2 as well as spending to reinforce sales force significantly impacted Operating income during the quarter. Adjusted operating income came 10% below consensus expectations at USD53.4m. Lower tax rate enables the group to report EPS in line with consensus at USD0.19.
- For the second quarter, sales guidance is in line with consensus i.e. 4%CER growth (inc 2pp negative US HPV impact) but 2% on a reported basis (-2pp FX impact). As we expected, investments in S&M should be prolonged in Q2. **EPS guidance came significantly below consensus estimates at USD0.22CER or USD0.21 reported while we and the consensus were expecting USD0.245 and USD0.26 respectively.**
- Investments are above our estimates for H1 which could raise the question of the management's ability to significantly ramp-up profitability in the second half. Maintained FY2016 guidance with sales expected to rise 6% CER, 4% reported and EPS in the USD1.10-1.11 range (exc. USD0.02 FX impact) alongside USD100m share buy-back programme answer that question in our view.

VALUATION

- We would expect the share price to be under pressure at opening. However, maintained FY2016 guidance translates the group's confidence in ramping-up sales and profitability in H2. Is it realistic?

NEXT CATALYSTS

- Today 03:30pm: conference call on Q1 2016 results (US +1 631 302 6547, UK +44 203 059 8128,

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Construction & Building Materials

Saint Gobain

Price EUR40.47

Q1 in line. Buy reiterated despite cautious comments on outlook in France.

Fair Value EUR46 vs. EUR42 (+14%) **BUY**

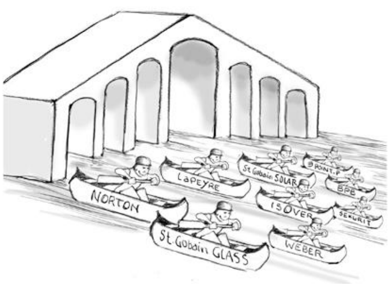
Bloomberg	SGO FP
Reuters	SGOB.PA
12-month High / Low (EUR)	44.5 / 32.1
Market Cap (EURm)	22,701
Ev (BG Estimates) (EURm)	29,015
Avg. 6m daily volume (000)	1,970
3y EPS CAGR	16.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.9%	9.6%	3.4%	1.6%
Cons & Mat	3.2%	6.0%	1.3%	0.3%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	39,623	39,369	40,821	42,285
% change		*-0.6%*	*3.7%*	*3.6%*
EBITDA	3,844	4,054	4,586	5,030
EBIT	2,636	2,854	3,336	3,780
% change		*8.3%*	*16.9%*	*13.3%*
Net income	1,165	1,200	1,530	1,840
% change		*3.0%*	*27.5%*	*20.2%*

	2015	2016e	2017e	2018e
Operating margin	6.7	7.2	8.2	8.9
Net margin	1.1	3.2	3.9	4.5
ROE	6.1	6.2	7.6	8.6
ROCE	5.9	6.7	7.7	8.5
Gearing	24.8	22.6	18.8	14.0

(EUR)	2015	2016e	2017e	2018e
EPS	2.06	2.14	2.73	3.28
% change	-	*3.9%*	*27.5%*	*20.2%*
P/E	19.7x	18.9x	14.8x	12.3x
FCF yield (%)	5.4%	5.2%	6.6%	7.8%
Dividends (EUR)	1.24	1.30	1.30	1.30
Div yield (%)	3.1%	3.2%	3.2%	3.2%
EV/Sales	0.7x	0.7x	0.7x	0.7x
EV/EBITDA	7.6x	7.2x	6.2x	5.5x
EV/EBIT	11.1x	10.2x	8.5x	7.3x



SGO has published decent Q1 revenues, up 1.8% lfl to EUR9.136bn, with a 2.3% volume increase. France is not a drag anymore, with a flattish performance. While Pipes heavily impacted Exterior Solutions, other businesses were well oriented. Unchanged guidance. Cautious comments regarding France, with a prudent outlook from management. However we believe the market is very likely to anticipate a further recovery in the French market. Buy reit. new FV at EUR46 vs EUR42.

Saint-Gobain has published revenues very much in line with our expectations, at EUR9.136bn generated in Q1. The apparent change is a 1.9% decline, a combination of a 0.7% negative scope effect, 3% negative forex effect (LatAm currencies impact in particular) and 1.8% organic growth. This like-for-like increase is a combination of healthy volumes (+2.3%) but slightly negative price (-0.5%) effects. By business, organic growth was strong for most of the industrial divisions, except Exterior Solutions impacted by a still difficult Pipes business; while Distribution was not very impressive but positive at +1.4%. By geographical zone, while France (a quarter of sales last year) was flattish (-0.2%), other zones were robust: +2% in Western Europe (>40% of 2015 sales); +3.2% in North America (13% of 2015 sales) and +4.5% in Emerging/Asia (20% of 2015 sales).

