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5th May 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17651.26	-0.56%	+1.30%
S&P 500	2051.12	-0.59%	+0.35%
Nasdaq	4725.64	-0.79%	-5.63%
Nikkei	16147.38	0.00	-15.16%
Stoxx 600	331.799	-1.12%	-9.30%
CAC 40	4324.23	-1.09%	-6.75%
Oil /Gold			
Crude WTI	43.84	+0.11%	+17.85%
Gold (once)	1281.84	-0.28%	+20.66%
Currencies/Rates			
EUR/USD	1.14925	-0.22%	+5.79%
EUR/CHF	1.10015	+0.25%	+1.17%
German 10 years	0.204	+3.34%	-67.91%
French 10 years	0.567	+1.47%	-42.16%

Economic releases :

Date	
5th-May	US - Chain Store sales GB - Halifax HPI US - Jobless claims

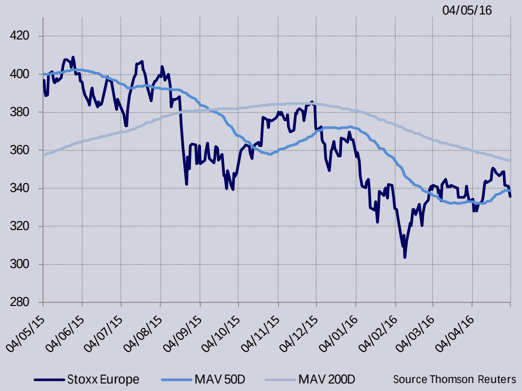
Upcoming BG events :

Date	
15th-Jun	GENMAB (BG Paris roadshow)
27th-Jun	IMERYS (BG Luxembourg with CFO)

Recent reports :

Date	
3rd-May	Rémy cointreau The glass is filling up
2nd-May	Moncler Good protection from chilly conditions
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!

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



ADIDAS GROUP — BUY, Fair Value EUR124 vs. EUR122 (+10%)

Momentum will continue throughout the year

During the conference call yesterday, management added some colour to the growth drivers that have boosted sales and earnings in Q1. More importantly it insisted on the sustainability of this momentum, on the basis of a strong growth of the backlog over the next two quarters. We are revising up our FY16-17 assumptions by 2% (GM, opex leverage), leading to our new FV of EUR124 vs. EUR122. Buy recommendation confirmed.

DIALOG SEMICONDUCTOR — BUY, Fair Value EUR35 vs. EUR39 (+28%)

Recovery is delayed, but is still on the cards

Dialog is currently going through a soft patch. A still-lackluster smartphone market (especially in the Apple supply chain) is muting 2016 growth. However, we remain convinced that group's momentum will improve and we expect to see it from H2 with a expected sequential increase of sales of more than 50% (even pointing to a small yoy increase of 4% for H2). Market share gains and new products will then help from 2017, while higher volume and favorable mix should help to drive margin improvement from FY16 levels. We update our model and lower our FV from EUR39 to EUR35. However, given current valuation levels (2016e P/E ratio of 11.6x vs. peers at c. 18x) and our anticipation of an improving momentum, we maintain our Buy recommendation.

GAMELOFT — BUY, Fair Value EUR7.2 (-2%)

The closing date for the offer is now 27th May

Gameloft's request for a stay was rejected yesterday by the Court of Appeal of Paris. The closing date for the offer is now 27th May. This decision is not surprising in view of the commitments made by Vivendi. So, the last day for an increase in the offer price or a counter-offer is 20th May. The Court of Appeal will later decide on the substance, i.e. if the offer is compliant or not (probably in June). We confirm our view that Gameloft's mid-term outlook deserves more than EUR7.2 per share and that Vivendi must be generous with Gameloft if it wants a friendly deal with Ubisoft. As a result, we cannot exclude a fresh increase in the offer price. We maintain our Buy rating and FV of EUR7.2 and estimate a fair offer in the range EUR7.6-8.6 (vs. EUR7.2 offered by Vivendi).

SAGE GROUP — SELL, Fair Value 550p (-9%)

H1 FY16 results slightly below our forecasts, FY16 oulook confirmed

This morning Sage reported H1 FY16 results slightly below our estimates and the consensus, while the outlook for FY16 (at least 6% lfl revenue growth and organic operating margin of 27%) was reiterated. We expected an investment bias towards H1, but this appeared to be higher than we anticipated. The company is in line with its goal to generate GBP50m annualised costs savings. Following a 11% rise during the last 6 months, we expect the share price to react negatively short term.

WIRECARD — BUY-Top Picks, Fair Value EUR52 (+40%)

2020 financial targets are ambitious (above our expectations), but realistic

During its Capital Market Day in London, Wirecard provided 2020 financial targets that it qualified as "lower bounds": revenues >EUR2.1bn, EBITDA margin of 30-35%, and FCF /EBITDA >65%. They are ambitious, but realistic. Thanks to its positioning and model, Wirecard has generated organic sales growth of 20%+ in recent years, with a steady margin improvement (gross margin +530p and EBITDA margin +350bp over 2011-15). We expect the good business trend to continue, in particular on rising momentum in e-commerce and mobile payments. Wirecard is a strong growth story and one of margin improvement. Note that if we put the upper end of Wirecard's 2020 targets into our model, our EPS sequence would increase by +6.7% on average over 2016/20e. We maintain our Buy rating and FV of EUR52 – the stock is on our Q2 Top Pick list.

