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12th May 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17711.12	-1.21%	+1.64%
S&P 500	2064.46	-0.96%	+1.00%
Nasdaq	4760.69	-1.02%	-4.93%
Nikkei	16646.34	+0.41%	-12.90%
Stoxx 600	334.739	-0.45%	-8.50%
CAC 40	4316.67	-0.50%	-6.91%
Oil /Gold			
Crude WTI	46.1	+3.11%	+23.92%
Gold (once)	1274.68	+1.07%	+19.98%
Currencies/Rates			
EUR/USD	1.1433	+0.33%	+5.25%
EUR/CHF	1.10995	+0.05%	+2.07%
German 10 years	0.126	+2.65%	-80.22%
French 10 years	0.468	-2.19%	-52.27%
Euribor	-	+-%	+-%

Economic releases :

Date	
12th-May	FR- CPI (-0.2%E y/y)
	JP - Trade balance
	EUZ - Industrial Production Mar.
	GB - BoE rate Decision
	US - Continuing claims
	US - Initial jobless claims

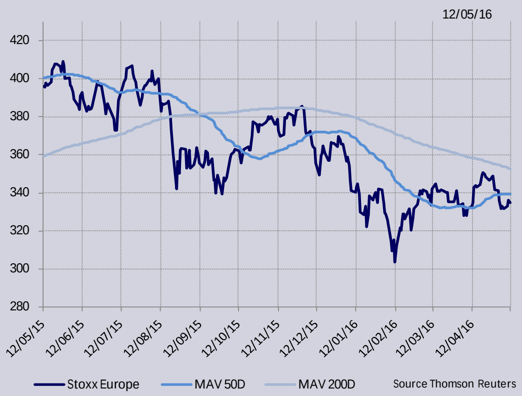
Upcoming BG events :

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

Recent reports :

Date	
10th-May	SOFTWARE AG French Flair at work
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?

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



ALTICE — BUY, Fair Value EUR16,3 (+19%)

Key takeaways from Altice / NC-SFR Q1 results conf call

CASINO GUICHARD — BUY, Fair Value EUR57 (+12%)

Intention to launch a voluntary cash tender offer on Cnova shares (first take)

DIA — NEUTRAL, Fair Value EUR6,5 (+35%)

Q1 2016 (first take): it may be psychological, but still negative LFL in Iberia (-0.3% LFL)

LAFARGEHOLCIM — BUY, Fair Value CHF50 (+13%)

Disappointing Q1 figures, below consensus. Reassuring FY guidance.

METRO AG — SELL vs. NEUTRAL, Fair Value EUR26 (-8%)

Quid of the ex-post credit situation in separatly listed entities?

RWE — NEUTRAL, Fair Value EUR9,5 (-17%)

Better than expected Q1 metrics thanks to Energy Trading gains

TOD'S GROUP — SELL vs. NEUTRAL, Fair Value EUR60 vs. EUR78 (-2%)

Q1 below expectations with 12% same store sales decline. Lack of visibility on ST.

In brief...

ABLYNX, *Final stretch*

ADIDAS GROUP, *adidas Group upgrades FY16 earnings guidance thanks to a one-off gain*

AEGON, *Q1 numbers impacted by lower equity markets and higher volatility*

ERYTECH, *Don't overestimate the "clock stop"*

SAINT GOBAIN, *SIG trading statement: poor performance in France at end-April*

ZURICH INSURANCE GROUP, *Waiting for Mario Greco's action plan*

TMT

Altice

Price EUR13.74

Key takeaways from Altice / NC-SFR Q1 results conf call

Fair Value EUR16,3 (+19%) **BUY**

Bloomberg	ATC NA
Reuters	ATCA.AS
12-month High / Low (EUR)	32.2 / 10.0
Market Cap (EURm)	15,030
Ev (BG Estimates) (EURm)	64,982
Avg. 6m daily volume (000)	2 361
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.2%	21.4%	-16.2%	3.7%
Telecom	-0.3%	6.1%	-13.9%	-8.9%
DJ Stoxx 600	0.6%	10.3%	-11.6%	-8.5%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	14,550	20,086	23,173	23,466
% change		*38.0%*	*15.4%*	*1.3%*
EBITDA	5,494	7,865	9,231	9,622
EBIT	0.0	0.0	0.0	0.0
% change		*NM*	*NM*	*NM*
Net income	-219.7	222.0	1,281	1,789
% change		*NS*	*NM*	*39.7%*

