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29th April 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17830.76	-1.17%	+2.33%
S&P 500	2075.81	-0.92%	+1.56%
Nasdaq	4805.29	-1.19%	-4.04%
Nikkei	16666.05	-3.61%	-12.44%
Stoxx 600	348.904	+0.17%	-4.62%
CAC 40	4557.36	-0.04%	-1.72%
Oil /Gold			
Crude WTI	45.93	+1.23%	+23.47%
Gold (once)	1260.69	+1.01%	+18.67%
Currencies/Rates			
EUR/USD	1.1315	+0.04%	+4.16%
EUR/CHF	1.09715	-0.29%	+0.90%
German 10 years	0.249	-13.71%	-60.76%
French 10 years	0.532	-4.79%	-45.75%
Euribor	-	+-%	+-%

Economic releases :

Date	
29th-Apr	GB - Net Consumer Credit Mar. EUZ - CPI Core Apr. (0.9% E y/y) US - Personal Spending Mar. (0.1E) US - U. of Michigan Confidence Apr. US - Baker Hughes U.S. Rig Count Apr.

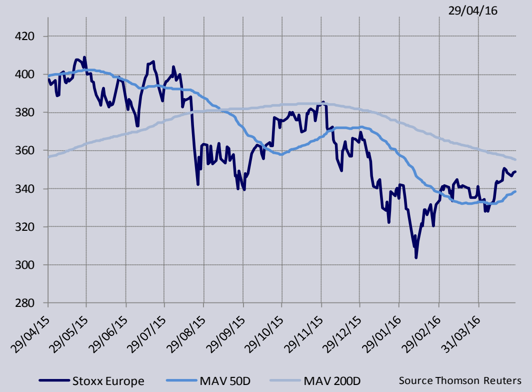
Upcoming BG events :

Date	
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



PHARMACEUTICALS

Novo in line, Sanofi not bad in underlying and AstraZeneca with further focus in oncology

ACTELION

UT and Gilead's Q1 figures positive for Actelion's PAH drugs

ALTEN

Q1 16 sales above expectations, but AÜG in Germany tempers optimism

ASK

Restructuring complete, on the way to reaching breakeven

ALTRAN TECHNOLOGIES

Q1 16 conference call feedback: better growth momentum is fairly valued

CASINO GUICHARD

Disposal of BIG C Vietnam (first take) / 1.8x EV/ Sales multiple

ENGIE

Q1 metrics: EBITDA up LfL thanks to Electrabel

GALAPAGOS

EUR1bn cash as of Q1 and renegotiation of the Cystic Fibrosis deal as a cherry on the cake

GEMALTO

Organic sales decline in Q1 + poor momentum + 2017 PFO at risk = unattractive risk/reward

GAMELOFT

Reassuring Q1 revenue at +5% Y/Y in organic terms

GRANDVISION

Q1 publication below expectations mainly due to technical factors

GROUPE SEB

Reassuring top line trends and strong operating result performance in Q1 (+50% LFL)

HERMÈS INTL.

Reassuring Q1 organic sales growth and conference call

JERONIMO MARTINS

Q1 2016 (first take): strong commercial and cash margin. Need clarification on tax.

VINCI

Q1 2016 sales : great for Concessions, poor for Contracting.

VOLTALIA

Q1 2016 sales growth driven by Brazilian commissioning

In brief...

SWISS RE, *Satisfactory set of Q1 numbers*

FOOD INDUSTRY, *Mead Johnson's Q1 16 sales: reiterating preference for Nestlé over Danone*

Sector View

Pharmaceuticals

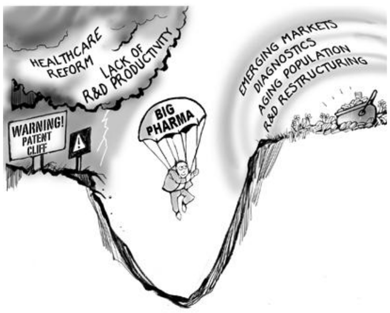
Novo in line, Sanofi not bad in underlying and AstraZeneca with further focus in oncology

	1 M	3 M	6 M	31/12/15
Healthcare	5.6%	0.2%	-9.1%	-8.3%
DJ Stoxx 600	4.1%	4.2%	-7.2%	-4.6%

*Stoxx Sector Indices

Companies covered

ACTELION		**BUY**	**CHF173**
Last Price	CHF155,8	*Market Cap.*	CHF17,781m
ASTRAZENECA		**BUY**	**5360p**
Last Price	3959,5p	*Market Cap.*	*GBP50,068m*
BAYER		**NEUTRAL**	**EUR110**
Last Price	EUR104,25	*Market Cap.*	*EUR86,209m*
GLAXOSMITHKLINE		**BUY**	**1700p**
Last Price	1489p	*Market Cap.*	*GBP72,525m*
IPSEN		**BUY**	**EUR60**
Last Price	EUR52,87	*Market Cap.*	*EUR4,401m*
NOVARTIS		**NEUTRAL**	**CHF88**
Last Price	CHF74,8	*Market Cap.*	*CHF200,239m*
NOVO NORDISK		**NEUTRAL**	**DKK400**
Last Price	DKK371	*Market Cap.*	*DKK746,661m*
ROCHE HOLDING		**BUY**	**CHF293**
Last Price	CHF247,3	*Market Cap.*	*CHF173,744m*
SANOFI		**NEUTRAL**	**EUR87**
Last Price	EUR76,19	*Market Cap.*	*EUR99,481m*
UCB		**NEUTRAL**	**EUR80**
Last Price	EUR67,55	*Market Cap.*	*EUR13,139m*



Today reported Q1 numbers for Novo-Nordisk, Sanofi and AstraZeneca should not result in major share price reactions overall. Novo was very much in line. Sanofi, once restated from reclassification and Venezuela was not bad at all and AstraZeneca had soft quarter as expected and is announcing new restructuring to further focus on oncology and de-prioritize inflammation beyond respiratory.

ANALYSIS

- **SANOFI (NEUTRAL – FV EUR87)** has posted Q1 numbers that we would qualify in summary as not bad at all. Actually, sales may appear a bit soft but this is mostly the reflection of the reclassification of VaxServe (distribution unit in the US) sales in other revenues (EUR83m out from Vaccines sales) whereas DengVaxia was also expected higher than it was (EUR19m vs EUR50m) but ramp-up is tough to estimate and so far sales were limited to Philippines. The rest is very much in line, with maybe the mention of a very negative impact across the board from the Venezuelian business whose sales came down from around EUR200m to EUR3m, which is for instance reflected in CHC, reported down 3.1% but which actually was up 4.1% when growth is restated from Venezuela and divestment. To note is that Venezuela will weigh another EUR200m in Q2 but then will ease significantly in H2. The rest was very much in line, driven by Genzyme (+20.5%) and also a good quarter for Merial (+17.5%). The Diabetes franchise was down 7%.

  Earnings-wise, operating costs were well under control both in SG&A and in R&D with modest increases despite increased activities related to product launches and maturing pipeline respectively. As expected, the other operating income line includes a one-off gain of EUR192m that is partly offset by currency loss of EUR102m in Venezuela. Tax rate was also marginally below expectations, at the low-end of the FY guidance of 24-25%. In the end, core EPS comes out slightly above expectations at EUR1.34 vs EUR1.30, up 5.3% which is reasonably good for the first quarter into what has been described as a transition period.

M€	T1-2015	T1-2016			change
		BG	consensus	actual	
Sales	8 810	8 675	8 730	8 543	0,7%
incl. Lantus	*1 346*	*1 169*		*1 167*	*-14,1%*
incl. Genzyme	*963*	*1 164*		*1 169*	*20,5%*
incl. Vaccines	*697*	*783*		*625*	*8,2%*
Business EBIT	2 398	2 296	2 318	2 384	-0,8%
Marge EBIT	27,2%	26,5%	26,6%	27,9%	
Business Net Profit	1 726	1 668	1 678	1 722	-0,2%
Business EPS	1,32	1,29	1,30	1,34	5,3%

- **ASTRAZENECA (BUY – GBP5,380)** came out this morning with Q1 numbers whose components are very much expected in nature i.e. soft sales (despite surprisingly resilient Crestor ahead of generic competition in the US) but strong and even higher-than-expected externalisation revenues, including USD93m from Pfizer on OTC Nexium, resulting into total revenues above estimates. This is likely to be criticised by some but is anyway in line with group's strategy. To note among new products is that Tagrisso and Farxiga did well in the quarter, Brilinta was in line, Bydureon was soft and Lynparza remains small.

  Operating costs were significantly up once again, including core R&D expenses, up 15%. SG&A costs were under control. In the end, core operating margin was down 280bp to 28.6%, which is more or less in line with estimates. Core EPS was 0.95, slightly below our estimates. We would also note that AstraZeneca made progress in terms of cash-flow generation with a much better control of working capital and as a result net cash flow from operations grew from a negative Q1 2015 to USD1.2bn in Q1 2016. This is however in line with our annual estimate of USD5.5bn. Actually the main announcement today is a further focus of strategy towards oncology in terms of resource allocation. AstraZeneca will start a new restructuring plan that will mainly involve manufacturing and commercial activities with inflammation outside respiratory now being de-prioritised. The one-time cost is expected to be USD1.5bn and savings USD1.1bn in 2018 onwards.

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(M$)	T1-2015	T1-2016 BG	T1-2016 Consensus	T1-2016 Actual	Change in CER
Sales	5 748	5 542	5 577	5 565	+1
Total revenues	6 057	5 962	5 955	6 115	+5
incl. Crestor	*1 167*	*1 080*	*1 084*	*1 156*	*+2*
incl. Brilinta	*131*	*183*	*182*	*181*	*+46*
incl. Symbicort	*845*	*769*	*802*	*749*	*-7*
Core EBIT	1 805	1 705	1 604	1 593	-8
Marge EBIT	31,4%	30,8%	28,8%	28,6%	
PBT	1 682	1 540	1 440	1 432	-10
RN	1 368	1 268	1 195	1 199	-7
Core EPS	1,08	1,00	0,94	0,95	-7

- **NOVO-NORDISK (NEUTRAL – FV DKK400)** had Q1 very much in line with expectations. All numbers were very close to expectations and guidance is reiterated with no change except currency impacts. To note is that NordiTropin posted a spectacular 32% growth in Q1, including 60% growth in the US which included a non-recurring adjustment of rebates in the Medicaid patient segment relating to the period 2010-2015. We do not expect major changes following this Q1 release.

  Yesterday, SUSTAIN 6 headline results were communicated with non-inferiority vs placebo achieved. Semaglutide hereby confirms best-in-class status in the weekly GLP1 class. Challenge towards reimbursement and pricing remains however.