In brief...

COFACE, *Difficult Q1. Waiting for the new strategic plan*

SOITEC, *Soitec receives selling interests for on more than 55% of OCEANEs issued*

Luxury & Consumer Goods

adidas Group

Price EUR112.45

Momentum will continue throughout the year

Fair Value EUR124 vs. EUR122 (+10%) **BUY**

Bloomberg	ADS GY
Reuters	ADSG.F
12-month High / Low (EUR)	114.1 / 63.7
Market Cap (EUR)	23,526
Ev (BG Estimates) (EUR)	24,508
Avg. 6m daily volume (000)	1 070
3y EPS CAGR	19.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.3%	21.0%	36.9%	25.1%
Consumer Gds	-1.8%	0.2%	-8.5%	-6.3%
DJ Stoxx 600	-0.8%	0.9%	-12.7%	-9.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	16,915	18,932	20,227	21,759
% change		*11.9%*	*6.8%*	*7.6%*
EBITDA	1,442	1,721	2,006	2,245
EBIT	1,059	1,286	1,521	1,723
% change		*21.4%*	*18.3%*	*13.3%*
Net income	630.0	849.4	1,026	1,174
% change		*34.8%*	*20.8%*	*14.4%*

	2015	2016e	2017e	2018e
Operating margin	6.3	6.8	7.5	7.9
Net margin	3.7	4.5	5.1	5.4
ROE	11.1	15.3	16.6	17.0
ROCE	10.0	12.0	13.9	15.2
Gearing	8.1	17.7	10.1	3.1

(EUR)	2015	2016e	2017e	2018e
EPS	3.32	4.16	5.01	5.73
% change	-	*25.2%*	*20.6%*	*14.3%*
P/E	33.9x	27.1x	22.4x	19.6x
FCF yield (%)	2.5%	1.7%	3.1%	3.6%
Dividends (EUR)	1.60	1.85	2.15	2.40
Div yield (%)	1.4%	1.6%	1.9%	2.1%
EV/Sales	1.4x	1.3x	1.2x	1.1x
EV/EBITDA	16.6x	14.2x	12.0x	10.6x
EV/EBIT	22.6x	19.1x	15.9x	13.8x

During the conference call yesterday, management added some colour to the growth drivers that have boosted sales and earnings in Q1. More importantly it insisted on the sustainability of this momentum, on the basis of a strong growth of the backlog over the next two quarters. We are revising up our FY16-17 assumptions by 2% (GM, opex leverage), leading to our new FV of EUR124 vs. EUR122. Buy recommendation confirmed.

ANALYSIS

- **ADS: stellar momentum in Lifestyle...** Sales at **Originals** were up 45% FX-n, exactly in line with Q4 (+45% FX-n), with by a double-digit growth in all regions but Russia/CIS. This performance was again driven by the key footwear franchises, in addition to the successful start of the NMD franchise launched in December. According to the management, the NMD franchise should have a similar sales potential than the Superstar in the MT (~15m pairs sold last year). The growth at **NEO** was even more impressive (+60% FX-n) with a double-digit increase in both footwear and apparel. Growth prospects in Europe remain buoyant as the brand is shifting its distribution from own retail to key wholesale partners to increase its footprint. Consequently the 16 DOS in Germany, Czech Republic and Poland will be closed, but the 2,000+ stores across China are not impacted.

- **... Sport Performance was up 22% FX-n.** All key categories contributed to this performance: **Training** (+15% FX-n), **Running** (+19% FX-n) fuelled by the Boost franchise which accounts for ~1/3 of the total running footwear activity and of course, **Football** (+25% FX-n). Interestingly, these Performance categories, especially the US sport business (+50%), also fuelled the 31% increase in ADS sales in North America, marking a strong acceleration vs. Q4. It is worth noting that the Design Studio in Brooklyn will open in September but the three ex-Nike designers, who started in March, are already working on future projects.

- **Football: sales increased 25% FX-n.** Like in other categories, the momentum stemmed from ADS' key footwear franchises (i.e. "Ace" and "X"), but Apparel was also up double-digit thanks to new federation kits. This strong momentum is all the more promising since the contribution from products dedicated to the Copa America and EURO 2016 Championships is low in Q1, the ramp up traditionally occurs in Q2. Management expects to break the record level achieved last year (EUR2.2bn) and maintain its leadership.

- **Golf: what future for TMaG (-1% FX-n in Q1)?** Last year ADS had already announced its intention to sell Adams Gold and Ashworth and since yesterday, TaylorMade (+6% FX-n in Q1) is now for sale. On our estimates, these three brands account for ~65-70% of TMaG sales (EUR902m in 2015), o/w 60% for TM alone. The EV of **TM** should be in the range of EUR380-550m, or EV/sales multiples of 0.7-1x given its global leadership. As a comparison, Callaway currently trades at 2016e EV/sales of 1x but it succeeded its turnaround and generates higher margins. As for **Adams Golf** and and **Ashworth**, their implied valuation should be below 0.5x EV/sales In our view potential buyers are likely to be investment firms rather than other competitors such as Callaway (too expensive, significant overlaps), Nike (golf is not a strategic category), UA (expansion in golf but focus on apparel and footwear) or Fila Korea (Fila owns Titleist, Acushnet and Footjoy brands).