Guidance for a further like-for-like improvement in operating income was reiterated. The backdrop is set to remain difficult for Brazil, uncertain for North American industrial markets, and France is expected to stabilise. Regarding France in particular, note that Saint-Gobain's CEO said it is too early to call for a recovery in the market in France, with April actually having been a bit slower.

Key data for Q1 revenues

EURm	Q1 16 est.	org. y/y % est.	Q1 16 rep.	org. y/y % rep.	vol. y/y %	price y/y%
Flat Glass	*1,313*	*4.0*	1,276	4.9	2.1	2.8
HPM	*1,035*	*-1.0*	1,123	3.6	2.1	1.5
Interior solutions	*1,553*	*3.0*	1,609	5.8	6.6	-0.8
Exterior solutions	*1,215*	*-3.5*	1,208	-4.4	-1.5	-2.9
Distribution	*4,190*	*2.0*	4,170	1.4	2.7	-1.3
Total	***9,087***	***1.4***	**9,136**	**1.8**	**2.3**	**-0.5**

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

ANALYSIS

- Of course, we would have preferred more bullish comments from management regarding France. With very positive early indicators (French new residential sales expected to be up 5% to 10% in 2016 in volumes said Nexity yesterday, 16% increase in existing home transactions last year), we are convinced Saint-Gobain will benefit from a French residential cycle improvement. c6% of SGO revenues are exposed to new residential and c13%e to renovation. This is the key reason why we maintained our positive stance on the stock.
- Actually, we believe investors are likely to follow our logic here. Year to date, the share price performance has been positive (+3%), clearly outperforming the CAC40 (-2%).

VALUATION

- We clearly want to reiterate our positive opinion on the stock and we believe investors are likely to follow us here. We have roll-over our valuation approach and now use 2018 EBIT as a reference instead of 2017. Our estimates are roughly unchanged however and we are admittedly still above the consensus for 2016 (+c2.5%) and 2017 (+c5%) at the EBIT level.
- New EUR46 FV derived from the application of historical EV/EBIT of 10x to our 2018 estimates, then discounted back to mid-2016.

NEXT CATALYSTS

- AGM on 2nd May. Interim results on 28th July.
- Zug Court first instance decision on the SWH voting rights expected this Summer.

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TMT

STMicroelectronics

Price EUR5.70

The environment is improving but execution remains the key

Fair Value EUR6.3 (+11%) **NEUTRAL**

Bloomberg	STM FP
Reuters	STM.FR
12-month High / Low (EUR)	8.8 / 4.6
Market Cap (EURm)	4,742
Ev (BG Estimates) (EURm)	4,226
Avg. 6m daily volume (000)	2,379
3y EPS CAGR	29.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.1%	-13.5%	-23.2%	-15.8%
Semiconductors	-2.0%	-1.5%	-6.0%	-5.4%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	6,897	6,882	6,998	7,151
% change		*-0.2%*	*1.7%*	*2.2%*
EBITDA	910	972	1,083	1,245
EBIT	174.0	256.7	355.0	500.9
% change		*45.8%*	*40.3%*	*37.8%*
Net income	175.0	178.0	262.2	386.0
% change		*3.4%*	*51.6%*	*37.6%*

	2015	2016e	2017e	2018e
Operating margin	2.5	3.7	5.1	6.9
Net margin	2.5	2.6	3.9	5.3
ROE	2.2	1.9	4.4	8.3
ROCE	5.1	3.7	6.9	10.6
Gearing	-10.5	-12.8	-15.4	-19.6

(USD)	2015	2016e	2017e	2018e
EPS	0.20	0.20	0.30	0.44
% change	*-*	*2.0%*	*46.3%*	*49.0%*
P/E	29.6x	28.4x	18.7x	13.6x
FCF yield (%)	5.0%	5.8%	7.2%	10.6%
Dividends (USD)	0.40	0.24	0.30	0.40
Div yield (%)	6.7%	4.1%	5.1%	6.8%
EV/Sales	0.7x	0.7x	0.7x	0.6x
EV/EBITDA	5.3x	4.9x	4.3x	3.6x
EV/EBIT	28.0x	18.8x	13.1x	9.1x

Following the publication of ST's Q1 results yesterday (see our first take), the conference call held by ST had a positive tone. However, in our view, it is not enough to justifies a recommendation change. We believe risks remain high regarding 1/ execution of the restructuring process, 2/ growth while the group is faces a dynamic competition and 3/ a gradual improvement in margin which depends on restructuring, growth and FX. We reiterate our Neutral recommendation and keep our FV of EUR6.3.