	2015	2016e	2017e	2018e
Operating margin	8.4	18.0	20.3	22.3
Net margin	-1.5	1.1	5.5	7.6
ROE	-30.3	-1.8	31.1	28.6
ROCE	0.9	2.0	5.4	6.2
Gearing	1,798	1,545	1,077	742.2

(EUR)	2015	2016e	2017e	2018e
EPS	-0.28	-0.02	0.74	1.13
% change	*-*	*91.9%*	*NS*	*52.7%*
P/E	NS	NS	18.5x	12.1x
FCF yield (%)	0.3%	NM	8.4%	11.5%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	3.5x	3.2x	2.7x	2.6x
EV/EBITDA	9.2x	8.3x	6.9x	6.4x
EV/EBIT	NS	NS	NS	NS

The NC-SFR numbers and guidance given on France were reassuring, but we will need to wait until Q3 to have a strong confimation and regain full confidence in the business, as Q1 was really disappointing. These explanations support our thesis that 2016 will be a difficult year for SFR, but the positive impacts of new strategy/management/investment should gradually kick in. At the Altice level, confirmation that much is to be expected from the perimeters outside of France.

ANALYSIS

- NC-SFR points out that the **revenues decrease in France** in Q1 was mainly due to: **1/** In BtoC, high promotional activity, due partly to the context of consolidation discussions, a still heavy churn in DSL, **2/** Btob: heavy churn in mobile and arpu decline, **3/** Wholesale: loss of bytel contract, **4/** Q1 comparison basis effects.
- Nevertheless, NC-SFR confirms it is **confident in the trend improving over the year** for the following reasons: **1/** NC-SFR is now seeing a more normalised competitive environment, with less promotional intensity, **2/** new enriched services are to be launched this month, with impact on ARPU for existing and new customers, as well as on churn (as an example, SFR Press has been downloaded 800k times), **3/** the poor fixed performance in Q1 was partly due to Box shortage which will be over in Q2, **4/** investment in network quality will start to kick in, **5/** improvements in processes, sales, IT etc are still at work, with cost base optimisation, **6/** retention processes are being upgraded, **7/** BtoB issues seem to be behind us with numbers showing a way to stabilisation and NC-SFR saying there is a "good opportunity to return to BtoB growth" during the year, **8/** There is no additional risk from wholesale contracts with Bytel, the impact should be over by Q2.
- NC-SFR announces **2016 EBITDA above 2015 EBITDA** in France, thanks to the following effects: **1/** a EUR65m tax impact one-off in Q1, non-recurring in other quarters, **2/** impact of new bundling and content: from +EUR200m to +EUR250m of additional EBITDA over the next three quarters, not present in Q1, **3/** Cost efficiencies: from +EUR200m to +EUR250m of additional EBITDA over the next three quarters, not present in Q1.
- In **Portugal**, Altice points out that BtoC revenues are returning to growth, and that BtoB is improving (impact of customer losses in Q1/Q2 before the take-over by Altice). Altice announced that a "**further significant improvement is expected over the year**", and a "**substantial improvement in topline performance**".
- In the **US**, Altice confirmed its **investment thesis is intact**, expects "**further uplift**", as shown by the good performance of Suddenlink. Altice acknowledged Cablevision's performance in Q1 was **better than they expected**, especially for the top line. According to Altice, the US is showing a "**cord shaving effect**" rather than a "cord cutting" one.

VALUATION

- We stick to our Altice FV of EUR16.3 with a Buy recommendation, and to our NC-SFR FV of EUR28.4 with a Neutral recommendation.

NEXT CATALYSTS

- Cablevision closing expected before end of Q2.
- Q2 results on 9th August.