- **We are raising our FY16 assumptions by 2%.** On the back of a more favourable mix elements (product, price) which more than offset the "USD cliff" (negative impact of nearly 400bp), we are now expecting a GM of 47.9% (-40bp vs. 2014) vs. FY guidance of 47.8-48.9%. The robust FX-n growth (BG: ~15%e) will also lead to a more favourable operating leverage, hence our new op margin forecast of 6.8% (+30bp vs. 2014 adj.) and vs. FY target of 6.6-7%.

VALUATION

- Our new FV of EUR124 vs. EUR122 reflects our updated assumptions for 2016, which will clearly be well-oriented for adidas Group. Buy recommendation confirmed.

NEXT CATALYSTS

- AGM on 12th May // 3rd Tutorial Workshop on 18th July // H1 16 Results on 4th August.

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Dialog Semiconductor

Price EUR27.28

Recovery is delayed, but is still on the cards

Fair Value EUR35 vs. EUR39 (+28%) **BUY**

Bloomberg	DLG GR
Reuters	DLGS.DE
12-month High / Low (EUR)	53.3 / 24.4
Market Cap (EUR)	2,124
Ev (BG Estimates) (EUR)	1,365
Avg. 6m daily volume (000)	11.80
3y EPS CAGR	9.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-23.9%	0.4%	-25.4%	-12.6%
Semiconductors	-9.0%	-2.1%	-10.7%	-9.4%
DJ Stoxx 600	-0.8%	0.9%	-12.7%	-9.3%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	1,355	1,250	1,467	1,754
% change		*-7.8%*	*17.4%*	*19.6%*
EBITDA	360	316	386	456
EBIT	317.7	248.0	313.9	384.1
% change		*-21.9%*	*26.6%*	*22.4%*
Net income	238.4	182.8	242.0	303.8
% change		*-23.3%*	*32.4%*	*25.6%*

	2015	2016e	2017e	2018e
Operating margin	23.4	19.8	21.4	21.9
Net margin	17.6	14.6	16.5	17.3
ROE	17.3	20.9	14.0	15.7
ROCE	46.9	39.8	51.4	62.9
Gearing	-54.0	-62.1	-66.6	-71.0

(USD)	2015	2016e	2017e	2018e
EPS	3.02	2.34	3.15	3.96
% change	-	*-22.4%*	*34.5%*	*25.6%*
P/E	9.0x	11.6x	8.7x	6.9x
FCF yield (%)	11.4%	12.4%	9.0%	11.9%
Dividends (USD)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	1.2x	1.1x	0.8x	0.5x
EV/EBITDA	4.4x	4.3x	3.1x	2.1x
EV/EBIT	4.9x	5.5x	3.8x	2.4x

Dialog is currently going through a soft patch. A still-lackluster smartphone market (especially in the Apple supply chain) is muting 2016 growth. However, we remain convinced that group's momentum will improve and we expect to see it from H2 with a expected sequential increase of sales of more than 50% (even pointing to a small yoy increase of 4% for H2). Market share gains and new products will then help from 2017, while higher volume and favorable mix should help to drive margin improvement from FY16 levels. We update our model and lower our FV from EUR39 to EUR35. However, given current valuation levels (2016e P/E ratio of 11.6x vs. peers at c. 18x) and our anticipation of an improving momentum, we maintain our Buy recommendation.

ANALYSIS

- **The group expects to sees mobile shipment decline yoy over FY16.** Given 1/ the updated FY16 guidance of a high-single-digit decline in sales, 2/ the confirmation of company's expectation for broadly flat ASP over FY16 and 3/ on the other hand, the confirmation of a strong momentum in the Connectivity (9% of group sales) and Power Conversion business (6% of group sales), we understand that management expects a strong decline in iPhone shipments over 2016 (note that Dialog's sales remain heavily iPhone skewed). The previous guidance left little chance for an iPhone shipments increase in FY16, but this new guidance provides confirmation. We believe that Apple smartphone shipments are expected to decline by more than -20%.

- **Growth scheduled to be back on 2017 and 2018.** With a strong R&D pipeline, management is confident about the company's ability to generate growth in 2017 and higher growth in 2018. We understand that catalysts should be 1/ an major step in content increase (in our view, 2017 generation of smartphones will use similar PMIC to the current most advanced iPad Pro, i.e. a system PMIC and an auxiliary system PMIC to avoid thermal and stability problems, 2/ increasing share in major smartphones with more chips (we believe the group is striving to provide more chips to Apple), 3/ a continuous positive momentum in Connectivity and Power Conversion, 4/ market share gain and design-wins thanks to a stronger collaboration with new Chinese players such as HiSilicon or Spreadtrum and a continuous collaboration with MediaTek, 5/ marginally, the development of the new lines of products such as PMIC for ARM based notebooks, TVs, STBs, Media sticks and Wireless routers or the audio product line.