ANALYSIS

- **Bookings are strong and provide confidence for Q2 – Automotive and Industrial sector as main catalysts.** Firstly, the improving demand seen in all regions is worth noting. Secondly, the group seems to be finally taking advantage of its positionning and seeing the benefits of improvements said to be mainly driven by the automotive and industrial segments. Note that the group's guidance for sequential growth of +5.5% in Q2 is above the usual seasonal pattern. In addition, the group state that distribution is well oriented and should positively impact the Q2 performance.

- **But weaknesses remains in PC and Wireless.** As expected, the group continued to see weakness in the PC segment which should remain flattish in 2016. Overall, we estimate that PC applications represent about 20% of total group sales. The group is mainly exposed to PC peripherals and chargers (rather than PC boards). Finally, while the Wireless segment (incl. smartphones) is also set to be weak in coming months, the group has observed an improving trend lately.

- **All product lines are expected to contribute to growth.** Note that this comment from management excluded the STB business. We forecast sequential increases of 6.1%, 8.0% and 1.5% for ADG, MDG and AMG respectively, leading to an overall sequential increase of +5.5%.

- **STB plan is on track.** Regarding the Set-Top Box plan (which includes a gradual step down from this activity in order to generate costs saving of about USD170m annually) management said that it is "on track". Savings from this plan appear to be low in Q1 but we understand that the initial discussions take time and we should see positive impacts to come over Q2 to Q4. Overall, the group confirmed its target of USD100m of savings (at EBIT level) in 2016. We see the following sequence of USD8/18/28/48m in savings over Q1/Q2/Q3/Q4 2016e.

- **Overall, management's comments during the conference call confirmed what other industry players' have been saying recently.** The inventory correction in the Automotive and Industrial sectors is complete. Booking trends are encouraging but softness remains in PC and Wireless. The target of achieving a better H2 compared to H1, both in terms of sales and EBIT, seems feasible (BG ests. H1 sales at USD3.3bn and H2 sales at USD3.6bn, up seq. by 7.6%). However, we continue to think that, given the soft start in FY16, it will be challenging to grow by more than a few percent and we are maintaining our FY16 sales estimates of USD6.9bn implying flat growth. In our view, the most challenging (and uncertain) part will come from market share gains in MEMS and particularly the pace of the penetration of the Automotive MEMS market. Finally, we remind that the group should face headwind due to FX from Q2-16 compared to Q1-16 since EUR/USD is now at about 1.13 while it was at 1.10 in average over the first three months.

VALUATION

- While we note the improvement in the market environement, we continue to see headwinds and risks on the case, namely 1/ the execution of the restructuring process, 2/ growth while the group is competing with dynamic competitors such as Infineon and NXP and 3/ gradual improvement in margin which depends on restructuring, growth and FX. We apply few changes in our model. **We are maintaining our Neutral recommendation and our FV of EUR6.3.**

- Based on our estimates, STMicroelectronics' shares are trading on a 2016e P/E ratio of 31.8x, yielding a PEG ratio of 1.0x. This compares to the peer group (Logic & Analog IDMs) trading on 2016e P/E ratio of 18.0x.

NEXT CATALYSTS

- 19th May 2016: Capital Market Day.

Detailed P&L

[USDm]	Q1 16	Q2 16	Q3 16	Q4 16e	2016e	2017e	2017e
Net revenue	**1613**	**1702**	**1767**	**1796**	**6882**	**6998**	**7151**
% change	*-3.3%*	*5.5%*	*3.8%*	*1.6%*	*-0.2%*	*1.7%*	*2.2%*
COGS	-1075	-1121	-1137	-1098	-4431	-4476	-4526
Gross Margin	***33.4%***	***34.1%***	***35.6%***	***38.8%***	***35.6%***	***36.0%***	***36.7%***
SG&A	-229	-231	-226	-234	-920	-963	-937
R&D	-342	-335	-332	-327	-1336	-1276	-1260
Other exceptional gains	0	18	19	26	63	72	74
Recuring restructuring charges	0	0	0	0	0	0	0
Adjusted EBIT	**-33**	**32**	**89**	**169**	**257**	**355**	**501**
% of revenue	*-2.0%*	*1.9%*	*5.0%*	*9.4%*	*3.7%*	*5.1%*	*7.0%*
D&A	-184	-180	-180	-172	-716	-728	-744
EBITDA	151	212	269	341	972	1083	1245
Cost of net debt	-5	-5	-5	-2	-17	-17	-17
Profit from associates	0	0	0	3	3	3	3
Gain from investments	0	0	0	0	0	0	0
Profit before tax	-38	27	84	171	243	341	487
Income taxes	-2	-11	-20	-33	-65	-79	-101
Tax rate	5%	-41%	-23%	-19%	-27%	-23%	-21%
Consolidated net profit	**-40**	**16**	**64**	**138**	**178**	**262**	**386**
% of revenue	*-2.5%*	*0.9%*	*3.6%*	*7.7%*	*2.6%*	*3.7%*	*5.4%*
Adjusted EPS (in USD)	**-0.02**	**0.02**	**0.07**	**0.16**	**0.20**	**0.30**	**0.44**

Source: Bryan Garnier & Co. ests.