(MDKK)	Q1-2015	Q1-2016			change
		BG	consensus	actual	
Sales	25 200	27 148	27 334	27 212	9%
incl Diabetes	*19 818*	*21 733*		*21 031*	*7%*
incl Victoza	*3 957*	*4 600*	*4 669*	*4 591*	*15%*
incl BioPharma	*5 382*	*5 415*		*6 181*	*15%*
EBIT	13 857	12 049	12 029	12 309	-10%
EBIT margin	55,0%	44,4%	44,0%	45,2%	
PBT	12 485	11 699	11 724	11 953	
Net result	9 876	9 243	9 292	9 455	
EPS	3,79	3,62	3,62	3,71	

NEXT CATALYSTS

- Novo-Nordisk : Conference call 1pm
- Sanofi : Conference call 2.30pm
- AstraZeneca: Conference call 1pm

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Healthcare

Actelion

Price CHF155.50

UT and Gilead's Q1 figures positive for Actelion's PAH drugs

Fair Value CHF173 (+11%) **BUY-Top Picks**

Bloomberg	ATLN VX
Reuters	ATLN.VX
12-month High / Low (CHF)	158.3 / 115.9
Market Cap (CHFm)	17,747
Ev (BG Estimates) (CHFm)	17,342
Avg. 6m daily volume (000)	397.4
3y EPS CAGR	9.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.4%	14.5%	17.0%	11.4%
Healthcare	5.0%	-3.7%	-8.4%	-8.7%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%

YEnd Dec. (CHFm)	2014	2015e	2016e	2017e
Sales	1,956	2,042	2,247	2,205
% change		*4.3%*	*10.0%*	*-1.8%*
EBITDA	687	769	953	856
EBIT	570.1	655.6	839.8	742.0
% change		*15.0%*	*28.1%*	*-11.6%*
Net income	648.2	693.5	868.8	784.9
% change		*7.0%*	*25.3%*	*-9.7%*

	2014	2015e	2016e	2017e
Operating margin	40.1	40.7	43.9	41.3
Net margin	33.1	34.0	38.7	35.6
ROE	33.8	52.6	45.9	32.9
ROCE	70.4	77.0	91.2	91.4
Gearing	-50.5	-30.7	-50.3	-64.5

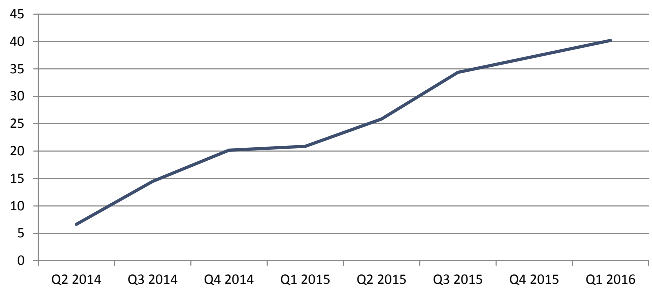
(CHF)	2014	2015e	2016e	2017e
EPS	5.58	6.17	7.98	7.28
% change	-	*10.6%*	*29.4%*	*-8.8%*
P/E	27.9x	25.2x	19.5x	21.4x
FCF yield (%)	0.7%	3.7%	4.5%	4.7%
Dividends (CHF)	1.30	1.50	1.50	1.50
Div yield (%)	0.8%	1.0%	1.0%	1.0%
EV/Sales	8.6x	8.5x	7.5x	7.4x
EV/EBITDA	24.4x	22.6x	17.6x	18.9x
EV/EBIT	29.4x	26.5x	20.0x	21.8x

Our read-out of weak Letairis sales and strong Orenitram sales in Q1 is positive for Actelion's PAH portfolio. The PC segment is expanding while Letairis is not gaining share against Opsumit within ERA.

ANALYSIS

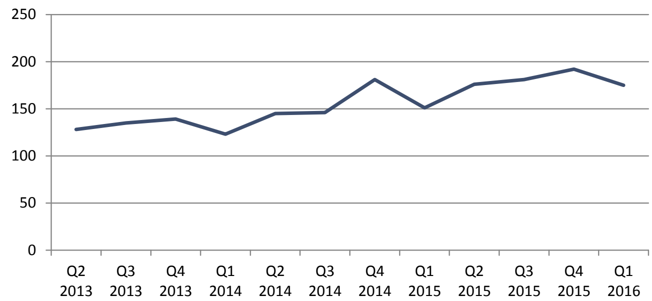
- Because both United Therapeutics (UT) and Gilead released their quarterly numbers yesterday, we thought this was an opportunity to see what their respective comments might tell us about the trends in the PAH market after Actelion unveiled strong numbers 10 days ago.
- Whereas we would have expected Letairis to show modest sequential growth and Orenitram to already show the first signs of tough competition against Uptravi (although it is early days), almost the opposite happened. UT mentioned in its press release that "Orenitram continues to be prescribed to a growing number of patients" which suggests that doctors may not share our view about the relative quality of the clinical data. Let's wait for another quarter or two before making definitive conclusions, but so far, Orenitram looks to be immune to Uptravi's launch and this might suggest that prostacyclins are gaining ground with oral formulations and may be expanding their influence to earlier stages of PAH.

Orenitram quarterly sales



- On the other side, Letairis, whose strong Q4 2015 made people worried about potential market share gains vs Opsumit in the ERA segment, had a fairly weak Q1 as illustrated below. Gilead's product often has highly sequential product growth and we will not extrapolate too much from this isolated sales figure. What it might say though is that there is no break in trend and therefore Opsumit looks still very strong on its growth trajectory.

Letairis quarterly sales



VALUATION

- The suggestion of a growing PAH market and PC segment is good news for Actelion as it is always easier to grab market share in growing markets than in flat or declining ones. Now what remains an hypothesis cannot be translated into number changes for Opsumit or Uptravi. Relative performance of Opsumit and Letairis in Q1 is also very reassuring. We stick to our numbers.

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TMT

Alten

Price EUR53.38

Q1 16 sales above expectations, but AÜG in Germany tempers optimism

Fair Value EUR48 vs. EUR46 (-10%) **SELL**

Bloomberg	ATE FP
Reuters	LTEN.PA
12-month High / Low (EUR)	55.2 / 40.3
Market Cap (EUR)	1,797
Ev (BG Estimates) (EUR)	1,763
Avg. 6m daily volume (000)	46.70
3y EPS CAGR	8.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.3%	4.1%	13.1%	-0.1%
Softw.& Comp.	0.3%	2.0%	1.7%	-3.0%
DJ Stoxx 600	4.1%	4.2%	-7.2%	-4.6%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	1,541	1,690	1,788	1,896
% change		*9.7%*	*5.8%*	*6.0%*
EBITDA	164	183	198	214
EBIT	147.0	171.0	185.0	201.0
% change		*16.3%*	*8.2%*	*8.6%*
Net income	110.0	118.0	128.0	139.0
% change		*7.3%*	*8.5%*	*8.6%*

	2015	2016e	2017e	2018e
Operating margin	9.9	10.1	10.3	10.6
Net margin	6.8	7.0	7.1	7.4
ROE	16.3	16.1	15.4	14.8
ROCE	16.7	16.9	18.2	19.6
Gearing	-3.0	-5.0	-15.0	-24.0

(€)	2015	2016e	2017e	2018e
EPS	3.26	3.50	3.80	4.14
% change	-	*7.4%*	*8.6%*	*8.9%*
P/E	16.4x	15.3x	14.0x	12.9x
FCF yield (%)	5.5%	5.6%	7.0%	7.6%
Dividends (€)	1.00	1.00	1.00	1.00
Div yield (%)	1.9%	1.9%	1.9%	1.9%
EV/Sales	1.2x	1.0x	0.9x	0.8x
EV/EBITDA	10.9x	9.6x	8.5x	7.3x
EV/EBIT	11.7x	10.3x	9.1x	7.8x

We reiterate our Sell rating but raise our DCF-derived fair value to EUR48 from EUR46 as we have increased our adj. EPS ests. by 1% for 2016, 2% for 2017 and 3% for 2018. Yesterday evening Alten reported Q1 sales 3% above our ests. and 2% ahead of consensus, driven by a solid performance in North America, Spain and Italy. Management is now more confident it can exceed the 3.4% lfl growth rate reported for 2015 in 2016, but optimism is tempered by the negative effects of AÜG (Temporary Employment Act) in Germany, which may jeopardise growth in the country for 2-3 years.

ANALYSIS

- **Q1 16 revenues above our forecast**. Q1 16 sales rose 10.2% to EUR421.3m (+5.5% lfl), or 3% above our est. (EUR409.4m, +3.1% lfl) and 2% above the consensus' average (EUR413.5m). France was up 2.3% lfl (+3.4% restated from sales reclassification to Africa in Oil & Gas) to EUR209.5m (BG est.: EUR207.3m), with Automotive +20%, Aerospace +2%, Telecoms slightly down, Oil & Gas -20%, and +0%/+4% elsewhere. International was up 9.2% lfl (+7.3% lfl restated from the reclassification) to EUR211.8m (BG est.: EUR202.1m), with on lfl basis -5.5% in Germany (-20% in Automotive), +0.9% in Scandinavia, +16.1% in North America, +10.5% in the UK, +24.1% in Spain, +15.7% in Italy, +7.1% lfl in Belgium, +2.7% in the Netherlands, and +58.5% for others. By industry: +25% Automotive +25%, Rail/Marine +2%, Aerospace +3% (Airbus +7%), in Defence/Security +9%, Energy & Life Sciences -3% (Oil & Gas -10%, Nuclear -5%), Telecoms 0%, Multimedia +7.5%, Finance & IT +13%.
- **Stable utilisation rates, surge in net staff hiring**. The Q1 16 utilisation rate stood at 92.3% (+0.3ppt vs. Q4 15 and +0.2ppt vs. Q1 15). On 31st March 2016, the headcount reached 21,300 o/w 18,750 engineers. Net staff hiring in Q1 16 for billable engineers amounted to 392 (200 in France and 192 overseas), clearly ahead of the previous quarters (200-300) in order to address the demand.
- **Update on acquisitions**. Since early January, Alten has made five acquisitions: Nexse (Italy, EUR8m sales, 13% margin, 64 staff, digital services), one in the US (EUR6m sales, 5% margin, 75 staff, automotive engineering), PVR Technologies (USA, EUR18m sales, 8-9% margin, 175 staff, CRO services in Life Sciences), ASM Technologies' ETSB division (USA/India, EUR17m sales, 8% margin, 650 staff o/w 550-570 serving the Indian market), and one in Germany (EUR10m sales, 7% margin, 75 staff, infotainment). Total sales acquired represent EUR61m for an est. aggregate margin of 8%.
- **Mounting optimism on FY16 lfl sales growth, tempered by AÜG in Germany**. We raise our lfl sales growth ests. to 4.5% from 3.7% for 2016, to 5% from 4.8% for 2017, and to 6.1% from 5.4% for 2018. Management confirmed positive lfl growth in 2016. During the call, it was more optimistic than before, considering Alten will exceed the 3.4% lfl growth rate reported for 2015 instead of delivering a similar rate. Growth in 2016 will be distorted by calendar effects: +2.5 days in Q2 (+5ppt) and -2 days in H2 (-2.1ppt). That said, optimism is tempered by the negative effects of AÜG (Temporary Employment Act) in Germany, leading Alten to exit from R&D staffing contracts in Automotive in order to preserve the margin, and redeploy itself to work packages. Management considers sales in Germany may suffer for 2-3 years, and the speed of the turnaround will depend on the German carmakers' readiness to adopt the work package approach.

VALUATION

- Alten's shares are trading at est. 10.3x 2016 and 9.1x 2017 EV/EBIT multiples.
- Net cash position on 31st December 2015 was EUR17m (net gearing: -3%).

NEXT CATALYSTS

- AGM on 24th May.

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TMT

ASK

Price EUR1.12

Restructuring complete, on the way to reaching breakeven

Fair Value EUR2.4 (+114%) **CORPORATE**

Bloomberg	ASK FP
Reuters	ASK.PA
12-month High / Low (EUR)	3.4 / 1.1
Market Cap (EUR)	10
Ev (BG Estimates) (EUR)	8,010
Avg. 6m daily volume (000)	75.50
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.0%	-11.1%	-24.3%	-34.5%
Industry	4.1%	4.2%	-7.2%	-4.6%
DJ Stoxx 600	4.1%	4.2%	-7.2%	-4.6%

YEnd Dec. (EURk)	2014	2015	2016e	2017e
Sales	36,837	37,519	40,445	44,490
% change		*1.9%*	*7.8%*	*10.0%*
EBITDA	-348.0	-5,631	3,236	4,983
EBIT	-3,184	-7,760	808.9	2,313
% change		*-143.7%*	*NS*	
Net income	-3,795	-9,111	671.4	2,354
% change		*-140.1%*	*NS*	

	2014	2015	2016e	2017e
Operating margin	NM	NM	2.0	5.2
Net margin	NM	NM	1.7	5.3
ROE	-36.6	-679.9	13.0	48.1
ROCE	-14.6	-85.9	8.0	32.7
Gearing	31.9	445.9	411.1	92.3

(EUR)	2014	2015	2016e	2017e
EPS	-0.45	-1.33	0.03	0.22
% change	-	*NS*	*NS*	
P/E	NS	NS	36.5x	5.1x
FCF yield (%)	NM	NM	NM	NM
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	0.1x	0.2x	0.2x	0.1x
EV/EBITDA	NS	NS	2.6x	0.7x
EV/EBIT	NS	NS	10.5x	1.6x

Yesterday, ASK reported a FY15 net loss of EUR12.2m, mainly due to the direct and indirect negative impacts of the 2015 restucturing plan. We understand that momentum is improving, leading us to anticipate top-line growth in 2016, while restructuring should help the group to move closer to breakeven. Note however that the cash situation remains an issue with net debt at EUR8m.