- **Operating margin should be impacted: FY16 operating expenses should increase vs. FY15 even though the increase should be limited**. Given the current expected opportunity for 2017, the group does not plan to cut R&D expenses significantly. They are said to be necessary to sustain mid-term growth, which is coherent and reassuring in our view. Regarding other businesses, Bluetooth is said to have a positive impact on margins and Connectivity should be profitable in 2016, while Power Conversion should be breakeven by FY16. As a result, our model now includes a 5% increase in FY16 operating expenses compared to FY15 and, given a slightly lower gross margin expectations vs. FY15 (45.7% vs. 46.1% respectively), points to underlying operating result of 19.8% (vs. 21% before revision).

- **Our model update points to a 12% EPS cut.** In addition to the adjustment described previously, we also lowered our top-line expectation for FY17 to USD1,467m from USD1,567m while we keep our FY18 top-line estimate. As for FY16, we fine tune the opex and lower FY17/FY18 underlying operating margin from 23%/23% to 21%/22%. As a result, our EPS sequence for the next three years is cut by 12%.

VALUATION

- **Dialog is currently through a soft patch, but we remain convinced that group's momentum will improve.** A still-lackluster smartphone market - especially in the Apple supply chain - is muting 2016 growth. However, we continue to believe that the momentum should improve and it will start from H2 with expected sequential increase of sales of more than 50% and even points to a small yoy increase of 4%. Market share gain and new product will then help to take over from 2017, while the mix should help to drive margin improvement from FY16 levels. We remain convinced that Dialog's share will benefit from these catalysts as of H2.

- Based on our estimates, the share is trading on 2016e EV/EBIT of 5.5x and 2016e P/E of 11.6x. Over 2016/18e our estimates show average annual EPS growth of 9.5%, pointing to 2016e PEG of 1.4x. Given these valuation levels and our anticipation of an improving momentum, we keep our Buy recommendation.

NEXT CATALYSTS

- July 28th 2016, Q2 results.

Detailed P&L

[USDm]	1Q16	2Q16e	3Q16e	4Q16e	FY16e	FY17e	FY18e
Total Group	**241**	**249**	**304**	**455**	**1250**	**1467**	**1754**
Q/Q growth	*-39.2%*	*3.2%*	*22.0%*	*49.7%*	*-7.8%*	*17.4%*	*19.6%*
Y/Y growth	*-22.4%*	*-21.3%*	*-8.0%*	*14.6%*	*-7.8%*	*17.4%*	*19.6%*
Cost of goods sold	-134	-136	-164	-245	-679	-791	-945
Gross margin	**44.6%**	**45.5%**	**46.2%**	**46.1%**	**45.7%**	**46.1%**	**46.1%**
SG&A	-36	-36	-36	-37	-145	-153	-165
R&D	-58	-51	-53	-57	-219	-268	-314
Other operating income	16	10	9	5	41	59	54
Adj. EBIT	**30**	**36**	**61**	**121**	**248**	**314**	**384**
adj. operating margin	*12.4%*	*14.4%*	*20.1%*	*26.6%*	*19.8%*	*21.4%*	*21.9%*
EBIT	151	26	52	116	346	257	331
operating margin	*62.6%*	*10.6%*	*17.1%*	*25.6%*	*27.7%*	*17.5%*	*18.9%*
Net financial result	-2	-1	0	0	-3	-2	-2
Income tax	-4	-7	-15	-61	-88	-57	-68
tax rate	*-2.7%*	*-28.5%*	*-28.5%*	*-52.9%*	*-25.5%*	*-22.5%*	*-20.5%*
Adj. Net income (loss)	**22**	**28**	**46**	**60**	**183**	**242**	**304**
Net income (loss)	143	18	37	55	256	198	262
Dil. Adj. EPS (in USD)	**0.28**	**0.36**	**0.59**	**0.77**	**2.34**	**3.15**	**3.96**

Source: Bryan Garnier & Co. ests.

P&L changes highlights

[USDm]	Old			New			Old vs. New
	FY16e	FY17e	FY18e	FY16e	FY17e	FY18e	avg. Δ%
Net revenue	**1381**	**1619**	**1754**	**1250**	**1467**	**1754**	**-6%**
% change	*1.9%*	*17.2%*	*8.3%*	*-7.8%*	*17.4%*	*19.6%*	
Adj. EBIT	291	366	405	248	314	384	-11%
Adj. operating margin	*21.1%*	*22.6%*	*23.1%*	*19.8%*	*21.4%*	*21.9%*	
Dil. Adj. EPS (in USD)	**2.80**	**3.67**	**4.07**	**2.34**	**3.15**	**3.96**	**-11%**

Source: Bryan Garnier & Co. ests.