P&L changes highlights

[USDm]	Old			New			Old vs. New
	2016e	2017e	2018e	2016e	2017e	2018e	avg. Δ%
Net revenue	**6882**	**6998**	**7151**	**6882**	**6998**	**7151**	**0%**
% change	*-0.2%*	*1.7%*	*2.2%*	*-0.2%*	*1.7%*	*2.2%*	
EBIT	254	356	491	257	355	501	1%
Operating margin	*3.7%*	*5.1%*	*6.9%*	*3.7%*	*5.1%*	*7.0%*	
Adj. EPS	**0.21**	**0.31**	**0.43**	**0.20**	**0.30**	**0.44**	**-2%**

Source: Bryan Garnier & Co. ests.

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Utilities

Suez

Price EUR16.10

Q1 metrics: flat LfL EBIT growth, as expected. 2016 guidance confirmed despite poor year start

Fair Value EUR18,5 vs. EUR19 (+15%) **BUY**

Bloomberg	SEV FP
Reuters	SEVI.PA
12-month High / Low (EUR)	19.0 / 15.1
Market Cap (EURm)	8,762
Ev (BG Estimates) (EURm)	20,808
Avg. 6m daily volume (000)	1 258
3y EPS CAGR	4.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.8%	-4.0%	-8.8%	-6.7%
Utilities	3.4%	0.8%	-6.5%	-2.8%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	15,135	15,444	16,031	16,459
% change		*2.0%*	*3.8%*	*2.7%*
EBITDA	2,751	2,690	2,907	3,092
EBIT	1,381	1,315	1,477	1,590
% change		*-4.8%*	*12.3%*	*7.6%*
Net income	559.8	435.7	557.4	631.5
% change		*-22.2%*	*27.9%*	*13.3%*

	2015	2016e	2017e	2018e
Operating margin	9.1	8.5	9.2	9.7
Net margin	3.7	2.8	3.5	3.8
ROE	8.2	6.5	8.2	9.2
ROCE	8.0	7.3	8.0	8.6
Gearing	121.6	133.7	138.3	137.0

(EUR)	2015	2016e	2017e	2018e
EPS	1.04	0.81	1.04	1.17
% change	-	*-22.2%*	*27.9%*	*13.3%*
P/E	15.5x	19.9x	15.5x	13.7x
FCF yield (%)	2.9%	0.5%	2.8%	7.0%
Dividends (EUR)	0.65	0.65	0.70	0.79
Div yield (%)	4.0%	4.0%	4.3%	4.9%
EV/Sales	1.3x	1.3x	1.3x	1.3x
EV/EBITDA	7.4x	7.7x	7.3x	6.9x
EV/EBIT	14.7x	15.8x	14.4x	13.5x

This morning Suez posted poor Q1 sales and operating performance as expected. Sales were up +0.5% YoY thanks to the International division while EBIT came out at -4.6% to EUR253m whereas we were forecasting EUR258m. As expected, the start of the year is difficult for the group, especially compared with Veolia. We expect a growth recovery over the next nine months. 2016 guidance was confirmed as well as the 2017 EBITDA target. We anticipate a negative share price reaction this morning but still see upside to the 2016-18 consensus. Buy, FV @ EUR18.5 unchanged.

ANALYSIS

- **Main Q1 metrics**: Total Q1 sales came out at **EUR3.55bn**, up **0.5%** YoY and up **1.5%** LfL with most of the sales growth coming from International business *(+9.5% LfL*) while the Water Europe division reported flat LfL growth *(+0.3%)* helped by positive sales growth in Spain and in Chile (*+1.7% LfL*) despite a decline in water volumes compared with Q1 2015 due to to highly unfavourable weather conditions in the summer period. As expected, the Waste Europe business (*renamed Recycling and Recovery Europe*) incurred a negative sales performance (-1.9% *LfL and -2.4% YoY*) due to the negative effect from the secondary raw materials prices drop. Most of the sales decline in this business came from French activities *(-5.4% LfL*) while the UK and Benelux/Germany posted positive LfL sales growth. In such a poor growth environment, the group posted **Q1 EBITDA of EUR574m** down 3.9% **YoY** and **flat on a LfL basis** below both our figures and consensus expectations (*respectively EUR591m and EUR587m*) and EBIT of **EUR253m down 4.6% YoY and** up **0.6% organically** leading to a **40bp EBIT** margin decline to **7.1%** compared with last year.

