Please find our Research on Bloomberg BRYG <GO>)

6th May 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17660.71	+0.05%	+1.35%
S&P 500	2050.63	-0.02%	+0.33%
Nasdaq	4717.09	-0.18%	-5.80%
Nikkei	16106.72	-0.25%	-15.16%
Stoxx 600	332.862	+0.32%	-9.01%
CAC 40	4319.46	-0.11%	-6.85%
Oil /Gold			
Crude WTI	43.84	0.00	+17.85%
Gold (once)	1274.68	-0.56%	+19.98%
Currencies/Rates			
EUR/USD	1.13995	-0.81%	+4.94%
EUR/CHF	1.10345	+0.30%	+1.48%
German 10 years	0.16	-21.31%	-74.75%
French 10 years	0.548	-3.34%	-44.09%
Euribor	-	+-%	+-%

Economic releases :

Date	
6th-May	US - unemployment rate (4.9% E) US - Baker Hughes Rig Count

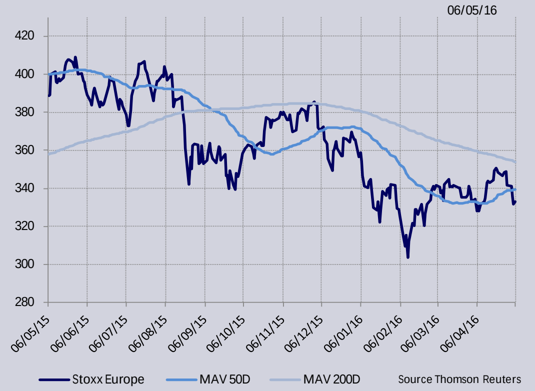
Upcoming BG events :

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



AB INBEV — NEUTRAL, Fair Value EUR109 (0%)

Conf call feedback and updating forecasts

After poor Q1 numbers we are lowering our 2016 revenue and EBIT by about 2/3% which assumes that the business (especially Brazil and US) picks up in the coming quarters as per guidance from the company. On the call there was also some update on the state of the SABMiller process, but there was no clarification on why suddenly also the Central and Eastern European SABMiller assets are put up for sale. We read it as if the company is getting nervous about South African clearance and desperately want the European regulator Phase1 approval, out of fear that the South African one would continue to seek postponements. (not such a good sign)

SAGE GROUP — SELL, Fair Value 555p vs. 550p (-5%)

H1 FY16 analysts' meeting feedback: executing broadly on plan

We reiterate our Sell rating, but raise our DCF-derived fair value to 555p from 550p as we up our adj. EPS ests. by 1%. Growth momentum is there, and cost savings should allow Sage to exceed an op. margin of 28.5% in H2 FY16. However, such a 2ppt margin increase is not extrapolable to FY17 as part of the GBP50m cost savings will be reinvested in marketing. Despite yesterday's share price decline, Sage's demanding valuation multiples create no positive catalyst for the stock, in our view.

In brief...

ALTICE, ***Future subsidiary Cablevision delivers encouraging Q1 results***

Food & Beverages

AB InBev

Price EUR109.05

Bloomberg	ABI BB
Reuters	ABI.BR
12-month High / Low (EUR)	123.3 / 91.3
Market Cap (EURm)	175,379
Ev (BG Estimates) (EURm)	250,666
Avg. 6m daily volume (000)	1,720
3y EPS CAGR	6.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.0%	1.6%	-1.0%	-4.7%
Food & Bev.	-0.8%	-0.3%	-6.8%	-5.1%
DJ Stoxx 600	1.4%	2.1%	-12.1%	-9.0%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	43,604	43,076	59,609	62,027
% change		*-1.2%*	*38.4%*	*4.1%*
EBITDA	16,921	16,885	24,041	25,884
EBIT	13,768	13,842	20,172	21,899
% change		*0.5%*	*45.7%*	*8.6%*
Net income	8,513	7,712	11,388	12,448
% change		*-9.4%*	*47.7%*	*9.3%*

	2015	2016e	2017e	2018e
Operating margin	31.6	32.1	33.8	35.3
Net margin	19.5	17.9	19.1	20.1
ROE	20.2	17.9	13.7	14.3
ROCE	10.1	10.3	10.5	8.7
Gearing	98.7	101.3	104.7	97.1

(USD)	2015	2016e	2017e	2018e
EPS	5.10	4.62	5.71	6.24
% change	-	*-9.4%*	*23.5%*	*9.3%*
P/E	24.4x	26.9x	21.8x	19.9x
FCF yield (%)	3.7%	3.2%	5.7%	5.1%
Dividends (USD)	2.68	2.43	3.00	3.28
Div yield (%)	2.2%	2.0%	2.4%	2.6%
EV/Sales	6.5x	6.6x	5.5x	5.3x
EV/EBITDA	16.8x	16.9x	13.7x	12.6x
EV/EBIT	20.7x	20.6x	16.4x	14.9x