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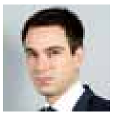

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Gameloft

Price EUR7.37

The closing date for the offer is now 27th May

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

Bloomberg	GFT FP
Reuters	GLFT.PA
12-month High / Low (EUR)	7.6 / 3.2
Market Cap (EUR)	642
Ev (BG Estimates) (EUR)	587
Avg. 6m daily volume (000)	315.6
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.7%	53.5%	38.0%	21.6%
Softw.& Comp.	-2.6%	0.0%	-4.1%	-6.1%
DJ Stoxx 600	-0.8%	0.9%	-12.7%	-9.3%

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	34.0x	24.5x	17.1x
FCF yield (%)	NM	3.8%	3.9%	5.4%
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	75.7x	12.4x	9.5x	6.9x
EV/EBIT	NS	21.0x	15.2x	9.9x

Gameloft's request for a stay was rejected yesterday by the Court of Appeal of Paris. The closing date for the offer is now 27th May. This decision is not surprising in view of the commitments made by Vivendi. So, the last day for an increase in the offer price or a counter-offer is 20th May. The Court of Appeal will later decide on the substance, i.e. if the offer is compliant or not (probably in June). We confirm our view that Gameloft's mid-term outlook deserves more than EUR7.2 per share and that Vivendi must be generous with Gameloft if it wants a friendly deal with Ubisoft. As a result, we cannot exclude a fresh increase in the offer price. We maintain our Buy rating and FV of EUR7.2 and estimate a fair offer in the range EUR7.6-8.6 (vs. EUR7.2 offered by Vivendi).

ANALYSIS

- Note Gameloft had asked the Court of Appeal of Paris to over-rule the AMF (French stock market regulator) which had cleared the hostile bid for Gameloft. In its complaint, Gameloft said that Vivendi hadn't been transparent and hadn't duly informed the market of its intention to make an offer. **Its request for a stay was rejected yesterday by the court** (i.e. no postponement for the results of the offer). **So, the closing date for the offer is set for 27th May.** As a result, **the last day for a fresh increase in the offer price or a counter-offer is 20th May**.
- **The court's decision is not surprising in view of the commitments made by Vivendi.** Indeed, it entered into a strong commitment to unwind the operation and to ensure the return of securities in case of a negative decision on the compliance of the offer in June. **This clearly shows Vivendi's strong motivation, so it was very likely that the request filed by Gameloft would not have a suspensive effect.**
- **The Court of Appeal will later decide on the substance, i.e. if the offer is compliant or not**. This decision should logically be known in June.
- **We maintain our view: 1/** Gameloft's mid-term outlook deserves more than EUR7.2 per share; **2/** as Vivendi is seeking to acquire Ubisoft (which has to be a friendly move), it must be generous with Gameloft (the Guillemot family runs both companies). **As a result, we cannot exclude a fresh increase in the offer price.**

VALUATION

- **Investors have nothing to gain by tendering their GFT shares** now at EUR7.2 to Vivendi.
- **We maintain our Buy rating and FV of EUR7.2 and estimate a fair offer in the range EUR7.6-8.6** to convince shareholders to tender their shares (mid-range price is 11% above yesterday's price).

NEXT CATALYSTS

- **20th May:** last day for an increase in the offer price or a counter-offer.
- **27th May:** closing date for the offer.

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Sage Group

Price 604.00p

H1 FY16 results slightly below our forecasts, FY16 outlook confirmed

Fair Value 550p (-9%) **SELL**

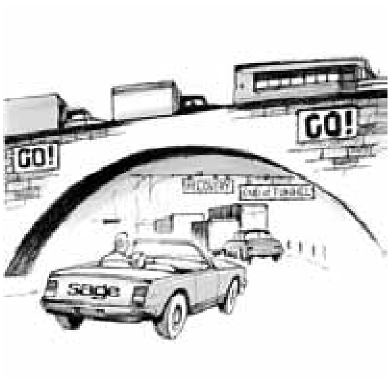
Bloomberg	SGE L
Reuters	SGE.LN
12-month High / Low (p)	636.5 / 489.7
Market Cap (GBP)	6,519
Ev (BG Estimates) (GBP)	6,654
Avg. 6m daily volume (000)	2 823
3y EPS CAGR	8.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.1%	-0.6%	10.8%	0.1%
Softw.& Comp.	-2.6%	0.0%	-4.1%	-6.1%
DJ Stoxx 600	-0.8%	0.9%	-12.7%	-9.3%

YEnd Sept. (£m)	09/15	09/16e	09/17e	09/18e
Sales	1,436	1,545	1,672	1,793
% change		*7.7%*	*8.2%*	*7.3%*
EBITDA	418	450	490	532
EBIT	297.2	301.3	441.6	483.4
% change		*1.4%*	*46.6%*	*9.5%*
Net income	283.9	299.6	333.9	366.6
% change		*5.5%*	*11.5%*	*9.8%*

	09/15	09/16e	09/17e	09/18e
Operating margin	27.1	27.6	27.9	28.3
Net margin	13.5	13.3	18.6	19.2
ROE	22.5	22.5	29.2	27.8
ROCE	25.2	33.0	35.1	40.6
Gearing	39.6	14.7	-7.0	-24.8

(p)	09/15	09/16e	09/17e	09/18e
EPS	25.29	26.68	29.73	32.64
% change	-	*5.5%*	*11.5%*	*9.8%*
P/E	23.9x	22.6x	20.3x	18.5x
FCF yield (%)	4.3%	4.9%	5.4%	5.9%
Dividends (p)	13.10	13.76	14.44	15.16
Div yield (%)	2.2%	2.3%	2.4%	2.5%
EV/Sales	4.8x	4.3x	3.9x	3.5x
EV/EBITDA	16.4x	14.8x	13.2x	11.7x
EV/EBIT	17.6x	15.6x	13.8x	12.2x



This morning Sage reported H1 FY16 results slightly below our estimates and consensus, while the outlook for FY16 (at least 6% lfl sales growth and organic operating margin of 27%) was reiterated. We expected an investment bias towards H1, but this appeared to be higher than we anticipated. The company is in line with its goal to generate GBP50m annualised costs savings. Following a 11% rise during the last 6 months, we expect the share price to react negatively short term.

