Please find our Research on Bloomberg BRYG <GO>)

10th May 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17705.91	-0.20%	+1.61%
S&P 500	2058.69	+0.08%	+0.72%
Nasdaq	4750.21	+0.30%	-5.14%
Nikkei	16565.19	+2.15%	-14.80%
Stoxx 600	333.223	+0.47%	-8.91%
CAC 40	4322.81	+0.50%	-6.78%
Oil /Gold			
Crude WTI	43.44	-2.73%	+16.77%
Gold (once)	1265.97	-1.89%	+19.16%
Currencies/Rates			
EUR/USD	1.1398	-0.22%	+4.92%
EUR/CHF	1.10625	-0.13%	+1.73%
German 10 years	0.131	-11.96%	-79.32%
French 10 years	0.5	-4.73%	-49.04%
Euribor	-	+-%	+-%

Economic releases :

Date	
10th-May	CNY - New Yuan Loans CNY - CPI Apr. (2.3%A 2.3%E) DE - Industrial Production (1.1% y/y E) FR - Industrial Production (0.7% y/y E) US - Redbook US - Jolts

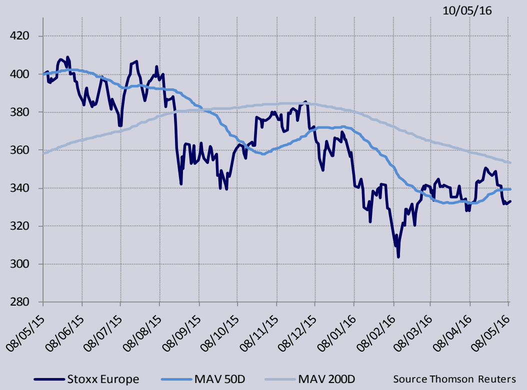
Upcoming BG events :

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



CAMPARI — BUY, Fair Value EUR9,7 vs. EUR9,3 (+11%)

Strong improvement in profitability

Q1 organic sales growth came in at 7.2%, almost 4% above expectations, driven by the Americas (6.9% vs consensus: +4.8%), Southern Europe/Middle East/Africa (4.8% vs consensus: +2%), and North/Central and Eastern Europe (+13.3% vs consensus: +3.4%). EBIT pre one-offs reached EUR53.9m, up 21% in reported terms and 20% in organic, and 16% above consensus estimates. The group benefited from a very favourable mix with strong growth in the highly profitable global priorities (+11.9%), especially Campari (+21.4%) and Aperol (+24.7%). We have lifted our organic sales growth estimate for 2016 to 5.3% vs 4.3% previously. More importantly, we have increased the pace of recovery in the group's EBIT margin in coming years. We now stand at 21.4% in 2016 and 22.5% in 2017, vs previous estimates of 21.1% and 22.2% respectively. Our Fair Value is adjusted to EUR9.7.

INDRA SISTEMAS — NEUTRAL, Fair Value EUR10 (-3%)

Q1 16 results slightly below consensus, restructuring advancing according to plan

Yesterday evening Indra reported Q1 16 results slightly below consensus. Restructuring is advancing according to plan, net debt is decreasing, and revenues in 2016 will be negatively impacted by greater selectivity in IT contracts. We do not expect the share price to react significantly short-term.

SOFTWARE AG — BUY, Fair Value EUR40 (+19%)

French Flair at work (full report released today)

We are reiterating our Buy rating and DCF-derived Fair Value of EUR40. We estimate that the positive momentum generated over the past 18 months by the new Chief Customer Officer, Eric Duffaut, is gradually changing Software AG's status from a value stock to a growth stock, with the target of delivering a margin of 32-35% in 2020.

In brief...

BONE THERAPEUTICS, *Well on track to deliver NU 2nd cohort data in Q2*

EIFFAGE, *Decent Q1 revenues. Outlook reiterated.*

HANNOVER RE, *Strong Q1, FY guidance confirmed*

LAFARGEHOLCIM, *Lafarge India disposal no longer suspended*

MUNICH RE, *Poor Q1 overall, FY guidance adjusted downwards as expected*

Food & Beverages

Campari

Price EUR8.77

Bloomberg	CPR IM
Reuters	CPR.MI
12-month High / Low (EUR)	8.8 / 6.4
Market Cap (EUR)	5,091
Ev (BG Estimates) (EUR)	6,315
Avg. 6m daily volume (000)	1 722
3y EPS CAGR	14.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.2%	22.1%	14.7%	9.6%
Food & Bev.	0.0%	3.2%	-4.5%	-3.9%
DJ Stoxx 600	0.4%	7.7%	-11.3%	-8.9%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	1,657	1,697	1,859	1,967
% change		*2.4%*	*9.5%*	*5.8%*
EBITDA	380	414	473	514
EBIT	332.7	363.0	417.4	455.2
% change		*9.1%*	*15.0%*	*9.1%*
Net income	175.4	206.6	253.1	279.6
% change		*17.8%*	*22.5%*	*10.5%*