Conf call feedback and updating forecasts

Fair Value EUR109 (0%) **NEUTRAL**

After poor Q1 numbers we are lowering our 2016 revenue and EBIT by about 2/3% which assumes that the business (especially Brazil and US) picks up in the coming quarters as per guidance from the company. On the call there was also some update on the state of the SABMiller process, but there was no clarification on why suddenly also the Central and Eastern European SABMiller assets are put up for sale. We read it as if the company is getting nervous about South African clearance and desperately want the European regulator Phase1 approval, out of fear that the South African one would continue to seek postponements. (not such a good sign)

On the call, the company was trying to soothe investors' fears on negative developments in Brazil, China and the US, pointing to some temporary headwinds which should subsided over the coming quarters. Nevertheless this does not take away that q1 was bad and that impacts our full year earnings outlook. We have lowered our 2016 revenue and operating profit forecasts by 2/3%. We are lowering our 2016 net revenue forecast by 2.3% to USD43.1bn from USD44.1 and our operating profit forecast by 2.9% to USD13.8bn from USD14.3bn before and are now looking for more or less flat figures for the full year 2016. We leave our fair value unchanged at EUR109.

ANALYSIS

- Although q1 volumes in Latam-North were down by 7.3% (-10% in Brazil) and revenue by 1.9%, AB InBev continues to guide to mid to high single digit organic revenue growth for the region, which would assume positive growth in brazil for the coming quarters. Although no figure has been mentioned, management insists that volume trends in Brazil in April were significantly better than the first quarter and as a result it was not making any change to their guidance for the full year. So what happened in the first quarter is definitively a reflection of the poor macro, but the earlier Carnival (regarded by consumers as the end of the summer) and price increases (ahead of competitors driving temporary loss of market share) exacerbated the volume weakness (and margin contraction).

- A similar story on China. The company believes that its lower revenue per hl growth of 2.1% (well below the 9.4% reported for the full year 2015) is temporary although that it expects industry volumes to continue to be week. The favourable brand mix development (selling more premium Budweiser) was balanced by unfavourable regional mix because the south and the east, especially Guangdong had very cool weather and very strong economic headwinds; and that is something that affected a region where Budweiser is very strong. That rippled throughout the China numbers. However, Budweiser continued to grow throughout China, with the exception of Guangdong, where it nevertheless gained share on a very weak industry numbers. Overall in China AB InBev's volumes were down just over 1% compared to an industry down 4%, leading to a 45bps market share gain for the quarter (reaching 19%). Premium and super premium beer continue to grow stronger and is now more than 50% of AB InBev's China volumes.

- On the slow down in price/mix in the US from 2.9% in 2015 to 1.2% in Q1, despite the craft brew acquisition, management clarified during the call that there was a phasing on Stella shipments. A year-plus ago it had an issue with Stella being frozen whilst crossing the ocean. And this year, they decided to ship earlier and avoid the harsher part of the winter (December-January). Not only did that impact the price/mix but also that the sales-to-retailers (-0.3%) was well ahead of the sales-to-wholesalers (-1.2%) – which comes in AB InBev's revenue figure. For the full year the difference between the two should disappear and also price/mix should be back up.

- The company also updated on the SABMiller acquisition highlighting the proactive steps it has been taking in addressing any potential regulatory considerations. It believes it has been making good progress in all four of the markets where regulatory clearance is a precondition to making the formal offer to shareholders. It did announced the sale of SABMiller's interest in MillerCoors in the U.S. and in CR Snow in China, as well as the disposal of certain of SABMiller's premium brands and related businesses in Europe, including Peroni and Grolsch. Also, last week, it announced it was divesting SABMiller's Central and Eastern Europe business and brands (Poland, Hungary, Czech Republic, Slovakia, and Romania). During the call, there was some explanation sought on the latter decision especially as there does not seem to be any obvious regulatory concerns in mostly duopoly markets (with Heineken) where profitability is relatively high. But analysts were left puzzled. Maybe, the continuous postponement of the South African regulator (today again postponement to 12 May), is putting the company in panic mode?