- **2016 and 2017 targets confirmed:** Despite this poor expected performance, management is confident in its ability to generate higher earnings growth during the rest of the year than during Q1. 2016 guidance to post organic sales growth greater than or equal to **2%** and organic EBIT growth greater than organic revenue growth was confirmed. Cash flow and net debt targets were also confirmed for 2016. The group's target to generate **EBITDA of EUR3bn** thanks to M&A (*at 50%*) by 2017 was also confirmed even if management did not give additional indications on any deals in its press release. If 2017 numbers need to be revised down, we assume this will be done during the H1 2016 earnings presentation.

- **Conclusion:** This is a poor start to the year for the group as expected, and Veolia is likely to report higher EBITDA and EBIT LfL growth thanks to the contribution from cost-cutting notably. As such, we expect the share price to react negatively this morning but still see upside on 2016-18 consensus thanks notably to M&A. Buy, **FV @ EUR18.5** unchanged.

VALUATION

- At the current share price Suez is trading at 7.7x its 2016e EBITDA and offers a 4% yield
- Buy, FV @ EUR18.5

NEXT CATALYSTS

- Conference call at 08.30am CET (**UK: +44(0)20 3427 1919)**

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Construction & Building Materials

Vicat

Price EUR58.71

Q1 sales slightly above our expectations. Decent outlook.

Fair Value EUR56 (-5%) **NEUTRAL**

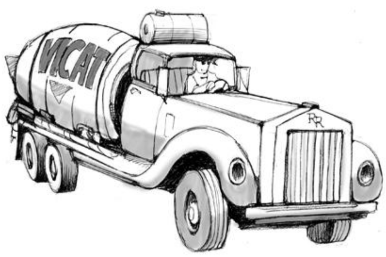
Bloomberg	VCT FP
Reuters	VCT.PA
12-month High / Low (EUR)	68.4 / 46.2
Market Cap (EUR)	2,636
Ev (BG Estimates) (EUR)	3,772
Avg. 6m daily volume (000)	24.20
3y EPS CAGR	21.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.8%	22.6%	-1.8%	6.1%
Cons & Mat	3.2%	6.0%	1.3%	0.3%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	2,458	2,466	2,598	2,751
% change		*0.3%*	*5.3%*	*5.9%*
EBITDA	448	462	521	586
EBIT	250.5	272.1	331.5	396.4
% change		*8.6%*	*21.8%*	*19.6%*
Net income	122.0	141.9	180.2	217.2
% change		*16.3%*	*27.0%*	*20.6%*

	2015	2016e	2017e	2018e
Operating margin	10.2	11.0	12.8	14.4
Net margin	5.8	6.8	8.1	9.3
ROE	5.4	6.1	7.5	8.5
ROCE	5.1	5.7	7.0	8.4
Gearing	40.0	34.1	27.5	20.0

(EUR)	2015	2016e	2017e	2018e
EPS	2.78	3.23	4.10	4.94
% change	-	*16.3%*	*27.0%*	*20.6%*
P/E	21.2x	18.2x	14.3x	11.9x
FCF yield (%)	5.1%	7.7%	8.3%	9.8%
Dividends (EUR)	1.50	1.50	1.50	1.50
Div yield (%)	2.6%	2.6%	2.6%	2.6%
EV/Sales	1.6x	1.5x	1.4x	1.3x
EV/EBITDA	8.7x	8.2x	7.0x	6.0x
EV/EBIT	15.5x	13.9x	11.0x	8.8x



Vicat has reported healthy Q1 revenue growth with sales up 6.5% lfl to EUR554m (3% above our expectations), with a strong performance in Turkey, Egypt, France and the US. Some uncertainties remain (prices/competitive environment in West Africa, Kazakhstan and Switzerland) but guidance is not bad: Vicat expects a further improvement in its performance, in a favorable environment for energy costs. We see no upside however, and remain at Neutral.

Vicat's Q1 2016 revenues stood at EUR554m, up 3.3% (+6.5% like-for-like), penalised by a negative currencies effect, in particular in Kazaghstan. By geographical zone, Vicat reported very good performances in various countries: France (cement volumes up 14%); US (+14%), Turkey (+29%) and Egypt (+22%). However, competitive pressure remains strong in India, West Africa and in Switzerland.

The outlook is absolutely fine, in our view. France is set to stabilise but further growth is expected in the US, Turkey and Egypt. India - the first country for the group in terms of cement capacity with 21% of total capacity vs 18% for France, adjusted for minorities - should benefit, eventually, from the macro recovery and from investment in infrastructure.

Finally, in a favourable energy cost environnement, Vicat "expects further improvement in is performance".