ANALYSIS

- **Yesterday, ASK reported FY15 net losses of EUR12.2.** FY15 came out at EUR37.5m, and operating result at -EUR10.4m. The low level of operating result was due to the direct and indirect negative impacts of restructuring. Note that last year, the group conducted a large restructuring operation targeting a near EUR3m cut in operating expenses but this will be fully visible only from FY16. As a result, FY15 net result was at -EUR12.2m down from -EUR6.0m in 2014.
- **A better start to the year.** While 2015 momentum was impacted by a particularly low level of activity in the UK passport business and a slowdown in the US passport activity, it provided an easier comparison for 2016. In addition, we understand that the group expects a stronger momentum from the US, while the five new contracts signed in ID last year should also be fully contributive in 2016 (we believe that the contribution of these contracts in 2015 was weak). Regarding the Transport business, we understand that it has also been impacted by the restructuring plan but we expect that it is now running at normal rate. Overall, we believe that the environement is improving and that price pressure remains limited. We see an opportunity in different markets such as Driving Licences in the US (only 4 states at the moment), slight volume and market share gains in historic Passports contracts, additional revenues from new contracts signed in 2015, and a slow but continuous market share gain in Transport. Overall, given the weak basis of comparision, we anticipate 10% growth for FY16.
- **Improving FY16 margin thanks to the 2015 restructuring plan.** We estimate the operating expenses cut will lead to about EUR3m in savings. In addition, the group should benefit from sales growth (BG ests. FY16 sales of EUR40.4m). Overall, we anticipate operating result close to breakeven at EUR0.8m.
- **The cash situation remains an issue.** While the situation is far better than it was in early 2014, the group had only EUR2m in gross cash in hand by the end of FY15. Financial debt stood at EUR10m (excluding factoring of EUR5m), which leads to net financial debt of EUR8m while shareholders' equity was EUR3.2m. The group has two main debts 1/ EUR1.85m in convertible bonds, which mature in December 2016 and 2/ EUR2m in a high interest medium term loan (12%) to be reimbursed before December 2017.

VALUATION

- Based on our estimates, ASK's shares trade on 2016e EV/Sales and EV/EBIT ratios of 0.5x and 26.3x respectively.

NEXT CATALYSTS

- May 10th 2016: Q1-16 sales

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TMT

Altran Technologies

Price EUR12.81

Q1 16 conference call feedback: better growth momentum is fairly valued

Fair Value EUR13 (+2%) **NEUTRAL**

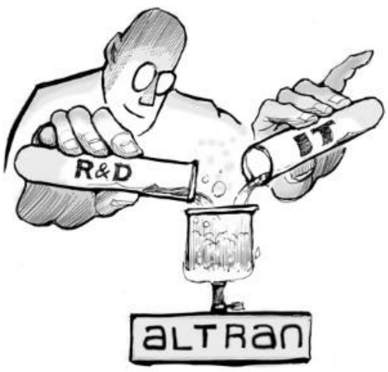
Bloomberg	ALT FP
Reuters	ALTR.PA
12-month High / Low (EUR)	12.8 / 9.3
Market Cap (EURm)	2,251
Ev (BG Estimates) (EURm)	2,306
Avg. 6m daily volume (000)	261.9
3y EPS CAGR	15.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.7%	13.3%	14.8%	3.8%
Softw.& Comp.	0.3%	2.0%	1.7%	-3.0%
DJ Stoxx 600	4.1%	4.2%	-7.2%	-4.6%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	1,945	2,108	2,238	2,372
% change		*8.4%*	*6.2%*	*6.0%*
EBITDA	208	238	272	310
EBIT	155.0	187.0	222.0	256.0
% change		*20.6%*	*18.7%*	*15.3%*
Net income	123.0	142.0	165.0	190.0
% change		*15.4%*	*16.2%*	*15.2%*

	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	13.7	15.0	15.8
ROCE	15.0	16.6	18.7	21.6
Gearing	18.0	6.0	-3.0	-14.0

(€)	2015	2016e	2017e	2018e
EPS	0.70	0.81	0.94	1.08
% change	*-*	*15.7%*	*16.0%*	*14.9%*
P/E	18.3x	15.8x	13.6x	11.9x
FCF yield (%)	3.6%	4.9%	6.4%	7.5%
Dividends (€)	0.20	0.25	0.30	0.30
Div yield (%)	1.6%	2.0%	2.3%	2.3%
EV/Sales	1.2x	1.1x	1.0x	0.9x
EV/EBITDA	11.5x	9.7x	8.2x	6.8x
EV/EBIT	12.9x	10.7x	9.0x	7.4x



We reiterate our Neutral rating following the conference call held yesterday, although we raise our lfl revenue growth forecasts to 6.3% from 5% for 2016, to 6.3% from 5.6% for 2017, and to 6% from 5.6% for 2018. The sales growth acceleration seen in Q1 16 driven by France looks sustainable over the full year thanks to a strong pace of hiring, and the turnaround in Germany is confirmed, but we contend that, at this stage, all these positive elements are fairly valued.

ANALYSIS

- **Better growth is sustainable**. We raise our lfl sales growth forecasts to 6.3% from 5% for 2016, to 6.3% from 5.6% for 2017, and to 6% from 5.6% for 2018. Q1 16, with +6% lfl, does not look as an exceptional quarter in 2016. Admittedly, Q2 will be helped by two more working days but Q3 and Q4 will be penalised by one working day each. The +6.8% lfl reported for France in Q1 seems to give a fair picture of what the rest of 2016 will look like. It is driven by Airbus - which was up a strong double-digit in Q1, helped by two contracts of which one in systems engineering for the A350 aircraft -, Automotive and Life Sciences, and denotes clear market share gains. Germany is, as confirmed, set to be back to growth in Q2 16 - H1 16 should be flattish -, driven by a recovery in Automotive and further penetration in new industries (Telecoms, Life Sciences). Southern Europe is planned to keep growing double-digit, led by Spain. Benelux was down 2% lfl but acquisitions performed well. Scandinavia was down 9.5% lfl, but an action plan has been undertaken for reinvigorating the sales dynamic. Finally, the Nokia offshore network operations management contract (now c. 600 staff involved, vs. 506 end 2015) has started to contribute to revenues.
- **Solid hiring pace ahead**. In Q1 16 Altran's net staff hiring was an outstanding 746, o/w 200 in France, 150 in Spain, 200 in Morocco (PSA contract), and the rest in Italy and India. 70% of this staff was hired on signed projects, and 30% ahead of projects. The invoicing rate flat year-on-year and down 0.9ppt quarter on quarter is due to the remaining staff in 'garden leave' in Germany following the restructurings undertaken last year and the time to train the 200 newly hired staff in Morocco - it takes 2-3 months before they start to be billable. For Q2, net staff hiring is expected to be good as well. Now 1,700 staff (+100 in Q1 16) - 6% of total headcount - are based in India. Including Morocco and Eastern Europe, offshore headcount amounts 2,800 (10% of total headcount), while the goal defined in the 'Altran 2020 Ignition' plan is to reach 10,000 by end 2020.
- **Update on M&A: time to find the right targets**. In line with the strategy defined for the 'Altran 2020 Ignition' plan, management reiterated the firm intention to make acquisitions this year. The company is active on that point, but nothing will be pre-announced before it is closed. North America remains a top priority, and Altran intends to develop the business in the West coast, where there is a strong culture and ecosystem of software and product development - especially in emerging technologies.

VALUATION

- Altran's shares are trading at est. 10.7x 2016 and 9.0x 2017 EV/EBIT multiples.
- Net debt on 31st December 2015 was EUR138.3m (net gearing: 19%).

NEXT CATALYSTS

- AGM today.
- Q2 16 sales on 28th July before markets open.

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Food retailing

Casino Guichard

Price EUR52.25

Disposal of BIG C Vietnam (first take) / 1.8x EV/ Sales multiple

Fair Value EUR57 (+9%) **BUY**

Bloomberg	CO FP
Reuters	CASP.PA
12-month High / Low (EUR)	80.2 / 35.2
Market Cap (EURm)	5,915
Ev (BG Estimates) (EURm)	10,544
Avg. 6m daily volume (000)	801.6
3y EPS CAGR	6.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.3%	31.0%	-1.6%	23.2%
Food Retailing	0.7%	3.5%	-3.7%	1.9%
DJ Stoxx 600	4.1%	4.2%	-7.2%	-4.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	46,145	41,275	41,815	43,691
% change		*-10.6%*	*1.3%*	*4.5%*
EBITDA	2,343	2,063	2,175	2,384
EBIT	968.0	1,261	1,309	1,423
% change		*30.3%*	*3.8%*	*8.7%*
Net income	412.0	358.6	412.2	472.5
% change		*-13.0%*	*15.0%*	*14.6%*

	2015	2016e	2017e	2018e
Operating margin	3.1	3.1	3.1	3.3
Net margin	0.9	0.9	1.0	1.1
ROE	NM	NM	NM	NM
ROCE	5.2	5.6	5.8	6.2
Gearing	48.9	18.5	18.5	18.1

(EUR)	2015	2016e	2017e	2018e
EPS	2.80	2.32	2.80	3.33
% change	*-*	*-16.9%*	*20.4%*	*19.0%*
P/E	18.7x	22.5x	18.7x	15.7x
FCF yield (%)	NM	5.0%	10.1%	10.6%
Dividends (EUR)	3.12	3.12	3.12	3.12
Div yield (%)	6.0%	6.0%	6.0%	6.0%
EV/Sales	0.3x	0.3x	0.3x	0.2x
EV/EBITDA	5.9x	5.1x	4.9x	4.5x
EV/EBIT	14.3x	8.4x	8.1x	7.6x

Casino has just announced the disposal of the 100% equity stake owned in its Vietnamese susbsidiary Big C to the Central Group (i.e. Tos Chirathivat who founded Big C Thailand in 1993). The proceeds to be received will amount to EUR920m (vs EUR750m estimated in our current spot SOTP / EUR1.5 positive impact on a spot valuation that currently stands at EUR53).

Casino has just announced the closing of the sale of BIG C Vietnam (43 stores and 30 shopping malls, with a EUR586m turnover excluding taxes in 2015) to Central Group, for an enterprise value of EUR1bn (including net financial debt as of 31 December 2015 and minority interest in joint-ventures), implying 2015 multiples of 1.8x net sales, 20.4x EBITDA and 34.4x EBIT.

Recent transaction multiples in Thailand and Vietnam

Year	Area	Nature of the deal	Transaction multiple
2011	Thailand	Carrefour's Thai BU sold to BIG C	1.2x EV/Sales
2013	Thailand	CP All increased its stake in Siam Makro	1.6x EV/Sales
2016	Vietnam	Loss-making Metro Vietnam sold to TCC	1.3x EV/Sales
2016	Thailand	Casino sold its 58.6% equity stake in Big C to TCC	1.7x EV/Sales

The proceeds to be received by Casino will amount to EUR920m (vs EUR750m estimated in our current spot SOTP / EUR1.5 positive impact on a valuation that currently stands at EUR53). After the disposal of its subsidiaries Big C Thailand and Big C Vietnam, the deleveraging plan of the Group reaches €4.2 billion. Note that Casino will continue its sourcing activity of Vietnamese food products distributed in France, Brazil and Colombia.

ANALYSIS

- Now that Thailand and Vietnam have been sold, it is worth remembering that Casino managed to sell an asset which has been declining for a year on record multiples (i.e. 1.7x EV/Sales). Before the deals were announced, Asia represented ~40%e of Casino's EV.
- With hindsight, without questionning the long term potential of Thaïland and Vietnam, we can imagine the consequence that a potential decline of Big C share price would have had on Casino sacrosanct spot SOTP over a shorter time scale.
- This being said, the growth profile of the group over the long term is somewhat penalised by the disposal of Asia. Thenceforward, we keep believing Casino may do what is generally expected from a wise asset manager: sell high at 1.7x sales (i.e. Asia) and buy low at 0.3x sals (i.e. LatAm) / see: CASINO - With hindsight: a real Catch-22!