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Food retailing

Casino Guichard

Price EUR51.02

Intention to launch a voluntary cash tender offer on Cnova shares (first take)

Fair Value EUR57 (+12%) **BUY**

Bloomberg	CO FP
Reuters	CASP.PA
12-month High / Low (EUR)	79.5 / 35.2
Market Cap (EURm)	5,775
Ev (BG Estimates) (EURm)	10,405
Avg. 6m daily volume (000)	803.0
3y EPS CAGR	6.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.5%	27.5%	-3.4%	20.3%
Food Retailing	-5.9%	4.6%	-9.2%	-2.7%
DJ Stoxx 600	0.6%	10.3%	-11.6%	-8.5%

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	18.3x	22.0x	18.2x	15.3x
FCF yield (%)	NM	5.1%	10.3%	10.9%
Dividends (EUR)	3.12	3.12	3.12	3.12
Div yield (%)	6.1%	6.1%	6.1%	6.1%
EV/Sales	0.3x	0.3x	0.3x	0.2x
EV/EBITDA	5.9x	5.0x	4.8x	4.5x
EV/EBIT	14.2x	8.3x	8.0x	7.5x

Casino has just announced its intention to launch a voluntary cash tender offer on the outstanding shares in Cnova. This operation has the merit of unravelling a financial package whose consistency has never appeared in the eyes of the market. The question, however, is whether or not this could lead to a strong rerating of Cdiscount France.

Casino has just announced its intention to launch a voluntary cash tender offer on the outstanding share of Cnova currently held by public shareholders at an offer price of USD5.5 (i.e. a maximum consideration of USD196). As a reminder, the price of the IPO (end 2014) was USD7 per share. The tender offer price would represent an 82% premium to the last undisturbed share price (USD3.03 as of 27 April 2016) and 62% on the spot share price.

The prospective tender offer is conditional on the proposed transaction between Via Varejo and Cnova being completed. This latter would consist of a possible combination of Cnova Brazil with Via Varejo, the Brick & Mortar non-food business of Casino. In the end, Cnova would exclusively own Cdiscount France. Via Varejo would merge with Cnova Brazil and would no longer be a shareholder of Cnova.

ANALYSIS

- This operation has the merit of unravelling a financial package whose consistency has never appeared in the eyes of the market (transcontinental synergies being far from obvious). This will help simplify the structure, a simplification which is the key priority of Casino along with debt redemption. From this perspective, we see the move as positive for Casino.
- It is worth remembering that Cnova Brazil is currently facing huge difficulties in Brazil, which explained not only by the macro-economic environment but also by company-specific issues (employee misconduct related to inventory management in distribution centres). Of course, these circumstantial difficulties obviously weigh on Cnova perception as a whole and may wipe out the rather good commercial performances at Cdiscount in France.
- Based on the notion that a pure player is probably far more valuable than a patchwork of very different business units, this deal would make sense. The question, however, is whether or not this could lead to a rerating of Cdiscount France given that, from now on, Cdiscount will be embedded in France BU... Moreover, we believe that Cdiscount is buying market share in France (so that it can maximise the flow on its core website and attract people to the market place) which raises the key question of the profitability in a valuation perspective.

VALUATION

- The sacrosanct spot SOTP currently stands at EUR51

NEXT CATALYSTS

- Buyback of minorities in LatAm

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Food retailing

DIA

Price EUR4.83

Q1 2016 (first take): it may be psychological, but still negative LFL in Iberia (-0.3% LFL)

Fair Value EUR6,5 (+35%) **NEUTRAL**

Bloomberg	DIA.SM
Reuters	DIA MC
12-month High / Low (EUR)	7.6 / 4.4
Market Cap (EURm)	3,005
Ev (BG Estimates) (EURm)	4,137
Avg. 6m daily volume (000)	4 113
3y EPS CAGR	8.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.6%	-2.0%	-17.5%	-11.3%
Food Retailing	-3.8%	2.5%	-7.7%	-1.6%
DJ Stoxx 600	1.3%	6.7%	-10.6%	-8.1%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	8,011	8,926	8,876	9,430
% change		*11.4%*	*-0.6%*	*6.2%*
EBITDA	585	610	628	686
EBIT	323.9	274.1	379.0	426.9
% change		*-15.4%*	*38.3%*	*12.7%*
Net income	262.4	254.1	271.3	310.6
% change		*-3.1%*	*6.8%*	*14.5%*