ANALYSIS

- **H1 FY16 results slightly below our forecasts**. For H1 FY16, Sage reported sales up 4.1% to GBP746.6m (+6.2% lfl), an organic operating profit of GBP189.3m or 25.4% of sales (vs. 26.4% for H1 FY15), an EBIT down 15.1% to GBP151.8m after GBP31m non-recurring costs, a net profit down 14.8% to GBP106.3m, and an adj. EPS down 1.5% to 12.09p (BG est.: 12.6p; consensus: 12.5p). Revenues are 2% above our GBP732.6m est. (+6.2% lfl) and the consensus' average (GBP730m, +6.2% lfl), but the organic operating profit is 2% our forecast (GBP193.5m or 26.4% of sales) and the consensus' average (GBP194m or 26.6%). Recurring revenues (69% of sales) were up 10% lfl - including subscriptions up 35.3% lfl, processing revenues (13%) were up 6.6% lfl, and SSRS (Software/software-related services, 18%) revenues were down 6.3% lfl. Free cash flow was down 13.9% to GBP142m, and underlying cash conversion was 111% (vs. 114% for H1 FY15). Finally, the interim ordinary dividend proposed for H1 FY16 is 4.8p per share (+8%).
- **More details**. 1). Europe: sales +6.7% lfl to GBP398.1m (+9% in the UK, +7% in France, +6% in Germany, +6% in Spain, -4% on Rest of Europe), with Recurring up 8.8% lfl, Processing up 8.5% and SSRS down 0.9% lfl, for a 27.9% EBITA margin (vs. 27.8% in H1 FY15); 2). North America: sales +5.7% lfl to GBP255.6m, with Recurring up 9.4% lfl, Processing up 6% lfl and SSRS down 8.5% lfl, for an EBITA margin of 24.4% (vs. 24.7% in H1 FY15); 3). International: sales +5.4% lfl to GBP92.9m (+17% in Africa, +7% in Brazil, +7% in Australia, -29% in Middle East & Asia), with Recurring up 17.1% lfl, Processing up 12.2% and SSRS down 18.5% lfl, for an EBITA margin of 17% (vs. 24.7% in H1 FY15). Subscription contracts increased to 842,000 from 561,000. Sage X3 sales were up 17%, Sage One subscriptions increased to 230,000 from 115,000 one year ago (173,000 6 months ago), and Sage 50 Cloud supported subscriptions up 31% in Europe and up c. 100% in North America.
- **Reiterated outlook, and investment in Fairsail**. The management remains confident in delivering for FY16 organic revenue growth of at least 6% with an organic operating margin of at least 27%. We forecast for FY16 sales up 6.3% lfl to GBP1,545m and an adj. EBITA margin of 27.1%. We expected an investment bias towards H1, but this appeared to be higher than we anticipated. The company is in line with its goal to generate GBP50m annualised costs savings, with GBP17m G&A savings related to people and facilities secured in H1, while the GBP31m non-recurring costs incurred in the first half essentially relate to G&A functions (GBP22m). It indicates business transformation will continue in H2, costing c. GBP100m. Finally, Sage announced an agreement to acquire a 20.7% stake in Fairsail, a provider of Human Capital Management (HCM) cloud-based solutions for SMBs, for GBP10m. Sage will offer Fairsail's cloud HCM products as an integrated solution for Sage X3, and intends to implement Fairsail as its global HCM solution.

VALUATION

- Sage's shares are trading at est. 15.6x FY16 and 13.8x FY17 EV/EBIT multiples.
- Net debt on 31st March 2016 was GBP404m (net gearing: 44%).

NEXT CATALYSTS

Analysts' meeting today at 8.45am BST / 9.45am CET / 3.45am EDT in London (London Stock Exchange, 10 Paternoster Square).