VALUATION

- The sacrosanct spot SOTP currently stands at EUR53 per share

NEXT CATALYSTS

- Buyback of LatAm minorities

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Utilities

Engie

Price EUR14.42

Q1 metrics: EBITDA up LfL thanks to Electrabel

Fair Value EUR16,5 (+14%) **BUY**

Bloomberg	GSZ FP
Reuters	GSZ.PA
12-month High / Low (EUR)	18.9 / 13.1
Market Cap (EURm)	35,105
Ev (BG Estimates) (EURm)	79,029
Avg. 6m daily volume (000)	6 004
3y EPS CAGR	-21.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	7.3%	-1.0%	-10.4%	-11.7%
Utilities	4.9%	1.7%	-4.5%	-1.5%
DJ Stoxx 600	4.1%	4.2%	-7.2%	-4.6%

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	7.1x	14.5x	15.8x	14.8x
FCF yield (%)	0.7%	5.9%	4.9%	7.3%
Dividends (EUR)	1.00	1.00	0.70	0.70
Div yield (%)	6.9%	6.9%	4.9%	4.9%
EV/Sales	1.0x	1.1x	1.2x	1.2x
EV/EBITDA	6.5x	7.3x	7.8x	7.7x
EV/EBIT	NS	12.5x	13.9x	13.4x

As expected the group reported this morning positive earnings growth thanks primarily to Energy Europe which benefits from the restart of nuclear power plants. All in all EBITDA is down 1.7% YoY but up 2.3% LfL to EUR3.5bn while EBIT growth is positive on both YoY and LfL basis. The group did suffer from negative FX effect (BRL) and from negative weather effect, yet benefited from restart of nuclear power production and from Lean 2018 program. Net debt remained under control while 2016 targets were reiterated. Buy confirmed with FV unchanged at EUR16.5/share.

ANALYSIS

- **Main Q1-16 metrics**: Total Q1-16 sales came out at **EUR18.9bn, down 14.3% YoY** and down **13.3% on a LfL basis**.The group is not giving more details on the sales split by business unit yet we understand most of the sales drop is coming from France, Latam and Africa/Asia and from commodities prices exposed entities. EBITDA is down **1.7% YoY to EUR3.5bn yet is up 2.5%** on a LfL basis and up 5% when excluding FX and climate headwinds. Performance from Current Operating Income (COI) is even more sexier with a flat YoY growth to **EUR2.4bn and a 5.9% LfL** growth. Both operating metrics reported are bang in line with our expectations (*respectively EUR3,480m and EUR2,380m*). CCFO was negatively impacted by change in WCR, a negative impact which is set to progressively reverse during the rest of the year. Net debt remained under control despite this negative WCR impact and despite slight rise in gross capex *(+EUR200m to EUR1.4bn*) and declined by **EUR700m to EUR27bn**, helped by favourable FX effect (*-EUR400m*) and by disposals *(-EUR400m)*.
- **What to retain from this publication? 1/**Group's operating performance is bang in line with expectations. Most of the earnings growth is coming from restart of nuclear assets in Belgium (**around EUR100m**) and from costs reduction program **(EUR100m)** yet this is not a surprise. With this Q1-16 performance the group is close to the middle range of its EBITDA growth guidance for 2016 (-4.4%/0%), guidance which has been confirmed with other targets. **2/**The net debt stabilization is clearly positive and should reassure investors. **3/**Brazilian situation seems to improve compared with last year with GSF being up from **79% to 88%,** yet power prices remain **10x** lower than one year ago and then affected group's operating performance in the region compared with last year. **4/**the group indicated its workshop cession will be organised in Paris on June 28th.
- **Conclusion**: We expect a positive share price reaction today especially after yesterday share price performance *(-1.2% vs. flat CAC 40*) and given the more positive commodities prices (*Brent mainly*) evolution expected today. At this stage we confirm the Buy rating with FV unchanged at EUR16.5/share.

VALUATION

- At current share price Engie is trading at 7.3x its 2016e EBITDA and offers a 6.9% yield
- Buy, FV @ EUR16.5

NEXT CATALYSTS

- Q1-16 Conference call @
- June 28th 2016: Workshop cessions on new strategy in Paris

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Healthcare

Galapagos

Price EUR39.70

EUR1bn cash as of Q1 and renegotiation of the Cystic Fibrosis deal as a cherry on the cake

Fair Value EUR64 vs. EUR62 (+61%) **BUY**

Bloomberg	GLPG BB
Reuters	GLPG.BR
12-month High / Low (EUR)	58.5 / 32.7
Market Cap (EURm)	1,557
Ev (BG Estimates) (EURm)	0
Avg. 6m daily volume (000)	215.9
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.4%	-17.3%	-8.5%	-30.1%
Healthcare	5.6%	0.2%	-9.1%	-8.3%
DJ Stoxx 600	4.1%	4.2%	-7.2%	-4.6%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	90.0	31.7	28.0	19.6
% change		*-64.8%*	*-11.7%*	*-30.0%*
EBITDA	NM	NM	NM	NM
EBIT	-36.6	-78.5	-20.4	-2.1
% change		*-114.3%*	*74.0%*	*89.9%*
Net income	-37.3	-13.1	30.8	45.5
% change		*64.9%*	*NS*	*47.7%*

	2014	2015e	2016e	2017e
Operating margin	-40.7	-247.7	-73.0	-10.5
Net margin	-41.4	-41.3	110.0	232.2
ROE	-18.1	-3.2	3.5	5.0
ROCE	-17.8	-2.8	3.1	4.2
Gearing	0.0	0.0	0.0	0.0

(EUR)	2014	2015e	2016e	2017e
EPS	-1.24	-0.34	0.81	1.19
% change	*-*	*72.3%*	*NS*	*47.7%*
P/E	NS	NS	49.1x	33.2x
FCF yield (%)	NM	NM	NM	NM
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	0.0x	0.0x	0.0x	0.0x
EV/EBITDA	x	x	x	x
EV/EBIT	0.0x	0.0x	0.0x	0.0x

Galapagos reported Q1 results which came in-line with our estimates, the biotech having EUR988m in hands. Cash burn guidance of EUR100-120m reiterated. Alongside this release, Galapagos announces the renegotiation of the CF deal with ABBV and is now eligible to up to USD600m in milestones payments. Lastly, Gilead which has full hands on filgotinib's development announces during its earnings call that two Ph III trials and one Ph II should be initiated in Q3 2016 in RA, CD and UC respectively.

ANALYSIS

- Galapagos released Q1 results which came broadly in-line with our estimates. Revenues from recognition of upfront and milestones payments amounted to EUR14.8m. While EUR10m triggered by the initiation of phase I for GLPG222 has been received from ABBV, the upfront has not been booked as revenue during Q1 as the amendment of the deal was not yet announced, but which is done today alongside Q1 publication. R&D and SG&A expenses stands at EUR27.8m and 4.4m respectively. Bottom line, the financial result is positively impacted by a EUR57.5m non-cash adjustment from the decrease in share price between 1st and 19th of January. Hence group net profit stands at EUR35.9m (diluted earnings per share stand at EUR0.79). Cash burn guidance for the year is maintained within the EUR100-120m range.
- Main update issued alongside Q1 results' publication is the amendment of the cystic fibrosis deal with AbbVie. As a reminder, the deal initially inked in 2013 did not take into account the triple combination which is expected to reach the clinic by mid-2017. Under the new terms, potential milestones payments to Galapagos have been increased from USD350m to USD600. We believe that the additional amount mainly consists of sales milestones as the triple combination should enable both groups to significantly broaden the addressable population. As a result, we have increased our milestones based on sales thresholds (total amount now standing slightly below USD600m) which adds EUR2 to our fair value. Other terms of the deal remained unchanged (royalties ranging from mid-teens to twenty percent and Galapagos retaining rights for China, South Korea and BeNeLux). SAPHIRA phase II results with GLPG1837 is well on track with Galapagos having no difficulties in recruiting patients either naïve or on Kalydeco.
- Gilead which now has full hands on filgotinib's development timeline published yesterday an update on the latter alongside its Q1 results. In Q3 2016, two phase III are expected to be initiated in RA (Rheumatoid Arthritis) and CD (Crohn's disease) respectively while a phase II is expected to start in UC (Ulcerative Colitis).

VALUATION

- We reiterate our BUY rating. Integration of the new terms on the CF deal with AbbVie adds EUR2 to our fair value, which is up from EUR62 to EUR64.

NEXT CATALYSTS

- Today 02:00pmCET : conference call on Q1 results. (US +1 718 354 1357, UK +44 20 7136 2056, FR +33 1 7048 0166; Access code 6420003)

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Gemalto

Price EUR59.88

Organic sales decline in Q1 + poor momentum + 2017 PFO at risk = unattractive risk/reward

Fair Value EUR69 (+15%) **NEUTRAL**

Bloomberg	GTO FP
Reuters	GTO.PA
12-month High / Low (EUR)	84.9 / 50.5
Market Cap (EUR)	5,337
Ev (BG Estimates) (EUR)	5,424
Avg. 6m daily volume (000)	433.4
3y EPS CAGR	25.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.2%	9.2%	-2.3%	8.3%
Softw.& Comp.	0.3%	2.0%	1.7%	-3.0%
DJ Stoxx 600	4.1%	4.2%	-7.2%	-4.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	3,122	3,338	3,539	3,751
% change		*6.9%*	*6.0%*	*6.0%*
EBITDA	345	528	633	704
EBIT	313.3	451.7	549.5	611.4
% change		*44.2%*	*21.7%*	*11.3%*
Net income	226.3	339.8	412.5	450.0
% change		*50.1%*	*21.4%*	*9.1%*

	2015	2016e	2017e	2018e
Operating margin	10.0	13.5	15.5	16.3
Net margin	4.2	8.9	10.5	11.2
ROE	5.4	10.8	12.1	12.1
ROCE	7.1	10.3	12.4	13.8
Gearing	13.4	3.2	-7.4	-17.0

(EUR)	2015	2016e	2017e	2018e
EPS	2.53	3.77	4.58	5.00
% change	-	*49.0%*	*21.4%*	*9.1%*
P/E	23.6x	15.9x	13.1x	12.0x
FCF yield (%)	3.2%	5.6%	7.2%	8.1%
Dividends (EUR)	0.47	0.51	0.55	0.59
Div yield (%)	0.8%	0.9%	0.9%	1.0%
EV/Sales	1.8x	1.6x	1.4x	1.3x
EV/EBITDA	16.4x	10.3x	8.1x	6.8x
EV/EBIT	18.1x	12.0x	9.3x	7.8x

GTO has posted Q1 sales 1.8% below our estimate and in line with the consensus. We calculate an organic decline of 2.5% over the quarter (-0.3% at cc and -2.5% by also excl. the acquisition of Trüb). This means Government programmes, M2M, Enterprise and Payment did not offset the renewed underperformance of the SIM & related services business. Management has confirmed its vague 2016 guidance (+1.5% gross margin, accelerating its PFO expansion towards its 2017 objectives). The current year will be very back-end loaded (Softcard loss during Q2 last year) and there are still too many risks in SIM & related businesses, such that the 2017 PFO target of over EUR660m is clearly challenging (it implies at least a +25% CAGR 2015-17e vs. +10.4% in 2015). We maintain our Neutral rating and FV of EUR69, waiting for a more attractive risk/reward. Conf. call at 3pm.

ANALYSIS

- **Q1 sales registered a decline in organic terms:** revenue came out at EUR691m, up 0.7% Y/Y and down 2.5% lfl (i.e. -0.3% at cc and -2.5% at cc and excl. Trüb) i.e. below our estimate of EUR703.4m (+2.5% Y/Y, we considered our forecast as a maximum) and in line with the company consensus of EUR687m (based on 15 analysts estimates). **1/ Mobile was down 20% Y/Y lfl at EUR258m** (vs. our EUR274.3m and cons. at EUR270m) with -22% for Embedded Software & Products (-34% for the SIM business due to the tail-end effect of Softcard and to lower demand in Latam and Asia; +12% for M2M) and -9% for Platforms & Services (also due to the closing of Softcard). **2/ Payment & Identity was up 13% lfl at EUR433m** (vs. our EUR424.2m and cons. at EUR413m) with +7% for ES&P thanks to the payments +12% but +8% excl. Trüb (EMV payment cards and issuance services in the US offset lower sales to banks in China), e-Government +34% but +26% excl. Trüb (deliveries of previously won projects), and +35% for P&S thanks to the acquisition of Safenet in enterprise & cybersecurity (+14%). **3/ Patents & Others was down 29% Y/Y at EUR0.4m** (vs. our EUR4.9m and cons. at EUR5m) with traditional irregularity.
- **Management reiterated its FY16 guidance:** with positive trends in Enterprise, Government Programs, M2M and the US EMV ramp-up effort completed, Gemalto expects to generate a 1.5% points increase in adjusted gross margin, accelerating its PFO expansion towards its 2017 objectives (i.e. >+10.4% in 2016). However, the SIM business is still worrying in our view: revenue derived from SIM products represents less than 25% of total sales but is still about 30% of the group's PFO (after -34% in Q1, there should be other double digit declines in the next quarters between -10% and -15% at best). We will be looking for more details about FY16 guidance at today's conference call.
- **What about the FY17 PFO target?** Philippe Vallée (COO, and new CEO as of 1st September) will have to take on 2017 guidance for over EUR660m in PFO for next year. This is very tight as it suggests a strong acceleration in the following two years, namely a CAGR 2015/17 of at least +25%. Even with the dynamics registered in payment, M2M, e-government and cybersecurity, the business lost in the SIM segment is always very profitable and momentum is clearly disappointing. We maintain our FY17e PFO at ~EUR600m, i.e. 9% below management's target.