Q1 revenues performance by geographical zones

EURm	Q1 15	Q1 16 est.	Q1 16 rep	lfl y/y %	Delta vs est.%
France	*168*	*170*	183	8.9	8
Europe (Italy, Swiss)	*80*	*79*	81	3.6	3
US	*73*	*80*	80	7.1	-1
Turkey, India & Kazakhstan	*118*	*111*	115	10.8	3
o/w Turkey	*40*	*38*	*42*	*23*	*12*
o/w India	*69*	*68*	*68*	*4.8*	*0*
o/w Kazakhstan	*9*	*5*	*4.7*	*1.5*	*-13*
Africa & Middle-East	*98*	*98*	96	-0.7	-2
o/w Egypt	*30*	*32*	*33*	*14.5*	*4*
o/w West Africa	*68*	*66*	*63*	*-7.4*	*-4*
Total	***537***	***538***	**554**	**6.5**	**3**

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

ANALYSIS

- This is a very decent publication for Vicat and a good start to the year. Several countries are promising, especially the United States, but some emerging markets as well, such as India, Egypt or Turkey. France is in a better shape, too.
- The share price performance has been very good YTD, with a 6.6% increase. Hence, we now struggle to see strong upside here. Our FV actually suggests downside risk, but we are certainly not ready to be more negative on the stock. The gradual improvement in some key markets, combined with very respectable governance in our view, prevent us from turning negative on Vicat. Besides, our current estimates are below the consensus (4% and 3% below 2016e and 2017e EBITDA).

VALUATION

- EUR56 FV derived from the application of historical EV/EBITDA (7.5x) to our 2017 estimates, discounted back.
- Vicat currently trades at 8.2x 2016e vs 8.1x for the sector (under coverage).

NEXT CATALYSTS

- Conference call today at 3.00pm.

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Food retailing

Carrefour

Price EUR25.75

The Moulin Family has crossed the threshold of 15% of Carrefour's voting rights

Fair Value EUR30 (+17%) **BUY**

Bloomberg	CA FP
Reuters	CARR.PA
12-month High / Low (EUR)	32.0 / 22.3
Market Cap (EURm)	19,016
Avg. 6m daily volume (000)	3 197

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.5%	3.0%	-14.0%	-3.4%
Food Retailing	1.2%	5.6%	-3.9%	2.4%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%

	2015	2016e	2017e	2018e
P/E	16.7x	16.4x	14.1x	12.4x
Div yield (%)	3.5%	4.0%	4.5%	4.9%

ANALYSIS

- After acquiring its first stake (i.e. 6.1%) in the share capital of Carrefour in April 2014 and increased this participation (i.e. 10.1%) in July 2015, the Moulin family, owner of Galeries Lafayette, has crossed the threshold of 15% of Carrefour's voting rights with the allocation of double voting rights within the framework of the implementation of the Florange law.
- According to the AMF (Autorité des Marchés Financiers), Galfa (controlled by the holding company of the Motier Family - Galeries Lafayette - which itself is controlled by the Moulin Family), now owns 85.012.174 Carrefour shares and 136.312.174 voting rights representing 11.51% of the share capital and 15.33% of the voting rights respectively.
- In all evidence, the Moulin family's assiduousness in acquiring Carrefour shares, its long-term vision along with its very long experience in retail make it an ideal shareholder for Carrefour. This flattering shareholding is only a reflection of the strength and serenity that Carrefour is today able to inspire. Definitely good news.

VALUATION

- Carrefour is trading on 2017 PE of 14x vs 16x on average for the sector excl. Tesco

NEXT CATALYSTS

- We see a potential catalyst in terms of communication (more details about e-commerce? potential investor day?)

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Luxury & Consumer Goods

Hermès Intl.

Price EUR304.85

Q1 sales up 6% organically (in line with expectations) but the quality is there!

Fair Value EUR355 (+16%) **BUY**

Bloomberg	RMS FP
Reuters	HRMS.PA
12-month High / Low (EUR)	363.4 / 291.6
Market Cap (EUR)	32,183
Avg. 6m daily volume (000)	54.80

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.5%	-0.1%	-11.0%	-2.2%
Pers & H/H Gds	1.8%	3.5%	-4.8%	-0.4%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%

	2014	2015e	2016e	2017e
P/E	37.3x	32.9x	28.0x	24.8x
Div yield (%)	2.6%	1.1%	1.3%	1.5%

ANALYSIS

- Hermès Intl has reported Q1 sales of EUR1.19bn, in line with the consensus, up 6% in reported and organic terms (consensus: +5.8%) following +8% in FY 2015 and +7.2% in Q4 2015. FX impact was neutral during the period. Activity remained even more dynamic for Retail (+8%). The slowdown versus Q4 was due to Japan (+12.6% vs +16%) and Asia-Pacific (+3.9% vs +5.2%) while momentum remained robust in Europe excluding France (+11.6%). Sales in France were healthy with 5.6% organic sales growth following a poor +1.2% in Q1 2015.
- By business, we would highlight the significant sales increase in Leather Goods (the most profitable business) with a 15% increase after +14% in Q4, thanks again to strong final demand and production capacity increase. Nevertheless, silk activity remained under pressure with sales down 9% in Q1 following -7% in Q4 and Ready to Wear incurred a poor quarter (-2%), due to less positive momentum in Asia and the US.