	2015	2016e	2017e	2018e
Operating margin	20.1	21.4	22.5	23.1
Net margin	10.6	12.2	13.6	14.2
ROE	10.1	11.1	12.5	12.6
ROCE	7.0	8.2	10.0	11.0
Gearing	47.3	65.5	52.4	38.5

(EUR)	2015	2016e	2017e	2018e
EPS	0.32	0.36	0.44	0.48
% change	-	*11.2%*	*22.5%*	*10.4%*
P/E	27.4x	24.6x	20.1x	18.2x
FCF yield (%)	3.9%	4.3%	5.2%	6.2%
Dividends (EUR)	0.09	0.09	0.10	0.10
Div yield (%)	1.0%	1.0%	1.1%	1.1%
EV/Sales	3.6x	3.7x	3.3x	3.0x
EV/EBITDA	15.6x	15.3x	13.0x	11.6x
EV/EBIT	17.8x	17.4x	14.7x	13.1x

Strong improvement in profitability

Fair Value EUR9,7 vs. EUR9,3 (+11%) BUY

Q1 organic sales growth came in at 7.2%, almost 4% above expectations, driven by the Americas (6.9% vs consensus: +4.8%), Southern Europe/Middle East/Africa (4.8% vs consensus: +2%), and North/Central and Eastern Europe (+13.3% vs consensus: +3.4%). EBIT pre one-offs reached EUR53.9m, up 21% in reported terms and 20% in organic, and 16% above consensus estimates. The group benefited from a very favourable mix with strong growth in the highly profitable global priorities (+11.9%), especially Campari (+21.4%) and Aperol (+24.7%). We have lifted our organic sales growth estimate for 2016 to 5.3% vs 4.3% previously. More importantly, we have increased the pace of recovery in the group's EBIT margin in coming years. We now stand at 21.4% in 2016 and 22.5% in 2017, vs previous estimates of 21.1% and 22.2% respectively. Our Fair Value is adjusted to EUR9.7.

ANALYSIS

- **Organic sales growth was 7.2% in Q1, almost 4% above expectations.** Campari continued to benefit from its good geographic exposure (underexposure to emerging markets) and portfolio positioning (overexposure to bitters). But **the group was also helped by the earlier Easter time compared with 2015 and an increase in shipments to the US. Management said that the underlying trend is +4.5%.** In reported terms, sales were stable at EUR327.4m due to 1/ the end to certain distribution agreements/sales of non-core businesses (-3.4%) and 2/ FX headwinds (-3.8%), and were roughly in line with the consensus (EUR324m). **EBIT margin rose 290bp to 16.5%. EBIT pre one-offs reached EUR53.9m**, up 21% in reported terms and 20% in organic, and **16% above consensus estimates**. **The mix was very favourable** thanks to 1/ strong growth in the highly profitable global priorities (+11.9%), especially Campari (+21.4%) and Aperol (+24.7%) and 2/ the smaller weight of the low-margin Jamaican sugar business (sales were nil vs EUR9m last year).