	2014	2015e	2016e	2017e
Operating margin	5.0	4.4	4.8	5.1
Net margin	3.3	2.8	3.1	3.3
ROE	NM	NM	NM	NM
ROCE	32.2	22.5	21.6	22.3
Gearing	141.3	361.8	221.3	143.4

(EUR)	2014	2015e	2016e	2017e
EPS	0.41	0.42	0.45	0.52
% change	-	*3.1%*	*7.2%*	*14.5%*
P/E	11.8x	11.5x	10.7x	9.4x
FCF yield (%)	1.7%	NM	6.8%	9.3%
Dividends (EUR)	0.18	0.19	0.20	0.21
Div yield (%)	3.7%	3.9%	4.1%	4.3%
EV/Sales	0.4x	0.5x	0.5x	0.4x
EV/EBITDA	6.0x	6.8x	6.6x	5.9x
EV/EBIT	10.9x	15.1x	10.9x	9.4x

LFL "ex-calendar" worked out at +7.0% in Q1 2016, , with strong double-digit rates in Emerging Markets (+15.7% / helped by inflation) and a -0.3% decline in Iberia. At -0.3% LFL, it may be psychological, but we are still negative on Iberia

Topline: In Iberia, LFL sales fell 0.3% excluding the calendar effect (~-1% / slightly positive in Portugal and more negative in Spain) and 1.3% including it (vs -1.3%e). This LFL rate excl. calendar is better than in Q4 (vs -0.9%). In emerging markets, given the difficult macro-economic context in LatAm, Dia's performances turned out to be very resilient (+15.6% LFL vs +12.7%e). Note that LFL figures moved from 9% to mid teens due to inflation acceleration in LatAm (especially in Argentina..). Dia is gaining market share both in Argentina and Brazil according to Nielsen.

Bottom line: this quarter, the forex impact was hugely negative (sales down 14.6% in emerging markets on account of a 38% negative forex impact). The margin mix was therefore favourable since the relative weight of emerging markets, far less profitable (2.4% EBITDA margin / up +13bp vs +7bp e) than Iberia (7.5% / down 3bp vs -23bp e), has decreased vs Q1 2015. As a consequence, the group's EBITDA margin was up 22bp (vs +7bp e) to 5.8% despite the margin in Iberia being roughly flat.

Outlook: 1/ in 2016, Dia expects high single-digit growth in gross sales at CC; 2/ management forcasts EBITDA growth (at cc) with a positive contribution from Iberia and Emerging markets; 3/ the consolidated EBITDA margin is expected to be stable in 2016 (vs +20bp in our estimates); 4/ strong FCF is expected.

ANALYSIS

- As a reminder, some observers are persuaded that Dia is unwisely implementing a margin rate policy. This type of strategy resulted in a "margin restatement" for Tesco (i.e. radical price cuts at the expense of the margin rate, in order to restore customer flows).
- As such, it seems easy to think the Spanish group could have the same fate. In our view, the situation at Dia is far different to that at Tesco and we believe the restatement is not the right issue to focus on (see: Anorexic growth... the bigger the better!).
- However, the fact is that others believe this and seem to have convinced the market. Since management has postponed several times the deadline for lfl sales in Spain returning to positive territory, we believe the market has been scalded.
- In our view, only clear proof of this restored lfl growth could help significantly reverse momentum. This is not the case at this stage. Hence our Neutral rating on the stock despite the wide upside potential relative our Fair Value.
- Note that during the quarter, remodelling activites were particularly intense in Iberia (106 upgrades to new Dia formats). This impacted sales growth and could hopefully help strengthen topline momentum in the coming quarters.

VALUATION

- Dia is showing a 9x 2017 P/E vs 16x on average for the panel excl. Tesco

NEXT CATALYSTS

- Positive LFL in Iberia and further evidence that a margin restatement is not on the agenda

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Construction & Building Materials

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Price CHF44.07

Disappointing Q1 figures, below consensus. Reassuring FY guidance.