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TMT

Wirecard

Price EUR37.22

2020 financial targets are ambitious (above our expectations), but realistic

Fair Value EUR52 (+40%) **BUY-Top Picks**

Bloomberg	WDI GR
Reuters	WDIG.DE
12-month High / Low (EUR)	47.4 / 31.2
Market Cap (EUR)	4,599
Ev (BG Estimates) (EUR)	3,902
Avg. 6m daily volume (000)	887.7
3y EPS CAGR	28.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.7%	-16.3%	-19.2%	-20.0%
Softw.& Comp.	-2.6%	0.0%	-4.1%	-6.1%
DJ Stoxx 600	-0.8%	0.9%	-12.7%	-9.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	771.3	1,016	1,259	1,504
% change		*31.7%*	*23.9%*	*19.5%*
EBITDA	227	306	385	466
EBIT	197.4	270.7	341.1	413.7
% change		*37.1%*	*26.0%*	*21.3%*
Net income	163.8	225.9	287.2	350.1
% change		*37.9%*	*27.1%*	*21.9%*

	2015	2016e	2017e	2018e
Operating margin	25.6	26.6	27.1	27.5
Net margin	18.5	26.4	20.3	20.8
ROE	11.1	18.3	15.0	15.7
ROCE	29.5	31.6	33.7	36.2
Gearing	-54.1	-47.6	-48.3	-50.2

(EUR)	2015	2016e	2017e	2018e
EPS	1.33	1.83	2.33	2.84
% change	-	*37.9%*	*27.1%*	*21.9%*
P/E	28.1x	20.4x	16.0x	13.1x
FCF yield (%)	2.8%	4.0%	4.0%	5.2%
Dividends (EUR)	0.13	0.14	0.15	0.16
Div yield (%)	0.3%	0.4%	0.4%	0.4%
EV/Sales	5.1x	3.8x	3.0x	2.4x
EV/EBITDA	17.2x	12.7x	9.8x	7.7x
EV/EBIT	19.8x	14.4x	11.1x	8.7x

During its Capital Market Day in London, Wirecard provided 2020 financial targets that it qualified as "lower bounds": revenues >EUR2.1bn, EBITDA margin of 30-35%, and FCF /EBITDA >65%. They are ambitious, but realistic. Thanks to its positioning and model, Wirecard has generated organic sales growth of 20%+ in recent years, with a steady margin improvement (gross margin +530p and EBITDA margin +350bp over 2011-15). We expect the good business trend to continue, in particular on rising momentum in e-commerce and mobile payments. Wirecard is a strong growth story and one of margin improvement. Note that if we put the upper end of Wirecard's 2020 targets into our model, our EPS sequence would increase by +6.7% on average over 2016/20e. We maintain our Buy rating and FV of EUR52 – the stock is on our Q2 Top Pick list.

ANALYSIS

- **During its Capital Market Day, yesterday in London, Wirecard announced its strategic plan (2020 financial targets): 1/** transaction volume would increase from EUR45.2bn to over EUR160bn i.e. CAGR >+28.8% (vs. BG est.: EUR140bn, +25.4%), breaking down into +25% in Europe and +40% outside Europe (notably India); **2/** revenues of over EUR2.1bn only in organic terms, i.e. CAGR 2015/20 of over +22,2%, (vs. BG est.: EUR2.08bn and +21.9% respectively); **3/** EBITDA margin to reach 30-35% (vs. BG est.: 31.9%); **4/** EBITDA to FCF conversion rate of over 65%, limiting Capex to 7-8% of revenue over the period (vs. BG est.: EUR57.6% and 8% respectively) with neutral to negative WCR in the near term. **The key elements supporting its strategy are: 1/** driving convergence between online, mobile and POS front ends using Internet (omnichannel offer); **2/** constant extension of value chain and innovative Internet-driven value added services (+20% by 2020); **3**/ globalisation of payment technology, licensing framework, risk management, provision VAS and big data, but also extension of the IP platform and hubs in all relevant geographies. Management added that these targets are based on conservative organic assumptions (lower bounds). Regarding M&A, the group is targeting the Americas (notably the US within 6-16 months: it would pay a maximum of USD200m) and Asia (notably China). The group totally excludes large deals, so there is no risk of capital increases. **Note that if we put the upper end of Wirecard's 2020 targets into our model, our EPS sequence would increase by +6.7% on average over 2016/20e** (0% in 2016e, +5.2% in 2017e, +6.4% in 2018, +9.4% in 2019e and +12.4% in 2020e).
- **Good positioning and leverage on top-line and profitability.** Wirecard boasts the best fundamentals in the sector thanks to its positioning in e-commerce (pure player with leading Internet and mobile payment technology) and emerging markets (~30%e in South East Asia). As a reminder, Wirecard has a fixed-cost structure (~55% of its sales). So, the profitability improvement we expect will continue to be mainly driven by the growing proportion of large merchants in its revenue mix (they generate a lot of volumes, they are looking for complex solutions, and they are more sticky). Indeed, the transaction volumes processed per merchant (from EUR0.96m in 2009 to EUR2.05m in 2015) more than offset the decline in the fee per transaction (from 2.2% to 1.6%) and Wirecard's standardised and mutualised platform generates economies of scale.
- **Potential in mobile payment solutions.** We believe Wirecard is best positioned to succeed in mobile payments thanks to its focus on virtual prepaid cards (physical or virtual). Indeed, its prepaid cards (under white label or co-branded solutions, or own brand) are already dematerialised i.e. easy to put on an NFC- smartphone, and there is a much lower stake in the event of theft or loss (prepaid cards are not linked to a bank account, so the user only loses the amount loaded onto the virtual card). The group has already signed various partnerships and we believe it will continue to expand its position as a partner in the new mobile payment business (EBITDA 2015 of EUR3.8m and EUR5m targeted in 2016). It handles the processing service, money loading and P2P payments etc, and also offers TSM/TSH software services (downloading platforms for banks, retailers, telecoms companies etc.) for electronic management of client loyalty programmes. Its first fully digitized mobile payment solution "boon" (with the value added services associated) is promising.
- **FY16 guidance:** Management recently confirmed its expectation to reach FY16 EBITDA of EUR290-310m. The mid-point of this range is based on organic growth of 23% (seen as conservative by management), an expected EBITDA contribution from mobile payment of EUR5.0m (vs. BG est. 5.5m), EUR16.0m EBITDA contribution from the payment business of GI Retail (BG est.: EUR16.5m), and EUR4.0m combined EBITDA contribution from Provus Group and MoIP (BG est.: EUR5.2m). We have FY16e revenue of EUR1,016.3m (+20.3% lfl), EBITDA of EUR306.4m (margin of 30.1%, +60bp) and net income of EUR200.8m.