- There were also some interesting comments on further acquisitions. First of all the Dutra (the CFO), highlighted that M&A remains a core competency, and "we'll always be ready to look at opportunities when and if they arise, subject to our strict financial discipline". Second there is a bonus pool of USD300m for the 65 top managers (excluding the 16 top managers who are on the executive management board), if the company would achieve USD100bn turnover target by 2020 (organic or external growth – and it could be 2020 2021 or 2022). But, although it was not said with so many words, we deduct from Brito's (CEO) comments during the call that a similar, non-public, target exists for the managers on the executive management board, including himself and the CFO, as most of these bonus plans are there to align with internal targets and that they like "to dream big". In our forecast the company would make USD67bn revenue in 2020, which is USD33bn short of the target. So which acquisition could fit to reach that target of lifting revenues by another 50% (and that is in the next four years!). There are two companies that could be considered: Coca Cola (USD44bn revenue) or PepsiCo (USD31bn revenue in beverages). Coca Cola's CEO Kent has warned his management that 3G Capital Partners (controlling shareholders of AB InBev) could try to acquire the company (3G co-investor Warren Buffet already is the largest Coke shareholder). And SABMiller is bottling Coke in numerous markets in Southern Africa and Central America (Honduras and El Salvador). On the other hand AB InBev has long standing relationships with PepsiCo (including a comment buying platform in the US and being their Bottler in Brazil, Argentina, Bolivia, Uruguay, Peru and the Dominican Republic). Furthermore PepsiCo's revenues of USD63bn are USD31bn beverages and USD32bn snacks which could facilitate a joint offer from AB InBev and Kraft Heinz (also controlled by 3G Capital Partners). Coca Cola's operating margin is already 20%, the one of PepsiCo is 14%... But maybe first get the SABMiller deal done?

VALUATION

- Our DCF based fair value of USD109 is based on a risk free rate of 1.7%, a risk premium of 7% and a terminal growth rate of 3.7%.
- Valued at 25.7x 2016 earnings include an expectation that the SABMiller deal will be strongly earnings enhancing.

NEXT CATALYSTS

- 29-Jul-2016 Second Quarter and Half Year 2016 Results
- 28-Oct-2016 Third Quarter and Nine Months 2016 Results

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Sage Group

Price 582.00p

H1 FY16 analysts' meeting feedback: executing broadly on plan

Fair Value 555p vs. 550p (-5%) **SELL**

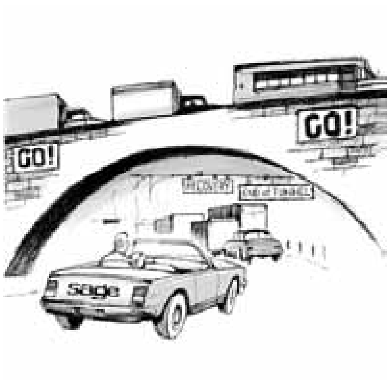
Bloomberg	SGE L
Reuters	SGE.LN
12-month High / Low (p)	636.5 / 489.7
Market Cap (GBP)	6,282
Ev (BG Estimates) (GBP)	6,426
Avg. 6m daily volume (000)	2,842
3y EPS CAGR	9.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.7%	-3.2%	6.8%	-3.6%
Softw.& Comp.	-0.9%	2.1%	-4.6%	-6.1%
DJ Stoxx 600	1.4%	2.1%	-12.1%	-9.0%

YEnd Sept. (£m)	09/15	09/16e	09/17e	09/18e
Sales	1,436	1,548	1,672	1,793
% change		*7.8%*	*8.1%*	*7.2%*
EBITDA	418	453	495	539
EBIT	389.0	429.8	471.5	515.3
% change		*10.5%*	*9.7%*	*9.3%*
Net income	283.9	302.3	337.6	371.7
% change		*6.5%*	*11.7%*	*10.1%*

	09/15	09/16e	09/17e	09/18e
Operating margin	27.1	27.8	28.2	28.7
Net margin	13.5	13.6	18.7	19.4
ROE	22.5	23.0	29.7	28.5
ROCE	25.2	33.0	35.2	40.8
Gearing	39.6	15.8	-5.4	-22.8

(p)	09/15	09/16e	09/17e	09/18e
EPS	25.29	26.92	30.06	33.09
% change	-	*6.5%*	*11.7%*	*10.1%*
P/E	23.0x	21.6x	19.4x	17.6x
FCF yield (%)	4.5%	5.1%	5.7%	6.2%
Dividends (p)	13.10	14.15	15.28	16.50
Div yield (%)	2.3%	2.4%	2.6%	2.8%
EV/Sales	4.6x	4.2x	3.7x	3.3x
EV/EBITDA	15.8x	14.2x	12.6x	11.1x
EV/EBIT	17.0x	15.0x	13.2x	11.7x



We reiterate our Sell rating, but raise our DCF-derived fair value to 555p from 550p as we up our adj. EPS ests. by 1%. Growth momentum is there, and cost savings should allow Sage to exceed an op. margin of 28.5% in H2 FY16. However, such a 2ppt margin increase is not extrapolable to FY17 as part of the GBP50m cost savings will be reinvested in marketing. Despite yesterday's share price decline, Sage's demanding valuation multiples create no positive catalyst for the stock, in our view.