VALUATION

- **We do not see a positive risk/reward** at the current price. **Momentum on the stock is challenging:** the current year is very back-end loaded, Olivier Piou will have to ensure a smooth succession with Philippe Vallée, we still see too many risks in the SIM and related services. As a result, we consider that the 2017 PFO guidance will be very hard to achieve.
- **We maintain our Neutral rating and FV of EUR69** (SOTP of EUR73.6, DCF of EUR65.1, and 3-year historical multiples of EUR69.5).

NEXT CATALYSTS

- **H1 revenue and earnings:** on 26th August (before trading).

2014 and 2015 reported, consensus and BG estimates for 2016 and 2017e

EURm	2014 (reported)	2015 (reported)	BG 2016e	Cons. 2016e	BG 2017e	Cons. 2017e

Sales	**2,465.2**	**3,121.6**	**3,338.3**	**3,276**	**3,538.6**	**3,496**
Y/Y change	*3.4%*	*26.6%*	*6.0%*	*4.9%*	*¨6.0%*	*6.7%*
Y/Y change (lfl)	*5.0%*	*6.0%*	*6.0%*		*6.0%*	
PFO	**382.7**	**422.6**	**496.1**	**502**	**600.6**	**587**
Margin	*15.5%*	*13.5%*	*14.9%*	*15.4%*	*17.0%*	*17.0%*
EBIT	**270.2**	**203.3**	**398.3**		**495.5**	
Margin	*11.0%*	*6.5%*	*11.9%*		*14.0%*	
Current EBIT	**327.3**	**313.3**	**451.7**		**549.5**	
Margin	*13.3%*	*10.0%*	*13.5%*		*15.5%*	
Net profit	**221.2**	**136.9**	**297.8**	**284**	**371.2**	**354**
Margin	*9.0%*	*4.4%*	*8.9%*	*8.7%*	*10.5%*	*10.1%*
Attrib. net profit	**220.7**	**134.1**	**297.6**		**371.0**	
Margin	*9.0%*	*4.3%*	*8.9%*		*10.5%*	
Rest. attrib. net profit	**269.8**	**226.3**	**339.8**		**412.5**	
Margin	*10.9%*	*7.3%*	*10.2%*		*11.7%*	
Net debt	**-493.4**	**334.7**	**87.8**	**103**	**-228.6**	**-173**
Gearing	*-20.6%*	*13.4%*	*3.2%*		*-7.4%*	

Sources: Bryan, Garnier & Co ests; Company's consensus (27/04/16).

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Gameloft

Price EUR7.41

Reassuring Q1 revenue at +5% Y/Y in organic terms

Fair Value EUR7.2 (-3%) **BUY**

Bloomberg	GFT FP
Reuters	GLFT.PA
12-month High / Low (EUR)	7.6 / 3.2
Market Cap (EUR)	645
Ev (BG Estimates) (EUR)	590
Avg. 6m daily volume (000)	332.4
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.5%	43.6%	41.1%	22.3%
Softw.& Comp.	0.3%	2.0%	1.7%	-3.0%
DJ Stoxx 600	4.1%	4.2%	-7.2%	-4.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	256.2	269.0	290.5	322.5
% change		*5.0%*	*8.0%*	*11.0%*
EBITDA	8.0	47.4	59.6	79.3
EBIT	-1.2	28.0	37.6	54.8
% change		*NS*	*34.2%*	*45.8%*
Net income	-19.6	19.2	26.6	38.1
% change		*NS*	*38.7%*	*43.3%*

	2015	2016e	2017e	2018e
Operating margin	-0.5	10.4	12.9	17.0
Net margin	-9.4	6.9	9.2	11.8
ROE	-21.2	14.0	16.7	19.3
ROCE	-1.1	25.7	30.9	39.4
Gearing	-32.4	-41.2	-45.4	-49.7

(EUR)	2015	2016e	2017e	2018e
EPS	-0.22	0.22	0.30	0.43
% change	-	*NS*	*38.7%*	*43.3%*
P/E	NS	34.2x	24.6x	17.2x
FCF yield (%)	NM	3.8%	3.9%	5.3%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	2.4x	2.2x	2.0x	1.7x
EV/EBITDA	76.1x	12.4x	9.6x	6.9x
EV/EBIT	NS	21.1x	15.2x	10.0x

Q1 sales were 1.6% above our estimate and in line with the consensus. We consider that the group now has two engines (in-app purchases and advertising) enabling it to return to its past op. margin as of FY16e (BG est.: 11.5%e), and that its FY18e targets are achievable (revenue of over EUR350m, current op. before SO of over EUR65m, cumulative FCF 2016/18 of more than EUR85m). Gameloft's strategy is well on track. Our FY16/18 EPS sequence remains unchanged. We are maintaining our Buy rating and FV of EUR7.2. The stock is currently trading 3% above Vivendi's last offer. Investors have nothing to gain by tendering their GFT shares now. We estimate a fair offer in the range EUR7.6-8.6.

ANALYSIS

- **Q1 sales were reassuring.** Revenue came out at EUR65.1m i.e. -0.7% Y/Y and +4.6% at cc (62% coming from its own IPs, a satisfactory resilience of the back catalogue at +6%), slightly above our est. of EUR64.1m (-2.3% Y/Y) and in line with the consensus of EUR65m (-0.8% Y/Y, ranging from EUR64m to EUR66m; no precise guidance but the management was not expecting any Y/Y growth during its last conf. call). Revenue breakdown by business line: 79% smartphones (+2% Y/Y, +6%e at cc), 17% feature phones (~-20% Y/Y, ~-15%e at cc) and 4% advertising (+800% Y/Y). Revenue breakdown by geography: 32% EMEA, 22% North America, 14% Latam and 32% Asia-Pacific. This quarterly performance is reassuring as: 1/ the comparison base was the highest of last year (+8% at cc) with 2 games released in Q1 15 (early in the quarter) while only *Disney Magic Kingdom* was launched in Q1 16 (in late March); and 2/ its internal advertising agency delivered a strong performance (EUR2.7m vs. EUR0.3m a year ago; annual run-rate of EUR20m), notably driven by a take-off in programmatic advertising (~10% of GFT's advertising revenue in Q1 and ~20-25% in March whereas it only started in the course of February).
- **We haven't changed our FY16e forecasts.** As we expected, management provided no figures for the full year (perhaps in July for Q2 sales release?). The group should launch two new games in Q2 (*Blacklist* and *Asphalt Extreme*: both in June) and we expect nine titles over the full year (probably two-thirds IPs and one-third licenses). We still see FY revenue of EUR269m (+5% Y/Y) incl. EUR18m from advertising, current EBIT before stock options at EUR31m (margin of 11.5%), EBIT of EUR27m (margin of 9.7%) after -EUR3m of SO and -EUR1m of restructuring costs, net profit of EUR18.5m (margin of 6.9%), FCF of EUR25m and net cash of EUR54.6m.
- **The group's strategy is well on track for 2018 targets.** The group has now two engines: 1/ In-app purchases, GFT is reaping the rewards of its restructuring plan (net savings of EUR25-27m) meaning that breakeven point for the success of a game is now much lower. Moreover, the group is set to release fewer games (8-12 per year) but with a focus on established franchises and mid-core FTP games, which are easier to monetise. 2/ Mobile advertising, GFT is benefiting from its in-house strategy (it has full control of inventory and data, and can therefore obtain a good margin) and is experiencing a secular switch from premium to programmatic (Gameloft is an alternative to the duopoly of Facebook and Google, with more reactivity and flexibility; it is targeting a 1% MS).

VALUATION

- **We believe investors have nothing to gain by tendering their GFT shares** now to Vivendi.
- **We maintain our Buy rating and FV of EUR7.2** and estimate a **fair offer in the range EUR7.6-8.6** (mid-range price of EUR8.2 on average, i.e. 11% above yesterday's closing price).

NEXT CATALYSTS

- **4th May:** the Paris Court of Appeal's decision on the request filed by Gameloft. If it does not have a suspensive effect, we should have the results of the offer on 10th May. If it has a suspensive effect, the offer won't be suspended but the results should be postponed to late July/early September.
- **29th June:** AGM.
- **28th July (after trading):** Q2 sales.

Main financial factors for 2013-2018e

EURm	2013	2014	2015	BG 2016e	Cons. 2016e	BG 2017e	Cons. 2017e	BG 2018e

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Sales	**233.3**	**227.3**	**256.2**	**269.0**	**272**	**290.5**	**293**	**322.5**
Y/Y growth	*12.0%*	*-2.6%*	*12.7%*	*5.0%*	*6.2%*	*8.0%*	*7.7%*	*11.0%*
Y/Y organic growth	*16.3%*	*1.1%*	*5.7%*	*5.0%*	-	*8.0%*	-	*11.0%*
Current EBIT before SO	**28.4**	**-1.1**	**2.1**	**31.0**	**23.4**	**40.6**	**30.2**	**57.8**
Margin	*12.2%*	*-0.5%*	*0.8%*	*11.5%*	*8.6%*	*14.0%*	*10.3%*	*17.9%*
Current EBIT after SO	**24.9**	**-4.2**	**-1.2**	**28.0**	**-**	**37.6**	**-**	**54.8**
margin	*10.7%*	*-1.8%*	*-0.5%*	*10.4%*	-	*12.9%*	-	*17.0%*
EBIT	**23.6**	**-4.9**	**-11.5**	**26.0**	**-**	**37.6**	**-**	**54.8**
Margin	*10.1%*	*-2.1%*	*-4.5%*	*9.7%*	-	*12.9%*	-	*17.0%*
Net income	**7.5**	**-6.4**	**-24.2**	**18.5**	**12.8**	**26.6**	**17.7**	**38.1**
Margin	*3.2%*	*-2.8%*	*-9.4%*	*6.9%*	*4.7%*	*9.2%*	*6.0%*	*11.8%*
Restated net income	**8.4**	**-5.9**	**-19.6**	**19.2**	**-**	**26.6**	**-**	**38.1**
Margin	*3.6%*	*-2.6%*	*7.7%*	*7.1%*	-	*9.2%*	-	*11.8%*
Net cash	**60.3**	**52.7**	**36.9**	**54.6**	**45**	**72.2**	**61**	**98.0**

Sources: Consensus from the company (27/04/16: 6 analysts); Bryan Garnier & Co. ests.

Annual game releases from 2013 to 2016e

Number of games	Q1	Q2	Q3	Q4	Full year
2013	2	7	4	3	16
2014	1	3	4	4	12
2015	5	4	2	5	16
2016e	1	2	3	3	9

Source: Bryan, Garnier & Co ests.