VALUATION

- **Buy rating and FV of EUR52 maintained**. The stock is in our Q2 Top Pick List.
- **Over FY16e:** P/E of 20.4x vs. rest. EPS growth of +37.9%. **Our estimates remained unchanged** but note that **if we put the upper end of Wirecard's 2020 targets into our model, our EPS sequence would increase by +6.7% on average over 2016/20e** (0% in 2016e, +5.2% in 2017e, +6.4% in 2018, +9.4% in 2019e and +12.4% in 2020e).

NEXT CATALYSTS

- **Q1 financial statements:** 19th May (before trading).

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Insurance

Coface

Price EUR7.05

Bloomberg	COFA FP
Reuters	COFA.PA
12-month High / Low (EUR)	11.7 / 6.0
Market Cap (EURm)	1,117
Avg. 6m daily volume (000)	145.5

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.4%	-6.8%	-6.5%	-24.5%
Insurance	-0.9%	-4.8%	-12.8%	-13.7%
DJ Stoxx 600	1.4%	-0.2%	-9.1%	-6.7%

	2015	2016e	2017e	2018e
P/E	8.8x	8.5x	7.7x	6.7x
Div yield (%)	6.8%	6.8%	7.8%	8.9%

Difficult Q1. Waiting for the new strategic plan

Fair Value under review)

NEUTRAL

ANALYSIS

- Coface has reported a 45% drop in Q1 2016 adjusted net income to EUR22m (consensus EUR29m), mainly driven by the underwriting result (down 47%) and a few one-offs. Q1 operating income is down 40%. Q1 turnover is down 6%.
- The reported combined ratio is 87.0% (or 84.3% adjusted) vs. 77.5% in Q1 2015 and 84.3% in H2 2015. The increase in loss ratio has mainly been driven by the commodity trading sector and Asia, and also includes two claims in North America. This performance is clearly less convincing than that of Euler Hermes (Q1 2016 much closer to Q1 2015 than to H2 2015). Action plans that have been put in place since 2015 are expected to gradually deliver over time.
- The transfer of the public guarantees activities to Bpifrance will be achieved in 2016 as planned. The company will announce on 27th July and present on 22nd September its new strategic plan, including efficiency measures to compensate (at least partially) for the loss of this business.

VALUATION

- We place our FV under review as we need to better assess what the new Coface could look like

NEXT CATALYSTS

- AGM on 19th May 2016. Q2 numbers on 27th July. Investor day on 22nd September.

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TMT

Soitec

Price EUR0.59

Bloomberg	SOI FP
Reuters	SOIT.PA
12-month High / Low (EUR)	0.9 / 0.5
Market Cap (EURm)	219
Avg. 6m daily volume (000)	679.9

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.5%	15.7%	-24.4%	-7.8%
Semiconductors	-9.0%	-2.1%	-10.7%	-9.4%
DJ Stoxx 600	-0.8%	0.9%	-12.7%	-9.3%

	03/15	03/16e	03/17e	03/18e
P/E	NS	NS	43.4x	34.9x
Div yield (%)	NM	NM	NM	NM

Soitec receives selling interests for on more than 55% of OCEANEs issued

Fair Value EUR0.5 (-15%) **NEUTRAL**

ANALYSIS

- **Today, the group announces that it received, through the reverse book building process, irrevocable selling interests on 22m convertible bonds or about 55.2% of OCEANEs issued FY16 detailed accounts will be reported at a later date.**
- We remind that the settlement of the OCEANEs will be subject to completion of the second capital increase scheduled at a later date, with preferential subscription rights for a total amount to be determined in the range of EUR53.5m to EUR103.5m. Given the current interests in the reverse book building process, we believe that the group is heading to a capital increase in the top of the determined range.
- **Because the number of OCEANEs in the book is above 30% of total OCEANEs issued, the group launches a standing repurchase offer on Euronext from May 5 to May 11, under the same price and conditions as for the reverse book building.**

VALUATION

- Based on our figures, Soitec shares are trading on FY17e EV/Sales of 0.8x and FY17e EV/EBIT of 19.7x.

NEXT CATALYSTS

- FY16 detailed accounts will be reported at a later date.

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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 57.9% NEUTRAL ratings 33.6% SELL ratings 8.6%

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