ANALYSIS

- **Cost savings should ensure an operating margin above 28.5% in H2 FY16**. Despite the underlying operating margin down 1ppt to 25.4%, management is confident to deliver at least 27% for FY16 vs. 27.5% for FY15. This implies a margin above 28.5% for H2 FY16, up 2ppt vs. H2 FY15 and up 3.2ppt vs. H1 FY16 - which is unusual in terms of profit seasonality. The GBP17m cost saving secured in H1 (GBP12m on payroll and GBP5m on facilities) is in line with the GBP50m expected for FY16 on an annual basis, which means GBP33m is planned for H2 (procurement, G&A costs), but Sage will spend more on sales and marketing with less people. However, the margin increase expected for H2 FY16 cannot be extrapolated to FY17 as part of the savings will be reinvested in digital marketing. Of the GBP100m restructuring costs to be booked in FY16 (GBP31.2m in H1 o/w GBP22m in G&A and GBP9m in sales and marketing), cash-outs related to restructurings were GBP12m in H1 and GBP50m is expected for FY16, while GBP50m is still to be cashed out during FY17. NB: 70% of the top 100 managers at Sage has been replaced in one year.
- **Revenue momentum, driven by subscriptions, remains positive**. The 35.3% lfl subscription revenue growth in H1 FY16 is at the high-end of what is sustainable on the installed base. Two-thirds of the acceleration, which allowed Sage to reach an annual subscription base of GBP425m, is driven by migration from perpetual licenses (Sage 50 in North America + Europe, Payroll in North America, South Africa products, Sage 100 in France, Payroll in Australia...), upselling and cross-selling. To be more sustainable, the 35% increase in subscriptions needs more customer additions or reactivations. On Processing, the growth rate reported for H1 (+6.6%) marks some progress, but was driven by Payroll processing in the US (PayChoice), while Payments in the US is back to growth (+2%) with 7 new ISVs partners, but requires acceleration in cross-selling before growing double-digit. Sage One is progressing steadily, with recent country launches being pretty successful (Brazil 10,000 subscriptions reached in 8 months, Australia 1,000), while the US is progressing strongly but remains small. On Sage X3, the turnaround is there with sales up 17%, including France at +20%, the UK at +25% and International at +60%, while North America is flat.
- **Partnerships and acquisitions**. The partnership with Fairsail - Sage will buy a 20.7% stake in the company - adds cloud-based Human Capital Management HCM solutions to accounting and payroll on Sage X3. Sage remains committed to acquisition policy, and, as such, sees opportunities essentially on 'bolt-on' deals. Increasing the geographic footprint looks more complex except by using internal digital marketing, as most of the local leaders are owned by private equity firms.

VALUATION

- Sage's shares are trading at est. 15.0x FY16 and 13.2x FY17 EV/EBIT multiples.
- Net debt on 31st March 2016 was GBP270.9m (net gearing: 30%).

NEXT CATALYSTS

Q3 FY16 trading update on 27th July before markets open.

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Altice

Price EUR12.94

Future subsidiary Cablevision delivers encouraging Q1 results

Fair Value EUR16.3 (+26%) **BUY**

Bloomberg	ATC NA
Reuters	ATCA.AS
12-month High / Low (EUR)	32.2 / 10.0
Market Cap (EURm)	14,155
Avg. 6m daily volume (000)	2 392

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.5%	-6.5%	-21.6%	-2.4%
Telecom	-2.2%	-4.4%	-14.6%	-10.7%
DJ Stoxx 600	-0.8%	0.9%	-12.7%	-9.3%

	2014	2015e	2016e	2017e
P/E	NS	NS	NS	17.4x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- Cablevision yesterday published **robust Q1 results**. Revenues reached **USD1.6bn (+1.6% yoy)**, in line with the consensus and our estimate. AOCF reached **USD479.4m** (+**8.3% yoy)**, **above consensus** at USD453.5 and our estimate at USD443m.
- Customer relationships net adds reached **+9k**, vs -6k in Q1 2015. Cablevision **gained 19k high speed data** customers, ie **2.7x more than in Q1 2015**, and "only" **lost 15k video customers**, ie **50% less than in Q1 2015**. Cablevision says it experienced the lowest quarterly churn in more than eight years. At the same time, the **RPC rose 1.6% yoy** to USD157.91, **up 1.3%** vs Q4.
- Although AOCF optimisation might be related to the future handover to Altice, it does not appear detrimental to sales so far, and the **commercial outlook is positive**. These results support our belief that **cord cutting is not a major short-term threat**, and that the **US perimeter holds positive diversification opportunities** for Altice, with **high and sustainable synergies expectations**.
- Cablevision's acquisition by Altice is expected to close in Q2 2016.

VALUATION

- We stick to our Fair Value of EUR16.3, with a BUY recommendation.

NEXT CATALYSTS

- Altice Q1 results on May 10th.

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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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