- **The beat was driven by all regions. Only Asia Pacific came out roughly in line with forecasts. Americas (41% of group's sales)**: **organic sales grew 6.9% over the quarter vs consensus at +4.8%. This was driven by the US** (59% of the region's sales), up 14.8% on the back of higher shipments (expected to reverse in the next quarters) and bulk whisky sales. The underlying trend was said to be much closer to 4.5-5%. **Organic sales growth in Argentina (8% of the region's sales) also exceeded expectations at +87.6% and was said to be 50% driven by volumes.** In contrast, Jamaica (11% of the division's sales) and Brazil (4% of the division's sales) were unsurprisingly weak. The former was impacted by a poor sugar business while the latter dropped sharply after the inventory build-up ahead of the excise duty hike at the beginning of December. **Southern Europe/Middle East/Africa (34% of group's sales)**: **This division posted 4.8% organic sales growth vs consensus at +2%. Italy (77% of the region's sales) grew 2.4%** driven by the aperitifs portfolio. **Although this performance was helped by the Easter effect, it confirms the improvement in the Italian spirits market and brings confidence that the group will reach its growth target for the country over the year.** Sales in the rest of the region rose 14% organically thanks to France and South Africa. **North/Central and Eastern Europe (18% of group's sales):** Organic sales rose 13.3% vs consensus at +3.4%. Germany (55% of the division's sales) was up 10.6%. According to Nielsen, Aperol rose mid single digit in Q1 in the country while it was flat in 2015. Despite the tough macro and increasing credit risk, Russia (7% of the division's sales) returned to positive territory (+27.7%) on easy comps. **Asia Pacific (7% of group's sales):** This division posted 5.8% organic sales growth in Q1. The very strong performance in Australia (+21.5%) was partly offset by a decline in other markets (-27.3%) due to a shipment phasing in Japan.

- **Change in estimates.** We have notched up our organic sales growth estimate for 2016 to 5.3% vs 4.3% previously. More importantly, **we have increased the pace of recovery in the group's EBIT margins in coming years.** We now stand at 21.4% in 2016 and 22.5% in 2017, vs previous estimates of 21.1% and 22.2% respectively.

VALUATION/ NEXT CATALYST

- **Our DCF now points to a Fair Value of EUR9.7.** At yesterday's share price, the stock is trading at 17.4x EV/EBIT 2016e and 14.7x EV/EBIT 2017e, respectively 6% and 13% below the peer average // The tender offer for SPML is expected to start in about two weeks, according to management

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Indra Sistemas

Price EUR10.30

Q1 16 results slightly below consensus, restructuring advancing according to plan

Fair Value EUR10 (-3%) **NEUTRAL**

Bloomberg	IDR SM
Reuters	IDR.MC
12-month High / Low (EUR)	11.4 / 7.7
Market Cap (EUR)	1,691
Ev (BG Estimates) (EUR)	2,316
Avg. 6m daily volume (000)	996.8
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.2%	28.4%	2.4%	18.8%
Softw.& Comp.	0.7%	7.3%	-2.6%	-4.9%
DJ Stoxx 600	0.4%	7.7%	-11.3%	-8.9%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	2,850	2,705	2,747	2,851
% change		*-5.1%*	*1.6%*	*3.8%*
EBITDA	131	220	295	356
EBIT	-642.0	158.0	229.0	286.0
% change		*NS*	*44.9%*	*24.9%*
Net income	-74.0	85.0	145.0	186.0
% change		*NS*	*70.6%*	*28.3%*

	2015	2016e	2017e	2018e
Operating margin	1.6	5.8	8.3	10.0
Net margin	-22.5	3.0	5.2	6.5
ROE	-208.1	21.0	26.7	25.7
ROCE	-21.5	12.2	18.2	22.4
Gearing	227.0	160.0	87.0	35.0

(€)	2015	2016e	2017e	2018e
EPS	-0.41	0.47	0.80	1.03
% change	*-*	*NS*	*70.2%*	*28.8%*
P/E	NS	21.9x	12.9x	10.0x
FCF yield (%)	NM	1.2%	8.7%	11.2%
Dividends (€)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	0.8x	0.9x	0.8x	0.7x
EV/EBITDA	18.2x	10.5x	7.3x	5.5x
EV/EBIT	53.1x	14.7x	9.4x	6.8x

Yesterday evening Indra reported Q1 16 results slightly below consensus. Restructuring is advancing according to plan, net debt is decreasing, and revenues in 2016 will be negatively impacted by greater selectivity in IT contracts. We do not expect the share price to react significantly short-term.