VALUATION

- The stock remained almost stable YTD (+3% relative to DJ Stoxx), in line with our luxury sample performance. Hermès is trading at 18.1x on 2016 EV/EBIT versus 12.2x for the luxury sector average. Buy recommendation unchanged with a EUR355 FV.

NEXT CATALYSTS

- H1 sales to be released on 21st July.

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Loïc Morvan, lmorvan@bryangarnier.com

Healthcare

Ipsen

Price EUR53.52

Unfavourable inventory effects in emerging markets take harsh toll on Q1 sales

Fair Value EUR60 (+12%) **BUY-Top Picks**

Bloomberg	IPN FP
Reuters	IPN.PA
12-month High / Low (EUR)	62.0 / 47.1
Market Cap (EURm)	4,455
Avg. 6m daily volume (000)	81.40

	1 M	3 M	6 M	31/12/15
Absolute perf.	11.2%	-2.4%	-5.0%	-12.3%
Healthcare	5.0%	-3.7%	-8.4%	-8.7%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%

	2015	2016e	2017e	2018e
P/E	19.3x	19.0x	16.8x	13.8x
Div yield (%)	1.6%	1.6%	1.9%	2.2%

ANALYSIS

- Forecasting the sequence of quarterly sales over a year is not always easy and in 2016 it is proving particularly difficult for Ipsen as several emerging markets faced unfavourable inventory effects during Q1 for key products sold in the regions, like Smecta in China, Decapeptyl in the Middle East and Algeria or Dysport in South East Asia and Brazil. This was reflected in the performance of the "rest of the world" geographical area that was down 16% CER in Q1 2016 and of Asia, down 23%. In the end, reported sales for the first three months of the year were EUR362m whereas the consensus was expecting EUR374m, which is a meaningful miss.
- We had even higher expectations as we were more bullish on Somatuline and we were right on this product specifically as it reported very strong quarterly sales up 36% to EUR121.7m, which compares to EUR89m in Q1 2015 and EUR110m in Q4 2015 with comments pointing to a good performance not only in the US but also in key European countries.
- In the end, this was more than wiped out by the weak performance of almost all drugs in emerging market, which particularly affected Primary Care products, down 12% overall, led by Smecta, down 19%. On a product basis, it is also worth noting that Dysport was down 8% and represented the biggest miss for the quarter (EUR63m vs EUR72m expected) as negative inventory effects in Asia and Brazil added to unfavourable invoices from partner Galderma for the aesthetic indications.
- So, in all, Q1 2016 was not a good quarter for Ipsen when reported sales numbers are considered. However, it looks like it is mainly a matter of sequencing of quarters and delays in orders and inventory build-ups, although Ipsen recognises a slowdown in international markets. From that perspective, reiteration of the FY guidance (slight growth for PC, over 10% growth for SC and 21% operating margin) is reassuring.

VALUATION

- So, obviously, Q1 numbers are not pleasant and the share price reaction should be negative today.
- Now, this could be an opportunity to build positions or to strengthen some as the underlying story remains fully in place, driven by the change in mix in favour of Specialty Care. In this perspective, the performance of Somatuline is more than encouraging and bodes well for profitability. Lastly, dense news flow around cabozantinib will add to the good momentum in the coming quarters.

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Insurance

Munich Re

Price EUR180.80

Poor Q1, FY guidance at risk

Fair Value EUR185 (+2%) **SELL**

Bloomberg	MUV2 GR
Reuters	MUVGn.DE
12-month High / Low (EUR)	190.8 / 158.7
Market Cap (EURm)	30,165
Avg. 6m daily volume (000)	714.2

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.3%	4.2%	0.9%	-2.0%
Insurance	3.8%	0.5%	-8.6%	-10.3%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%

	2015	2016e	2017e	2018e
P/E	9.5x	10.7x	10.3x	
Div yield (%)	4.6%	4.6%	4.6%	

ANALYSIS

- During yesterday's AGM, the current CEO Nikolaus von Bomhard stated that Q1 2016 numbers will be "well below" Q1 2015 (EUR790m), due to financial market volatility and write-downs (equities), and despite a low natcat burden once again.
- He also said that the FY guidance (net income in the EUR2.3-2.8bn range) was "very ambitious" but remains "confident" in the current EUR8.25 dividend level.
- We will wait for detailed Q1 numbers and the conference call (10th May) to potentially adjust our FY numbers, but the current consensus level (EUR2.68bn vs. EUR3.1bn in 2015) looks too high.
- We stick to our Sell recommendation on the share. We agree that the EUR8.25 dividend (4.7% yield) is sustainable in a less favourable environment. But the question mark on the earning's power in i/ more volatile financial markets and ii/ a less favourable natcat experience, after 4 very strong, unusual years (EUR3.2bn per year on average in the 202-2015 period), is not new to us.