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Luxury & Consumer Goods

Grandvision

Price EUR24.45

Q1 publication below expectations mainly due to technical factors

Fair Value EUR28 (+15%) **BUY**

Bloomberg	GVNV NA
Reuters	GVNV AS
12-month High / Low (EUR)	27.7 / 21.5
Market Cap (EURm)	6,221
Ev (BG Estimates) (EURm)	6,978
Avg. 6m daily volume (000)	105.9
3y EPS CAGR	10.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.6%	-1.8%	-2.4%	-11.6%
Consumer Gds	2.3%	3.0%	-4.1%	-2.7%
DJ Stoxx 600	4.1%	4.2%	-7.2%	-4.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	3,205	3,444	3,605	3,775
% change		*7.5%*	*4.7%*	*4.7%*
EBITDA	512	557	599	641
EBIT	353.2	387.8	422.3	456.0
% change		*9.8%*	*8.9%*	*8.0%*
Net income	212.7	237.3	263.1	288.5
% change		*11.5%*	*10.9%*	*9.7%*

	2015	2016e	2017e	2018e
Operating margin	11.0	11.3	11.7	12.1
Net margin	6.6	6.9	7.3	7.6
ROE	27.3	24.6	23.6	22.6
ROCE	18.7	20.3	22.0	24.0
Gearing	112.9	74.4	52.0	32.4

(EUR)	2015	2016e	2017e	2018e
EPS	0.85	0.93	1.03	1.13
% change	-	*9.6%*	*10.9%*	*9.7%*
P/E	28.7x	26.2x	23.6x	21.6x
FCF yield (%)	3.8%	4.3%	4.7%	5.3%
Dividends (EUR)	0.14	0.35	0.39	0.45
Div yield (%)	0.6%	1.4%	1.6%	1.8%
EV/Sales	2.2x	2.0x	1.9x	1.8x
EV/EBITDA	14.0x	12.5x	11.4x	10.4x
EV/EBIT	20.3x	18.0x	16.2x	14.6x

Q1 16 revenue increased 2.5% to EUR803m, or 2% below CS (EUR821m). The deviation is caused by technical effects which weighed on the comparable growth (0.9% vs. CS at +2.2%), justified by the most demanding comparison base of the year. Like in Q4 15, the CS has underestimated the dilutive impact from acquisitions which costed 40bp this quarter. Consequently the adj. EBITDA decreased 30bp to 15.3% (+10pb to 15.7% excl. M&A) vs. CS at 15.9% and BG at 15.5%.

ANALYSIS

- **Q1 revenue of EUR803m (+4.9% FX-n).** The **comparable growth** only amounted to 0.9% and fell short of expectations (CS: +2.2%e), resulting from the tougher comparison base in G4 (*see below*). The **organic growth** was 1.7% and **acquisitions** provided 3.2%, mainly thanks to the consolidation of the US chain *For Eyes*. Last but not least, GrandVision registered a negative **FX impact** of 2.4%.
- **Adj. EBITDA reached EUR123m (+0.3% and +0.8 FX-n) vs. CS of EUR130m.** Like in Q4, the CS seemed to have underestimated the dilutive impact from acquisitions, weighed on the group's profitability by 40bp this quarter. Hence the adj. EBITDA margin decreased 30bp to 15.3% (CS: 15.9%e / BG: 15.5%e) but it improved 10bp to 15.7% excluding this negative impact.

GrandVision Q1 16 results:

EURm	Q1 15	Q1 16
Net revenue	**784**	**803**
Reported growth (%)	*16.9*	*2.5*
Comparable growth (%)	*5.6*	*0.9*
Adj. EBITDA *	**122**	**123**
Adj. EBITDA margin (%)	15.6	15.3 / 15.7 Adj.

** After "Other reconciling items"* *Source: Company Data*

- By region: sales in the **G4** segment only increased 0.7% to EUR494m, including a SSSG almost stable (+0.3%). Whilst the challenging comparison base (Q1 15: +6.8%) was flagged by investors, its impact was eventually higher-than-expected (CS: +1.9%e): the group faced a LSD decline in Germany and Austria where the promotional campaigns took place in Q1. On the positive side, sales in Belgium, France and the UK increased LSD. This weak top line development has therefore led to slight 20bp-decrease to 20.5% in the adj. EBITDA margin.

EURm – G4	Q1 15	Q1 16
Net sales	**491**	**494**
Comparable growth (%)	*6.7*	*0.3*
Adj. EBITDA	**101**	**100**
Adj. EBITDA margin (%)	20.5	20.3

Source: Company Data

- Revenue in the **Other Europe** segment remained flat at EUR208m, up 1% FX-n. Comparable growth was still down 0.5% (vs. -0.7% in Q4) due to a lingering weakness in the Nordics. Even if the the Randazzo acquisition (Italy) seems to continue to weigh on profitability, the adj. **EBITDA margin** increased 10bp to 12.6% after -80bp in Q4.

EURm – Other Europe	Q1 15	Q1 16
Net sales	**208**	**208**
Comparable growth (%)	*1.8*	*-0.5*
Adj. EBITDA	**26**	**26**
Adj. EBITDA margin (%)	12.5	12.6

Source: Company Data

(To be continued next page)

- Sales in **Americas & Asia** reached EUR101m, representing a 19.2% increase and 35.5% in organic terms. SSSG was up 8.5% and accelerated vs. Q4 (+5.6%), driven by healthy trends Chile, Mexico and Turkey whilst the comps were still down in Russia. This robust comparable growth enabled the adj. EBITDA margin to increase by 90bp to 3.2%.

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EURm – Americas & Asia	Q1 15	Q1 16
Net sales	**85**	**101**
Comparable growth (%)	*8.8*	*8.5*
Adj. EBITDA	**2.0**	**3**
Adj. EBITDA margin (%)	2.3	3.2

Source: Company Data

VALUATION

- At this stage we maintain our top-line assumptions over 2016 since this first quarter was mostly affected by technical effects and a challenging comparison base in G4. We believe these headwinds will gradually ease off throughout the balance of the year.
- **Over the past two quarters, CS has underestimated the dilutive impact from acquisitions, which mostly explain the margin miss in Q1 (15.3% vs. CS of 15.9%). In light of CS' FY16 estimates, this assessment is still valid as the Street expects an adj. EBITDA margin of 16.5% (+50bp) whilst we anticipate only a 20bp-increase to 16.2%.**
- We still have a positive stance on GrandVision to play both structural catalysts in the optical market and the group's ability to make the most of its critical mass to win market share, consolidate the very fragmented optical distribution market (M&A, despite the possible dilutive impacts) and generate substantial leverage to operating expenses.
- GrandVision's 2016e PEG of 2.2x, the stock trades below Essilor (2.4x) and offers a significant discount relative to its most direct peer, Fielmann (2.7x) despite more appealing growth prospects (2015-18e EPS CAGR of ~10% vs. 7.8% for Fielmann).

NEXT CATALYSTS

- H1 16 results on 5th August 2016.

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Luxury & Consumer Goods

Groupe SEB

Price EUR88.87

Reassuring top line trends and strong operating result performance in Q1 (+50% LFL)

Fair Value EUR102 (+15%) **BUY**

Bloomberg	SK FP
Reuters	SEBF.PA
12-month High / Low (EUR)	96.9 / 78.3
Market Cap (EURm)	4,459
Ev (BG Estimates) (EURm)	4,817
Avg. 6m daily volume (000)	50.10
3y EPS CAGR	13.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.3%	1.2%	-5.3%	-6.1%
Consumer Gds	2.3%	3.0%	-4.1%	-2.7%
DJ Stoxx 600	4.1%	4.2%	-7.2%	-4.6%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	4,770	4,949	5,200	5,459
% change		*3.8%*	*5.1%*	*5.0%*
Op result	428	470	504	549
EBIT	396.6	437.6	470.2	513.4
% change		*10.3%*	*7.5%*	*9.2%*
Net income	205.9	248.9	273.7	301.8
% change		*20.9%*	*10.0%*	*10.3%*

	2015	2016e	2017e	2018e
EBIT margin	8.3	8.8	9.0	9.4
Net margin	4.3	5.0	5.3	5.5
ROE	13.2	15.8	15.7	15.5
ROCE	12.8	13.9	14.8	15.8
Gearing	16.5	19.1	9.1	0.0

(€)	2015	2016e	2017e	2018e
EPS	4.14	5.01	5.51	6.07
% change	-	*20.9%*	*10.0%*	*10.3%*
P/E	21.5x	17.7x	16.1x	14.6x
FCF yield (%)	7.1%	5.8%	6.3%	6.9%
Dividends (€)	1.54	1.65	1.80	2.00
Div yield (%)	1.7%	1.9%	2.0%	2.3%
EV/Sales	1.0x	1.0x	0.9x	0.8x
EV/EBITDA	11.2x	10.2x	9.2x	8.1x
EV/EBIT	12.0x	11.0x	9.9x	8.7x

Q1 sales came in at EUR1.115bn (+2.3%), matching the CS of EUR1.121bn. LFL growth amounted to 5.1% and was also in line with CS (+5.2%) against a weak North America (-12.4%) and a demanding comparison base (Q1 15: +9.4%). Operating profit reached EUR93m, 12% above expectations despite a huge EUR45m negative impact (Q1 15: -EUR15m), such that the margin remained almost stable

(-10bp to 8.3% vs. CS: 7.4%). Based on current exchange rates, management now expects the adverse FX impact to total around EUR120m vs. EUR130-140m previously. We have made minor adjustments to our top line forecasts. Buy recommendation and FV of EUR102 confirmed.

ANALYSIS

- **Reported Q1 sales up 2.3% to EUR1.115bn (CS: 1,121m).** While LFL growth was in line with CS estimates (+5.2%), the group sustained a higher-than-expected FX impact (-3.6pp vs. BG ests at -3pp). It is worth noting that OBH Nordica had made an 80bp contribution over Q1.
- **Solid growth in EMEA (+5.3% LFL). Western Europe** was up 4.3%: SEB delivered its 11th consecutive quarter of growth in **France** (+5% LFL) in both SDA and cookware. Sales grew in double-digits in **Germany** and MSD in **Spain** and **Italy**, but trends were softer in the **UK**. In **Other Countries** (+7.4% LFL), sales in **Russia** were almost flat LFL stripping out two significant loyalty programmes (LPs) which were not renewed this year, while growth in **Turkey** and in the **Middle-East** was buoyant.
- **Sales in the Americas were down 12.4% LFL, bumpy start to the year in North America.** Indeed the robust trends in **Mexico** were not enough to offset the double-digit sales in the **US** and **Canada**, due to some destocking in the US (in cookware) and difficult market conditions in Canada. Management expects the destocking phase to soften gradually throughout the remainder of the year. In **Latin America** (+4.3% LFL), the group registered a slight decline in **Brazil** which was compensated by good performances in other countries, especially in Colombia.
- **Double-digit growth in Asia-Pacific (+10.1% LFL).** This development was largely driven by **Greater China** were revenue was up 12.5%, with a balanced performance between SDA and cookware. Supor continued to gain market share. **Japan** and **South Korea** also grew above 10% this quarter. On the opposite, Thailand was in the negative territory due to a subdued consumption.
- **Op result (EUR93m) topped expectations by 16% (CS: EUR83m).** Consequently the reported op margin was almost flat (-10bp to 8.3%), well above the CS forecast (7.4%). This **operating result grew by an impressive rate of 50% LFL to EUR138m**, boosted by a very favourable price-mix effect which has more than offset the negative EUR45m FX impact. The group also benefited from a positive raw material effect, without forgetting the contribution from efficiency gains.
- **FY negative impact now expected at EUR120m vs. EUR130-140 previously.** As the group does not entirely hedge its short positions in USD and CNY, the recent weakening of these two currencies is favourable for SEB, in addition of the recent rebound of the RBL and the BRL. The JPY has also strengthened vs. the EUR.
- **Then we do we leave our FY16 margin assumptions unchanged?** We nudge up **our LFL growth forecast** to 5% vs. 4.5%, which we consider as a good performance after +8% achieved in 2015 (o/w 1pp stemmed from LPs). CFO Vincent Leonard declared that the month of April was "a continuation of Q1". However the retain a more harmful FX effect on top line (-2pp). As for the **operating result outlook**, SEB has an agile pricing strategy: it might take the opportunity of this less adverse FX environment to either reduce prices/make promotions in some regions, or to increase marketing expenses like in Q1. Therefore we leave our estimates unchanged: we anticipate 50bp-improvement to 9.5% (CS: 9.4%). **We recall that SEB is characterized by a highly seasonal business, as H2 accounts for ~56% of FY sales and ~70% of FY operating profit (3Y average).**

VALUATION

- Despite the rebound over the last two days (+3.2%), the share price has dropped 7% since April 19th. In our view, this correction was due to fears over the negative FX impact. We believe that yesterday's publication will reassure investors about SEB's capacity to more than offset this FX headwind. Buy recommendation and FV our EUR102 confirmed.

NEXT CATALYSTS

- AGM on 19th May // H1 16 Results on 25th July.

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Q1 sales by region (new reporting):

EURm	Q1 15	Q1 16	% change	LFL growth
EMEA – Western	336	359	*6.9*	*4.3*
EMEA – Others	147	149	*1.2*	*7.4*
Total EMEA	**482**	**508**	***5.2***	***5.3***
North America	117	100	*-14.2*	*-12.4*
South America	83	65	*-21.6*	*4.3*
Americas	**200**	**165**	***-17.3***	***-5.5***
China	304	336	*10.5*	*12.5*
Rest of Asia	103	106	*3.2*	*3.1*
Asia-Pacific	**407**	**442**	***8.6***	***10.1***
Total Groupe SEB	**1,089**	**1,115**	***2.3***	***5.1***

Source: Company Data

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Luxury & Consumer Goods

Hermès Intl.