Fair Value CHF50 (+13%) **BUY**

Bloomberg	LHN VX
Reuters	LHN.VX
12-month High / Low (CHF)	72.3 / 34.1
Market Cap (CHF)	26,746
Ev (BG Estimates) (CHF)	46,388
Avg. 6m daily volume (000)	2,331
3y EPS CAGR	29.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.7%	29.4%	-23.2%	-12.4%
Cons & Mat	0.4%	15.4%	-3.2%	-2.1%
DJ Stoxx 600	0.6%	10.3%	-11.6%	-8.5%

YEnd Dec. (CHFm)	2014	2015e	2016e	2017e
Sales	31,437	29,483	30,090	31,715
% change		*-6.2%*	*2.1%*	*5.4%*
EBITDA	6,438	5,751	6,181	7,096
EBIT	3,765	3,078	3,508	4,423
% change		*-18.3%*	*14.0%*	*26.1%*
Net income	989.2	1,047	1,407	2,167
% change		*5.8%*	*34.5%*	*54.0%*

	2014	2015e	2016e	2017e
Operating margin	12.0	10.4	11.7	13.9
Net margin	5.3	-3.0	4.4	7.3
ROE	2.6	2.9	3.9	5.9
ROCE	3.4	3.5	4.0	5.1
Gearing	41.6	44.6	42.7	37.3

(CHF)	2014	2015e	2016e	2017e
EPS	1.63	1.73	2.32	3.58
% change	-	*5.8%*	*34.5%*	*54.0%*
P/E	27.0x	25.5x	19.0x	12.3x
FCF yield (%)	1.8%	5.1%	7.3%	12.5%
Dividends (EUR)	1.30	1.50	1.75	2.00
Div yield (%)	2.9%	3.4%	4.0%	4.5%
EV/Sales	1.4x	1.6x	1.5x	1.4x
EV/EBITDA	7.0x	8.1x	7.5x	6.3x
EV/EBIT	11.9x	15.1x	13.1x	10.1x

LHN has reported flat Q1 2016 revenues (+0.1% l-f-l) at CHF6,062m (vs CHF6.2bn expected by the consensus) and adjusted EBITDA down 17% l-f-l at CHF824m (vs CHF929m exp.). Guidance is promising, with a "high single digit l-f-l increase" in adjusted EBITDA. Q1 is not representative of the full year trend and we do not expect the probably-negative market reaction to last long today. The conference call at 10.00am should be reassuring. Buy.

LHN has reported a sluggish Q1 performance. EBITDA margin is down 235bps at 13.6% vs 16.3% last year in Q1. The perfomance suffered from lower prices, down y/y, in particular in Nigeria, India and China (CHF-170m) and "challenging conditions in a limited number of markets", in particular Nigeria, Brazil and India (CHF160m negative impact). Forex had a -CHF43m impact on sales.

On the positive side, underlying prices were up 2.1% sequentially, with price increases implemented in two third of LHN markets in Q1. Moreover, synergies generated in Q1 stand at CHF104m, on track to exceed CHF450m in 2016 as previously announced.

Outlook is promising, with a "*high single digit like-for-like increase in adjusted operating EBITDA*". The consensus expects growth between 1% (IBES) and 2% (Inquiry Financial, mean figure), while we are more aggressive with a 7.5% forecast. Forex have to be taken into account, though.

Q1 2016 performance against expectations

CHFm	BG est.	Consensus	Reported	y/y l-f-l (%)	% vs cons
Revenues	6362	6209	6062	0.1	-2.4
EBITDA (adjusted)	1013	929	824	-17.0	-11.3

Organic performance by zone in Q1 2016 vs 2015 performance

l-f-l y/y change (%)	SALES			Adj. EBITDA		
	FY 15	Q4 15	Q1 16	FY 15	Q4 15	Q1 16
Europe (20% 2015PF	-2.4	-1.2	-3.5	-8.7	-11.7	-28.0
North America (19%)	5.4	3.1	10.1	12.0	11.6	100.6
Latin America (14%)	2.8	1.3	-1.7	0.1	-7.0	-9.2
Africa Middle-East (22%)	1.9	3.7	-4.4	-4.6	-12.9	-25.6
Asia-Pacific (25%)	-1.7	2.6	0.9	-8.6	-6.5	-15.5
Total	**0.1**	**1.7**	**0.1**	**-4.6**	**-8.4**	**-17.0**