ANALYSIS

- **Q1 16 results slightly below consensus**. For Q1 2016, Indra has reported sales down 10.5% (-6.3% lfl) to EUR628.5m, or 1% below our EUR637m estimate and 3% below consensus (EUR647.5m). Non-IFRS operating profit was up 773% to EUR28.8m (4.6% of sales, +4.1ppt) while we expected EUR29m or 4.6% of sales (consensus: EUR31.5m or 4.9% of sales). Net profit was EUR11.8m (vs. a net loss of EUR19.6m in Q1 2015), in line with our EUR12.4m estimate (consensus: EUR10.8m). Revenues were negatively impacted by LatAm (mainly Brazil) and the IT business (projects delayed in oil exporting countries), while the surge in the margin stemmed from opex down 15% (-10% on personnel costs since headcount was down 6%, and -21% in materials consumed and other opex, subcontractors, etc.) with a better direct margin on current projects, some improvement in problematic projects, and efficiency plans. Brazil started to turn around, with a positive EBIT (EUR5m or 2.5% of sales vs. a loss of EUR52m in Q1 15) despite revenues down 16%.
- **Net debt below expectations**. Net debt on 31st March 2016 was EUR659.4m (net gearing: 204%) or 4.7x EBITDA, while the consensus was EUR676m. Free cash flow was EUR46.6m (vs. a negative EUR79.3m in Q1 15). Excluding restructuring cash-outs (EUR17m) and assuming the same level of non-recourse factoring as for December 2015 (EUR25m impact: EUR162m vs. EUR187m), net debt would have reached EUR617m and free cash flow EUR89m (EUR110m if we also exclude cash-outs related to problematic projects). Net working capital fell to EUR154m from EUR232m in December 2015, or to 20 days of sales from 30, o/w +1 day on inventory, -9 days for accounts receivables following declining revenues and progress on cash collection, and -2 days for accounts payables.
- **Details on Q1 16 lfl growth**. **By geography**, Spain (46% of sales) was down 4% with +1% in the government segment (growth in defence & Security) and -7% in the commercial sector (but Energy & Industry up), LatAm (22%) down 15% with Brazil down 16%, EU/USA (18%) down 25% due to a lower contribution from the Eurofighter programme, and AMEA (14%) up 56% driven by Transport & Traffic in Africa. **By vertical**, Transport/Traffic (23%) fell 1%, Defence/Security (18%) -7%, Energy/Industry (16%) -8%, Financial Services (18%) -7%, Government/Healthcare (15%) -7%, and Telecom/Media (9%) -12%.
- **Management feels on track with FY18 targets**. Indra still expects a decline in FY16 lfl sales and a significant improvement in the op. margin. That said, we now consider a scenario at -3% lfl more realistic than the -1.5% we had so far, due to the absence of central government in Spain and more selectivity on contracts. For 2017 and 2018, we now expect sales to rise 1.4% lfl (vs. +1.3%) and 3.8% lfl (vs. +3.1%). On costs, 70% of layoffs planned within the efficiency plan have been completed in Spain (Brazil completed in Q4), and cost savings and restructuring cash-outs in Q1 (EUR25m and EUR17m) are on track with FY16 targets (EUR90m and EUR45-55m). Finally, although there is a long way to go before returning to positive lfl revenue growth and then stepping it up, management remains confident in its FY18 operating margin target (10-11%). As such, we revise our adj. EPS ests. as follows: -16% for 2016e, -6% for 2017e, and +4% for 2018e.

VALUATION

- Indra's shares are trading at est. 14.7x 2016 and 9.4x 2017 EV/EBIT multiples.
- Net debt on 31st March 2016 was EUR659.4m (net gearing: 204%).

NEXT CATALYSTS

AGM on 26th May. Q2 16 results at the end of July.

Click here to download

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Software AG

Price EUR33.76

French Flair at work (full report released today)

Fair Value EUR40 (+19%) **BUY**

Bloomberg	SOW GR
Reuters	SOWG.DE
12-month High / Low (EUR)	34.9 / 23.8
Market Cap (EUR)	2,667
Ev (BG Estimates) (EUR)	2,548
Avg. 6m daily volume (000)	246.6
3y EPS CAGR	4.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.4%	16.2%	26.8%	27.8%
Softw.& Comp.	0.7%	7.3%	-2.6%	-4.9%
DJ Stoxx 600	0.4%	7.7%	-11.3%	-8.9%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	873.1	887.7	917.6	959.8
% change		*1.7%*	*3.4%*	*4.6%*
EBITDA	278	286	302	322
EBIT	209.4	233.3	255.2	277.2
% change		*11.4%*	*9.4%*	*8.6%*
Net income	188.0	189.7	200.1	214.9
% change		*0.9%*	*5.5%*	*7.4%*