Price EUR316.60

Bloomberg	RMS FP
Reuters	HRMS.PA
12-month High / Low (EUR)	363.4 / 291.6
Market Cap (EUR)	33,423
Ev (BG Estimates) (EUR)	32,123
Avg. 6m daily volume (000)	55.10
3y EPS CAGR	14.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.2%	3.1%	-9.1%	1.6%
Pers & H/H Gds	2.6%	4.1%	-4.3%	0.3%
DJ Stoxx 600	4.1%	4.2%	-7.2%	-4.6%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	4,119	4,841	5,180	5,650
% change		*17.5%*	*7.0%*	*9.1%*
EBITDA	1,365	1,605	1,756	2,035
EBIT	1,299	1,541	1,693	1,875
% change		*18.6%*	*9.9%*	*10.8%*
Net income	858.1	973.0	1,145	1,270
% change		*13.4%*	*17.7%*	*10.9%*

	2014	2015e	2016e	2017e
Operating margin	31.5	31.8	32.7	33.2
Net margin	20.8	20.1	22.1	22.5
ROE	24.9	26.8	27.6	25.0
ROCE	41.3	41.4	42.3	41.5
Gearing	4.5	4.2	3.7	3.0

(EUR)	2014	2015e	2016e	2017e
EPS	8.16	9.26	10.89	12.08
% change	-	*13.4%*	*17.7%*	*10.9%*
P/E	38.8x	34.2x	29.1x	26.2x
FCF yield (%)	2.0%	2.4%	2.7%	NM
Dividends (EUR)	7.95	3.35	4.00	4.55
Div yield (%)	2.5%	1.1%	1.3%	1.4%
EV/Sales	7.8x	6.6x	6.2x	5.5x
EV/EBITDA	23.5x	20.0x	18.2x	15.4x
EV/EBIT	24.7x	20.8x	18.8x	16.7x

Reassuring Q1 organic sales growth and conference call

Fair Value EUR355 (+12%) **BUY**

Hermès' Q1 sales figures (+6.2%) confirmed the resilience of its business model with i/ a good performance in France; ii/ strong momentum in leather goods and iii/ sound sales growth for Retail. Hermès is clearly outperforming luxury peers. All these points should have a positive impact on H1 and FY profitability. We reiterate our Buy recommendation and our EUR355 FV.

ANALYSIS

- Hermès Q1 16 organic sales growth of 6.2% was reassuring and slightly above expectations (+5.8%). More importantly, in our view, the quality of this publication was very sound. **Firstly, *Retail* sales (82% of Hermès sales) did quite well** with an 8% increase implying no growth at all for *Wholesale*. 8% *Retail* organic sales increase in Q1 implies almost no slowdown versus Q4 2015 momentum. It is also worth noting that the Q1 sales increase was achieved without any price increase and was only driven by volumes. Furthermore, as the brand did not open any new stores, the selling space impact is marginal. Stores opening (4 on FY) will occur in H2 and particularly in Q4 and shoud have a slight positive impact on revenues trend during the last quarter.

- **The second encouraging point is the very resilient performance in France** with a 5.6% sales growth in Q1, implying some acceleration versus Q4 2015 (+1.2%). Nevertheless, Q1 momentum is still below the one before Paris event in last November. But what is interesting in our view is the fact that Hermès outperformed significantly its peers with, for instance, a double digit decline for LV in Paris stores, actually the three Hermès Paris stores (two on the right bank and one in the left bank) sales were slightly up. This outperformance is due, in our view, to brand very high-end positioning and relatively lower weight of tourists in sales compared to peers. Hermès brand proved again its resilience business model.

- Americas showed mixed trends with a still weak US market due to less traffic, particularly in NYC coming from local and tourists consumers, meanwhile momentum was dynamic in Mexico and in Canada. While the trend in Asia-Pacific remained almost the same, it is worth noting that sales in Mainland China are still growing around 5% and more importantly, that revenues were stable in Hong Kong versus the decline in 2015. Hermès is the first brand to report sales stability in HK, this trend needs to be confirmed in coming quarters.

Quarterly organic sales growth by geographical area

Ifl chge (%)	**9M 15**	**Q4 15**	**2015**	**Q1 16**
France	8.2	1.2	6.2	5.6
Europe	10.6	11.6	10.8	11.6
Americas	7.4	5.8	6.8	4.4
Japan	19.1	16.2	18.3	12.6
Asia-Pacific	5.1	5.2	5.1	3.9
others	-2.7	-0.7	-2.2	-18.2
Total Group	**8.9**	**7.1**	**8.1**	**6.2**

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

- **The last point that we want to highlight is the very strong sales momentum for Leather goods** (50% of RMS sales) with a 15.4% growth, globally in line with Q4 15. All the LG products performed very well: iconic bags as *Birkin* and *Kelly*,other bags as *Cherche Midi*, *Constance*, and small Leather Goods. This increase has been also allowed by production capacity increase with two new plants in Isère and in Charentes. A new one has been inaugurated in April at Hericourt.

VALUATION

- The stock has gained 1.5% YTD vs -2% for luxury sample average and -4.6% for DJ Stoxx. Hermès is trading 18.8x on 2016 EV/EBIT (11.5x for luxury average).

NEXT CATALYSTS

- H1 sales to be reported on July 21st.

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Food retailing

Jeronimo Martins

Price EUR14.26

Q1 2016 (first take): strong commercial and cash margin. Need clarification on tax.

Fair Value EUR13,5 (-5%) **NEUTRAL**

Bloomberg	JMT PL
Reuters	JMT.LS
12-month High / Low (EUR)	14.9 / 10.8
Market Cap (EURm)	8,974
Ev (BG Estimates) (EURm)	9,421
Avg. 6m daily volume (000)	1 236
3y EPS CAGR	11.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.8%	15.8%	13.8%	18.9%
Food Retailing	0.7%	3.5%	-3.7%	1.9%
DJ Stoxx 600	4.1%	4.2%	-7.2%	-4.6%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	12,679	13,726	14,643	15,577
% change		*8.3%*	*6.7%*	*6.4%*
EBITDA	732	799	898	989
EBIT	446.9	485.4	523.4	577.6
% change		*8.6%*	*7.8%*	*10.3%*
Net income	310.4	354.4	383.9	428.6
% change		*14.2%*	*8.3%*	*11.6%*

	2014	2015e	2016e	2017e
Operating margin	3.6	3.7	3.7	3.9
Net margin	2.4	2.6	2.6	2.8
ROE	NM	NM	NM	NM
ROCE	18.6	22.4	23.2	25.7
Gearing	17.4	11.8	3.0	-8.8

(EUR)	2014	2015e	2016e	2017e
EPS	0.49	0.56	0.61	0.68
% change	*-*	*14.2%*	*8.3%*	*11.6%*
P/E	28.9x	25.3x	23.4x	20.9x
FCF yield (%)	1.9%	5.4%	3.3%	4.8%
Dividends (EUR)	0.25	0.28	0.00	0.34
Div yield (%)	1.7%	2.0%	NM	2.4%
EV/Sales	0.7x	0.7x	0.6x	0.6x
EV/EBITDA	13.0x	11.8x	10.3x	9.2x
EV/EBIT	21.3x	19.4x	17.7x	15.7x

Jeronimo Martins has again showed its class by publishing very strong LFL growth in Q1 2016 (+6% at the group level), which is an oustanding performance compared with the reste of the panel. First-quarter net profit was EUR77.3m (vs EUR75m expected by the consensus), while EBITDA rose 10.7% to EUR183 (vs EUR182m e). Total net sales rose to EUR3.4bn in the quarter, also slightly exceeding expectations of EUR3.33bn. Nevertheless, some points need to be clarified especially regarding a transitory budget law in Portugal that could have a material impact on the group in Portugal.

Overall commercial performance was again driven by very strong LFL rates on top of a favourable calendar effect (leap year and Easter in Q1 2016), at both Biedronka (~68% of quarterly sales/+7.6% LFL vs +4.8e) and Pingo Doce (~24% of quarterly sales /+2.1% LFL vs +2.6% e) while that of Recheio (~6% of quarterly sales /+3.8% vs +2.0%e) remained very decent.

Given a cash margin approach to business ("we will continue to focus on top line performance in order to maximise profitability and cash generation"), these strong commercial performances translated into a 30bp margin improvement in Poland, given strong volumes (inflation of +0.4%). In an environement that remains highly promotional (deflation of -0.4%), the distribution businesses in Poland delivered a 10bp improvement in margin (vs -30bp in Q4 15).

In terms of outlook, management is unsurpringly cautious (as usual) both for Portugal and Poland ("very competitive operating environment and low food inflation in both Poland and Portugal"). Losses at Ara and Hebe, at the EBITDA level, are expected to be below the 2015 level (EUR55.5m), excluding F/X. The Group expects to invest EUR550/650m, with Biedronka absorbing around 45% of this amount.

A salient point is that the 2016 Portuguese State Budget law includes a transitory law by which 1/4 of all booked gains derived from internal transactions are subject to tax. Based on the initial assessment, Jeronimo Martins firmly believes that there is sufficient ground to oppose the said rule. Therefore, the group did not incorporate the considered amount (i.e. EUR50m euros in taxes) in first quarter results.

In a separate statement, the company also said it had received an offer worth EUR285m for its manufacturing and services subsidiary, Monterroio, from its key shareholder Sociedade Francisco Manuel dos Santos and was assessing the offer. The disposal of this BU is an old story. Stay tuned.

ANALYSIS

- We admire Jeronimo Martins' exemplary model that should benefit from moves in favour of both discount and proximity within the industry going forward.
- In a fixed costs industry suffering an obvious lack of commercial growth (Anorexic growth... the bigger the better!), Jeronimo Martins offers a much appreciated guarantee.
- And Jeronimo Martins again showed its class by publishing very strong LFL in Q1 2016 (+6% at the group level), which is an oustanfing performance when comparing whih the reste of the panel.

VALUATION

- Only valuation (2017 P/E of 21x vs 16x on average for the panel excl. Tesco) remains a hindrance.

NEXT CATALYSTS

- Any significant weakness in the stock (i.e. entry point)

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Insurance

Swiss Re

Price CHF88.40

Bloomberg	SREN VX
Reuters	SREN.VX
12-month High / Low (CHF)	99.7 / 78.9
Market Cap (CHF)	32,770
Avg. 6m daily volume (000)	1,508

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.1%	-4.7%	-3.3%	-9.9%
Insurance	2.3%	0.1%	-10.2%	-11.7%
DJ Stoxx 600	4.1%	4.2%	-7.2%	-4.6%

	2015	2016e	2017e	2018e
P/E	7.0x	10.4x	10.1x	
Div yield (%)	5.0%	5.0%	5.0%	

Satisfactory set of Q1 numbers

Fair Value CHF100 (+13%) **NEUTRAL**

ANALYSIS

- Q1 2016 net income is USD1.2bn, down 15% but above consensus (USD955m).
- In P&C, Q1 net income (USD587m, down 27%) is pretty much in line with expectations, driven by a less unsustainable reported combined ratio (93.3% vs. 84.3% last year). Note that Q1 2016 suffered from unfavourable PYD (3.5 pts), driven by US liability. Adjusted for natcats (0 pt vs. 0.5 pt) and PYD (-3.5 pts vs. +1.6 pts), the underlying combined ratio is 89.8% vs. 85.4% last year, which highlights the continued challenging environment in P&C Re.
- In Life, Q1 net income is USD244m, down 12% but above consensus (USD180m), driven by adverse experience in the UK and less favourable FX re-measurement. Net income at Corporate Solutions is USD80m, down 52% and slightly below consensus (USD88m), mainly driven by lower capital gains and realised losses in derivatives. At Capital Life, net income is USD321m, up 56% and above consensus (USD96m), mainly driven by investment results (Guardian Financial Services acquisition).
- Despite the challenging financial market environment, annualised Q1 RoI is a strong 3.7% vs. 3.9% last year (lower realised gains).
- SST ratio at end-April is 223%. Tentative Solvency II equivalent is estimated at 312% (!), reflecting the strong capital position of the group.

VALUATION

- Based on our current estimates, our SOTP valuation is CHF100.

NEXT CATALYSTS

- Q2 2016 numbers on 29th July.