VALUATION

- Our current valuation is EUR185, leaving minimum theoretical upside potential.

NEXT CATALYSTS

- Q1 2016 figures are due out on 10th May 2016.

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Return to front page

Sanofi

Price EUR77.53

Battle over Medivation is just starting

Fair Value EUR87 (+12%) **NEUTRAL**

Bloomberg	SAN FP
Reuters	SASY.PA
12-month High / Low (EUR)	100.7 / 67.3
Market Cap (EURm)	101,231
Avg. 6m daily volume (000)	3 247

	1 M	3 M	6 M	31/12/15
Absolute perf.	12.3%	0.8%	-15.6%	-1.4%
Healthcare	5.0%	-3.7%	-8.4%	-8.7%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%

	2015	2016e	2017e	2018e
P/E	13.7x	14.3x	13.7x	12.6x
Div yield (%)	3.8%	3.9%	4.1%	4.5%

ANALYSIS

- At 8am Paris Time this morning, Sanofi sent a press release in which it reports its approach to Medivation to try reach an agreement to combine the two companies. In view of repeated rejections to engage into discussions, CEO Olivier Brandicourt made public the letter sent to Medivation on 15 April 2016 setting forth a proposal to acquire the company for USD52.50 in cash. The price corresponds to a 50% premium over a 2-month weighted price unaffected by rumours.
- This price would represent a total consideration of approximately USD9.3bn. Sanofi reports that it would be both immediately accretive to earnings and offer value creation to shareholders.
- It is important to note that considering conditions, the offer is made based on public information as opportunity to discuss with Medivation was rejected.
- We commented the rumour twice already in our Healthcare Daily on 23 March and 13 April to say that it would make sense for Sanofi to consider acquiring Medivation to strengthen its Oncology portfolio in line with its strategy without diluting short-term earnings growth. Now we think today is only the first step in what could be a long-lasting battle with several parties involved that may include Astellas, current Medivation's partner on Xtandi. AstraZeneca was also mentioned as a potential suitor which makes sense for Xtandi but questions how to deal with the PARP inhibitors.

VALUATION

- We will wait a bit to see how things turn out before modelling Medivation into Sanofi. In any case, the final price is likely to be much higher than the current USD9.3bn and more like USD15bn in our view, where the deal would still be earnings accretive (based on a 1.5% average interest rate) but neutral in terms of value creation for Sanofi.

NEXT CATALYSTS

- 29 April 2016: First-quarter results

Eric Le Berrigaud, eleberrigaud@bryangarnier.com

Sector View

Construction & Materials

Healthy growth in Nexity sales in Q1 2016

	1 M	3 M	6 M	31/12/15
Cons & Mat	3.2%	6.0%	1.3%	0.3%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%

*Stoxx Sector Indices

Companies covered

CRH	**BUY**	**EUR30**
EIFFAGE	**BUY**	**EUR73**
HEIDELBERGCEMENT	**BUY**	**EUR86**
LAFARGEHOLCIM	**BUY**	**CHF50**
SAINT GOBAIN	**BUY**	**EUR46**
VICAT	**NEUTRAL**	**EUR56**
VINCI	**BUY**	**EUR72**

Nexity has reported very strong sales (reservations) in Q1, with a 35% y/y increase in volumes, an acceleration compared with the 13% growth reported for FY 2015. All market segments were robust, whether home buyers (+50%) or individual investors (+28%). Nexity expects the French market to increase by more than 7% in 2016 vs its previous guidance for 5-10%. Positive read-across for SGO (6% of sales exposed to new residential), FGR (c10%) and DG (c4%).

The key reasons for this very good start were the combination of low interest rates, the Buy-to-let Pinel scheme and the success of the new zero-interest loan. The 0%-interest loan, which has been recently improved, explains the very good trends for sales to home-buyers, in particular first-time home buyers (+39% in Q1 vs a 11% decline in 2015).

Besides, Nexity has slightly updated its guidance for French residential sales in 2016, and now expects growth closer to the upper end of the 5-10% range, with 110,000 in sales expected (+7.3% y/y).

ANALYSIS

- This is obviously a very good start for Nexity and a promising one for the sector as a whole. However, the French property developer group underlined that Q1 cannot be extrapolated to the full year and that Q1 growth reflects a catch-up from the end of 2015.
- While 2015 was clearly underpinned by the Pinel law with strong sales from individual investors, home buyers are back apparently in 2016, thanks to the success of the "new" zero-interest loan.
- The recent extension of the Buy-to-Let Pinel scheme until the end of 2017 (vs end 2016), recently announced by the French President, is also positive news and should further support individual investor sales.

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

Distribution of stock ratings

BUY ratings 57.6% NEUTRAL ratings 33.8% SELL ratings 8.6%

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