	2015	2016e	2017e	2018e
Operating margin	30.2	30.6	31.3	32.0
Net margin	16.0	17.3	18.6	19.4
ROE	12.8	12.8	12.9	12.8
ROCE	17.7	18.2	19.5	21.4
Gearing	1.3	-9.9	-20.9	-30.6

(€)	2015	2016e	2017e	2018e
EPS	2.33	2.35	2.48	2.66
% change	*-*	*0.9%*	*5.5%*	*7.4%*
P/E	14.5x	14.4x	13.6x	12.7x
FCF yield (%)	6.5%	7.1%	7.6%	8.3%
Dividends (€)	0.55	0.60	0.65	0.70
Div yield (%)	1.6%	1.8%	1.9%	2.1%
EV/Sales	3.1x	2.9x	2.6x	2.3x
EV/EBITDA	9.6x	8.9x	7.9x	6.9x
EV/EBIT	10.2x	9.4x	8.3x	7.2x

We are reiterating our Buy rating and DCF-derived Fair Value of EUR40. We estimate that the positive momentum generated over the past 18 months by the new Chief Customer Officer, Eric Duffaut, is gradually changing Software AG's status from a value stock to a growth stock, with the target of delivering a margin of 32-35% in 2020.

ANALYSIS

- **Positive momentum**. The arrival of Eric Duffaut as Chief Customer Officer at the end of 2014 (previously at SAP and Oracle) has so far enabled Software AG to improve its sales productivity by 30%. The strategy rolled out since early 2015 has delivered convincing results with a return to growth in the Digital Business Platform business (DBP), a 2015 non-IFRS operating margin of 29.7% well above the initial target, and five quarters in a row of higher than consensus earnings.
- **Transformation far from complete**. The second part of the strategy consists of transforming the sales approach in order to step up growth by 2018: sales of business solutions, expanding the ecosystem of partners and extending sales coverage. In our view, this should lift organic growth to almost 6% in 2020 thanks to an acceleration in sales growth from the digital business platform.
- **2016 has started out ahead of targets**. Software AG reported Q1 2016 sales up 8.8% lfl and non-IFRS EBIT margin up 3.9 points. We estimate that 2016 margin guidance for 30-31% is cautious since it now implies a stable level for the last three quarters of the year. As such, if guidance is exceeded in 2016, we would be confident in the group's ability to deliver the top end of the 32-35% range in 2020

VALUATION

- **Still attractively valued**. Despite a rebound of more than 80% since October 2014, Software AG is trading on 2016e and 2017e EV/EBIT multiples of 9.4x and 8.3x respectively, implying a discount of around 40% relative to the average of major European software publishers
- Net cash position on 31st March 2016 was EUR49.1m (net gearing: -4%).

NEXT CATALYSTS

- AGM on 31st May.
- Q2 16 results on 20th July before markets open.

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Healthcare

Bone Therapeutics

Price EUR17.33

Well on track to deliver NU 2nd cohort data in Q2

Fair Value EUR30 (+73%) **BUY**

Bloomberg	BONE FP
Reuters	BONE.PA
12-month High / Low (EUR)	23.0 / 15.2
Market Cap (EURk)	118,711
Avg. 6m daily volume (000)	2.70

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.0%	2.5%	-15.0%	-11.1%
Healthcare	-1.3%	6.6%	-11.0%	-11.3%
DJ Stoxx 600	0.4%	7.7%	-11.3%	-8.9%

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

ANALYSIS

- Bone Therapeutics released its Q1 results today with cash used in operating activities amounting to EUR2.9m vs EUR2.7m (adjusted for IPO related expenses) last year. The operating loss stood at EUR2.4m and cash position at EUR30.4m, which should enable the company to carry out its strategic plan until late 2017.
- After a dense Q1 during which the company released the first positive results for 1/ its autologous platform in osteoporosis (comment here) and 2/ the spinal fusion trial as well as the initiation of a phase IIa trial in multiple-union fracture (higher dose, please see here), we would expect newsflow in Q2 to calm down. Indeed, results from the second four-patient cohort from the delayed-union trial should be communicated this quarter. Note that these results should be followed by an interim review of the first 16 patients by a DSMB. Should the results be positive in 12 out of 16 patients, the trial could be prematurely stopped and move into phase III. Note that the company has opened new sites for its ongoing phase III trial in osteonecrosis and that it intends to present detailed phase IIb results in the latter indication at the EULAR congress in June (8-11th).