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Construction & Building Materials

VINCI

Price EUR66.00

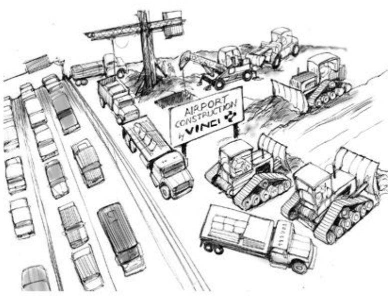
Bloomberg	DG FP
Reuters	SGEF.PA
12-month High / Low (EUR)	66.3 / 51.0
Market Cap (EUR)	38,920
Ev (BG Estimates) (EUR)	49,699
Avg. 6m daily volume (000)	1,750
3y EPS CAGR	7.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.5%	6.7%	9.0%	11.6%
Cons & Mat	4.9%	7.4%	2.9%	1.8%
DJ Stoxx 600	4.1%	4.2%	-7.2%	-4.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	38,518	38,272	39,607	40,984
% change		*-0.6%*	*3.5%*	*3.5%*
EBITDA	5,664	5,772	6,074	6,281
EBIT	3,758	3,972	4,273	4,494
% change		*5.7%*	*7.6%*	*5.2%*
Net income	2,109	2,258	2,469	2,597
% change		*7.1%*	*9.3%*	*5.2%*

	2015	2016e	2017e	2018e
Operating margin	9.8	10.4	10.8	11.0
Net margin	5.4	6.0	6.3	6.4
ROE	13.9	14.2	14.7	14.5
ROCE	7.4	7.8	8.4	8.8
Gearing	81.5	72.4	59.8	47.9

(EUR)	2015	2016e	2017e	2018e
EPS	3.58	3.83	4.19	4.41
% change	*-*	*6.9%*	*9.3%*	*5.2%*
P/E	18.4x	17.2x	15.8x	15.0x
FCF yield (%)	7.7%	7.2%	7.5%	8.1%
Dividends (EUR)	1.84	2.03	2.22	2.34
Div yield (%)	2.8%	3.1%	3.4%	3.5%
EV/Sales	1.3x	1.3x	1.2x	1.1x
EV/EBITDA	9.0x	8.6x	8.0x	7.5x
EV/EBIT	13.5x	12.5x	11.3x	10.4x



Q1 2016 sales : great for Concessions, poor for Contracting.

Fair Value EUR72 (+9%) **BUY**

Mixed figures in Q1: a 5.7% increase in concessions revenues, with very strong momentum as expected in toll road traffic (+7.2%), while contracting reported a 5.4% lfl decline penalised by lower SEA contribution, oil & gas woes and ongoing difficulties in the French roadworks market. Guidance is unchanged though. The order book was flat and order intake actually rose (+12%) on a 12 month basis. The share price is likely to come under pressure in the short term, following a very strong YTD performance. We remain at Buy however, as we have no worries over our estimates so far.

Vinci's Q1 revenues came in at EUR8,025m at end March, down 1.8% y/y and 3.3% on a like-for-like basis. This was c2% below the consensus and our expectations. By geographical region, the decline was mostly explained by France, down 5.2% like-for-like, while international business was pretty resilient with a limited 0.4% y/y decline. By business, the contrast was clear between a very good Concessions business, up 8.7%, notably thanks to a very good traffic performance (+7.2%, o/w 7.8% for light vehicle and +4.2% for trucks and overall +4% excluding various calendar effects). Like-for-like contracting sales dropped 5.4%, penalised by the 8.2% decline at Eurovia in roadworks (-10.5% in France) and an 8.1% decline for Vinci Construction (13.2% in France) while Vinci Energies sales were flat. Eurovia was affected by a lower contribution from the SEA project (Bordeaux-Tours high speed line), as well as a weather impact and a still difficult market in France penalised by the low level of local authorities capex. Construction was impacted in particular by a lower contribution from SEA in France too and by a difficult oil&gas market outside France. Note that Q1 is not representative of the entire year's trend in roadworks, due to a strong seasonality.

EURm	Q1 sales reported	y/y change	y/y l-f-l change	*difference vs Cons*
Concessions	**1 306**	**8.7%**	**8.7%**	***2.5%***
VINCI Autoroutes	1 083	7.9%	8.2%	*2.8%*
VINCI Airports	193	10.3%	10.0%	*-2.0%*
Contracting	**6 712**	**-3.6%**	**-5.4%**	***-2.6%***
VINCI Energies	2 400	4.2%	0.1%	*1.6%*
Eurovia	1 244	-8.8%	-8.2%	*-6.9%*
VINCI Construction	3 068	-6.8%	-8.1%	*-4.3%*
Total revenues	**8 025**	**-1.8%**	**-3.3%**	***-2.0%***

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

Outlook is unchanged. 2016 toll road traffic is likely to increase by 1.7%/1.8% (vs 2% in our model) , which sounds conservative but Vinci prefers to wait until this summer before updating its guidance if necessary. The contracting order book is flat y/y (up +5.5% since last December) at EUR29.2bn (up 2.2% excl. SEA), equivalent to 11 months of business. More interestingly, order intake stand at EUR8.7bn; up 12% on 12 months, with good trends for every businesses : +10% for Vinci Energies; +12% for Eurovia and +14% for Vinci Construction. In any case, Vinci has reiterated its guidance of a slight decline of 2016 revenues : up for Concessions and Vinci Energies; down for Eurovia and Vinci Construction.

ANALYSIS

- Contracting reported sales below expectations. Of course, there are numerous explanations (SEA, Oil&Gas, poor roadworks market in France), strong seasonality for Eurovia - while order intake is well oriented, the order book is resilient and the outlook has been maintained. Of course, toll roads traffic is strong, but it was anticipated with APRR traffic figures already released (6.5%).

- Some investors could see in these numbers a reason to take their benefit, following the very strong share price performance YTD. Share price might be under pressure in the short term then , as well as Eiffage (Buy, FV EUR73). As far as we are concerned, our estimates remain unchanged and we have no worries on profitability, especially as Concessions sales are strong in Q1. Buy.

VALUATION

- No change to EUR72 Fair Value derived from our SOTP.

NEXT CATALYSTS

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Utilities

Voltalia

Price EUR9.00

Q1 2016 sales growth driven by Brazilian commissioning

Fair Value EUR13 (+44%) BUY

Bloomberg	MLVLT FP
Reuters	MLVLT.PA
12-month High / Low (EUR)	10.7 / 8.3
Market Cap (EURk)	235,908
Ev (BG Estimates) (EURk)	403,085
Avg. 6m daily volume (000)	2.50
3y EPS CAGR	14.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	7.9%	-5.5%	-12.1%	-11.2%
Utilities	4.8%	0.7%	-3.8%	-1.6%
DJ Stoxx 600	3.9%	2.4%	-6.3%	-4.8%

YEnd Dec. (EURk)	2014	2015e	2016e	2017e
Sales	27,609	59,455	98,246	133,664
% change		*115.3%*	*65.2%*	*36.0%*
EBITDA	12,536	37,158	59,509	85,702
EBIT	6,736	17,979	31,642	51,553
% change		*NM*	*76.0%*	*62.9%*
Net income	4,495	6,934	4,368	9,531
% change		*54.3%*	*-37.0%*	*118.2%*

	2014	2015e	2016e	2017e
Operating margin	45.4	62.5	60.6	64.1
Net margin	NM	NM	NM	NM
ROE	NM	NM	NM	NM
ROCE	NM	NM	NM	NM
Gearing	NM	NM	NM	NM

(EUR)	2014	2015e	2016e	2017e
EPS	0.25	0.26	0.17	0.36
% change	-	*7.7%*	*-37.0%*	*118.2%*
P/E	36.6x	34.0x	54.0x	24.7x
FCF yield (%)	NM	NM	NM	37.6%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	15.3x	6.8x	6.3x	4.1x
EV/EBITDA	33.7x	10.8x	10.3x	6.3x
EV/EBIT	62.7x	22.4x	19.4x	10.5x

The French group released strong Q1-16 sales yesterday, up to EUR18m thanks to new capacities installed in Brazil, above our expectations (EUR17m). Revenues from energy sales reached EUR17.8m (vs. EUR12.6m in Q1-15) while revenues from development and services generated EUR0.2m.

ANALYSIS

- **Main Q1 sales metrics:** Total revenues came out at **EUR18m vs. EUR 12.8m** in Q1, i.e. an improvement of **41%**. At a constant exchange rate, especially by excluding the negative EUR/BRL effect, the growth is stated at **72%.** This increase was entirely due to energy sales which rose to **EUR17.8m vs. EUR12.6m** in Q1-16, a 41.7% increase mainly due to three wind and hybrid Brazilian plants' commissioning in June and December 2015. Simultaneously, Areia Banca's three power plants (*90MW*) entered into their 20-year electricity sale contract. French wind power plants also delivered good performance, in Vienne and Yonne, due to favourable wind conditions in addition of hydroelectric plant in French Guiana. Development and services activities, located in Greece, stabilized at **EUR0.2m**. Regarding geographical areas, Brazil was once again the major contributor with a hike to **67.2%** gathering now **EUR11.8m** of revenues in Q1-16.
- **What to retain from this publication:** The group posted for the first time quarterly earnings by area and energy, allowing us to estimate at **EUR80/MWh** the revenue generate for the total group, **EUR70/MWh** for Brazilian activities, **EUR100/MWh** for Metropolitan French business and **EUR200/MWh** in French Guiana. Wind activities created **EUR59/MWh** of revenues in Q1-16.
- **Conclusion:** Strong Q1-16 sales confirming the accuracy of Brazilian development. We stick to our **Buy rating on Voltalia with FV unchanged at EUR13** per share (+44%).

VALUATION

- At the current share price the stock is trading at 10.3x its 2016e EBITDA
- Buy, FV @ EUR13 per share

NEXT CATALYSTS

- 12th May – Combined Ordinary and Extraordinary General Meeting

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Sector View

Food industry

	1 M	3 M	6 M	31/12/15
Food & Bev.	1.4%	0.4%	-2.8%	-2.8%
DJ Stoxx 600	4.1%	4.2%	-7.2%	-4.6%

*Stoxx Sector Indices

Companies covered		
DANONE	BUY	EUR70
NESTLE	BUY	CHF80

Mead Johnson's Q1 16 sales: reiterating preference for Nestlé over Danone

During its conference call, Mead Johnson said that the unofficial flows affected by the tax hikes in China have already slowed down. Danone was much more optimistic during its conference call, qualifying the impact as minimal. The US company confirmed that more measures are in the pipeline of the Chinese authorities. In this context of uncertainty, we maintain our preference for Nestlé over Danone.

ANALYSIS

- **Yesterday Mead Johnson released Q1 16 results above market expectations**. Sales amounted to USD962.1m (consensus: USD945m), down 12% in reported and 6% in organic (-6% in Q4 15). This implies 8% drop in volumes and 2% increase in price/mix. EPS (non GAAP) reached USD0.87, 4% above consensus (USD0.84). **The group confirmed its full year guidance** of 1/ growth ex-FX between 0% and 2% and 2/ EPS (non-GAAP) between USD3.48 and USD3.60. By region, sales in North America/Europe declined 1% ex-FX as market share pressure and promotional activities in the US offset the good momentum in the European markets. In LATAM, the company posted 6% sales decline ex-FX, impacted by the macro weakness in the region and a temporary suspension of shipments to Venezuela. Finally, in Asia, sales decreased 9% ex-FX due to tough price competition. **Mead Johnson has introduced a fully imported portfolio in China which is growing strongly and now accounts for 45% of sales in the country. Its local portfolio in the country is stabilizing.**

- The company said that it is still assessing the full effects of the tax changes for the cross border e-commerce. As a reminder, taxes on C2C were raised from 10% to 15% and taxes in free trade zones increased from 10% to 12%, with the elimination of a number of exemptions. **In Mead Johnson's view, there is already a slowdown of the unofficial flows. The group has confirmed what Nestlé and Danone previously said: more measures are in the pipeline of the Chinese authorities. Danone is clearly the most exposed to the cross border C2C (an estimated 7% of the group's EBIT). In this context of uncertainty, we maintain our preference for Nestlé over Danone**.

VALUATION

- At yesterday's share price, Danone and Nestlé are respectively trading at 20.9x and 20.8x P/E 2016e.

NEXT CATALYST

- Nestlé will hold its Investors seminar on May 24th/25th

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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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