VALUATION

- We reiterate our BUY recommendation and EUR30 Fair Value.

NEXT CATALYSTS

- Q2: Results from the 2nd cohort in the phase IIa Delayed-Union trial
- Q2: detailed results

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Construction & Building Materials

Eiffage

Price EUR68.16

Bloomberg	FGR FP
Reuters	FOUG.PA
12-month High / Low (EUR)	70.0 / 47.8
Market Cap (EURm)	6,505
Avg. 6m daily volume (000)	294.7

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.9%	15.2%	19.4%	14.5%
Cons & Mat	-0.2%	13.5%	-3.7%	-2.7%
DJ Stoxx 600	0.4%	7.7%	-11.3%	-8.9%

	2015	2016e	2017e	2018e
P/E	20.2x	17.0x	15.3x	12.6x
Div yield (%)	2.2%	2.2%	2.2%	2.2%

Decent Q1 revenues. Outlook reiterated.

Fair Value EUR73 (+7%) **BUY**

ANALYSIS

- Eiffage has reported Q1 revenues down 1.9% (all changes in lfl) to EUR2.993bn, penalised by France (-3.8%), while International sales rose 6.9%, representing 19% of total sales in Q1.
- Construction sales were solid at EUR812m (+3.2%), despite a lower property development contribution (-EUR5m at EUR125m). Infrastructure sales fell 4.5% to EUR813, penalised by a lower contribution from BPL projects. This is a decent performance, considering the tough environment in France (Vinci Eurovia sales -8% in Q1). Finally, the Energie division was affected by a difficult comp. basis (-12% impact from the Cestas solar plant contribution last year) and sales dropped 9.6% to EUR778m. In all, contracting sales fell 3.8% to EUR2.403bn, while Vinci Contracting (excl. property dev.) was down 5.4% despite larger international exposure (40% in Q1). Concessions sales rose 6.5% to EUR590m, mostly driven by the APRR contribution (already disclosed).
- The order book improved to EUR11.8bn (+0.3%, +4.2% excl. BPL on a 12-month basis) and represents 12.4 months of business. This is slightly better than Vinci's order book (flat, up 2.2% excl. SEA on a 12-month basis, equivalent to 11 months of business). Order intake was not disclosed but is positively oriented. The outlook is unchanged with a slight decline in revenues expected in 2016.
- All in all a decent publication for Eiffage, slightly better than Vinci, despite stronger exposure to France. The share price is likely to react positively today.

VALUATION

- EUR73 derived from an SOTP.

NEXT CATALYSTS

- APRR Q2 2016 on 21 July 2016

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Eric Lemarié, elemarie@bryangarnier.com

Insurance

Hannover Re

Price EUR101.15

Strong Q1, FY guidance confirmed

Fair Value EUR110 (+9%) **SELL**

Bloomberg	HNR1 GY
Reuters	HNRGn.DE
12-month High / Low (EUR)	111.5 / 84.1
Market Cap (EURm)	12,198
Avg. 6m daily volume (000)	178.1

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.6%	18.6%	-1.2%	-4.3%
Insurance	0.2%	6.8%	-15.7%	-16.0%
DJ Stoxx 600	0.4%	7.7%	-11.3%	-8.9%

	2015	2016e	2017e	2018e
P/E	10.6x	12.1x	11.5x	
Div yield (%)	4.7%	4.2%	4.2%	

ANALYSIS

- Q1 2016 net income came in at EUR271m, above consensus (EUR246m), down 3% yoy. EBIT stood at EUR407m, above consensus (EUR372m), down 5% yoy.
- In P&C, the Q1 combined ratio totalled 94.7% (consensus 95.8%) vs. 95.7% last year, including EUR55m of large losses (i.e. 2.8 points of combined ratio vs. budget c. 9.5 points). Excluding natcats, the underlying combined ratio works out to 91.9% vs. 92.4% last year, which is a strong performance. GWP was down 4%. EBIT of EUR300m was above expectations (EUR285m), up 17% yoy.
- EBIT in Life/Health totalled EUR106m vs. EUR173m last year, above expectations (EUR86m), mainly driven by lower FX positive effects and the non-recurrence of a positive one-off.
- RoI stood at 2.9% (annualised) vs. 3.5% last year.
- NAV came in at EUR69.4 vs. EUR66.9 at end-2015.
- Solvency II margin at end-2015 was 221%.
- FY guidance has been confirmed, including net income of "at least" EUR950m (current consensus EUR1.03bn).
- -> Q1 2016 is another set of good numbers. Hannover Re is a well-managed, pragmatic company, but we see limited upside potential.

VALUATION

- Based on our current estimates, our SOTP valuation is EUR110.

NEXT CATALYSTS

- Q2 2016 numbers on 4th August.

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Construction & Building Materials

LafargeHolcim

Price CHF43.09

Lafarge India disposal no longer suspended

Fair Value CHF50 (+16%) **BUY**

Bloomberg	LHN VX
Reuters	LHN.VX
12-month High / Low (CHF)	72.3 / 34.1
Market Cap (CHF)	26,152
Avg. 6m daily volume (000)	2,325

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.5%	26.2%	-24.8%	-14.3%
Cons & Mat	-0.2%	13.5%	-3.7%	-2.7%
DJ Stoxx 600	0.4%	7.7%	-11.3%	-8.9%

	2014	2015e	2016e	2017e
P/E	26.4x	24.9x	18.6x	11.7x
Div yield (%)	3.0%	3.5%	4.1%	4.6%

ANALYSIS

- As we mentioned on 14th April, the Compat (Competition Appellate Tribunal) had suspended the CCI approval of the merger, following a complaint from Dalmia Cements.
- On Monday 9th April, the local press reported that Dalmia Cement had finally withdrawn its complaint and that the Compat had accepted it. We do not know the reasons behind this decision, although it could be related to recent changes in the Mines and Minerals Act.
- In any case, this clears the path for the disposal of Lafarge India, which is mandatory in order to comply with local anti-trust authorities (CCI). This is positive news for the LHN share price.
- Note that press reports have mentioned interest from various players for the assets to be sold. A price of USD1.6bn, i.e. USD150 per ton, has also been cited in the press. CEO Eric Olsen recently said he was optimistic that the deal could close around mid-2016.
- After the disposal of this 11mt in cement capacities, LHN will remain a key player in India with 62mt of capacity (17% of total group capacities). With the US, India is the only country to represent more than 10% of LHN's revenues.

VALUATION

- CHF50 derived from the application of historical EV/EBITDA of 7.5x to our 2017 estimates, then discounted back.

NEXT CATALYSTS

- Q1 2016 results to be released on Thursday 12th May

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Insurance

Munich Re

Price EUR163.25

Poor Q1 overall, FY guidance adjusted downwards as expected

Fair Value EUR185 (+13%) **SELL**

Bloomberg	MUV2 GR
Reuters	MUVGn.DE
12-month High / Low (EUR)	190.8 / 158.7
Market Cap (EUR)	28,261
Avg. 6m daily volume (000)	731.9

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.6%	-1.7%	-8.6%	-11.5%
Insurance	0.2%	6.8%	-15.7%	-16.0%
DJ Stoxx 600	0.4%	7.7%	-11.3%	-8.9%

	2015	2016e	2017e	2018e
P/E	8.6x	9.6x	9.3x	
Div yield (%)	5.1%	5.1%	5.1%	

ANALYSIS

- Q1 2016 net income came in at EUR430m, down 46%, below consensus (c. EUR0.5bn). Operating profit of EUR726m was down 27%, mainly due to major strains on the investment result (write-downs, mainly on equities, and low disposal gains).
- In P&C reinsurance, operating profit stood at EUR514m (down 32% yoy). The reported combined ratio is 88.4% vs. 92.3% in Q1 2015. Excluding large losses (2.4 points) and run-offs (6.0 points), the Q1 adjusted combined ratio is 92.0% vs. 90.1% in Q1 2015.
- In primary insurance (Ergo), operating profit was EUR192m, down 12% yoy.
- Group investment result was EUR1.6bn, down 14% yoy, i.e. a 2.7% annualised total return vs. 3.0% last year.
- In light of this poor set of Q1 numbers, FY guidance for net income has been adjusted downwards to EUR2.3bn vs. the previous guidance of EUR2.3-2.8bn (consensus EUR2.6bn). This is consistent with what the CEO said at the AGM on 27th April. This new guidance now includes expenses for the strategy programme on Ergo to be announced in June.

VALUATION

- Based on our current estimates, our SOTP valuation is EUR185.

NEXT CATALYSTS

- Q2 2016 numbers on 9th August.

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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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