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

ANALYSIS

- The Q1 2016 performance was clearly poor, penalised by EM (including in Europe with Russia). Difficult markets, prices y/y decline, forex and comparable figures explained the counter-performance.
- On the positive side however: **1**) volumes rose y/y (1.4% for cement), with a strong increase in the US (+19%) decent in Asia (+6.6%) although down in LatAM (-11%); **2**) prices increases were implemented in Q1, including in India and will positively impact the rest of the year; **3**) energy costs were down 9% in Q1, which suggest the price vs cost delta will gradually improve; **4**) some key markets are doing well (Indonesia, Philipines, US) **5**) Guidance is maintained (2% to 4% market demand, synergies in 2016, as well as 2018 targets). No change in the CHF3.5bn divestment programme though, with still one third of it secured (CHF13bn of 2016 debt guidance includes it).
- We do not expect a probably-negative market reaction to last long today, as guidance is reassuring. That should be emphasized during the conf. call. Besides, Q1 is a modest quarter (Q115 EBITDA equals to 18% of FY15 fig.) and usually doesn't reflect the rest of the year trends.

VALUATION

- CHF50 derived from the application of historical ratios to our 2017 estimates, discounted back.

NEXT CATALYSTS

- Conference call today at 10.00AM. Q2 2016 to be released on 05th August 2016.

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Food retailing

Metro AG

Price EUR28.27

Quid of the ex-post credit situation in separatly listed entities?

Fair Value EUR26 (-8%) **SELL vs. NEUTRAL**

Bloomberg	MEO GY
Reuters	MEOG.DE
12-month High / Low (EUR)	32.2 / 21.9
Market Cap (EUR)	9,161
Ev (BG Estimates) (EUR)	12,039
Avg. 6m daily volume (000)	1,290
3y EPS CAGR	12.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.3%	22.6%	0.4%	-4.4%
Food Retailing	-5.9%	4.6%	-9.2%	-2.7%
DJ Stoxx 600	0.6%	10.3%	-11.6%	-8.5%

YEnd Sept. (EURm)	09/15	09/16e	09/17e	09/18e
Sales	59,220	58,320	59,835	61,396
% change		*-1.5%*	*2.6%*	*2.6%*
EBITDA	2,457	2,460	2,544	2,631
EBIT	711.0	1,497	1,557	1,618
% change		*110.6%*	*4.0%*	*3.9%*
Net income	502.3	597.5	652.5	711.0
% change		*18.9%*	*9.2%*	*9.0%*

	09/15	09/16e	09/17e	09/18e
Operating margin	2.6	2.6	2.6	2.6
Net margin	0.8	1.0	1.1	1.2
ROE	NM	NM	NM	NM
ROCE	10.5	10.2	9.8	9.6
Gearing	48.9	44.4	45.9	46.4

(EUR)	09/15	09/16e	09/17e	09/18e
EPS	1.54	1.83	2.00	2.18
% change	-	*18.9%*	*9.2%*	*9.0%*
P/E	18.4x	15.5x	14.2x	13.0x
FCF yield (%)	NM	NM	NM	NM
Dividends (EUR)	1.00	0.98	1.02	1.05
Div yield (%)	3.5%	3.5%	3.6%	3.7%
EV/Sales	0.2x	0.2x	0.2x	0.2x
EV/EBITDA	4.9x	4.9x	4.8x	4.8x
EV/EBIT	17.0x	8.0x	7.9x	7.8x

To the question of whether we can rule out a rights issue in order to address the capital structure problem ahead of the spin-off, management refused to answer. Some answers or non-answers can tell us a lot and, in this case, create an uncomfortable zone of uncertainty. On top of that, following the recent strong share performance, we now have 7% downside risk on our FV (EUR26). Downgrade to Sell vs. Neutral.

The Metro share has been underpinned since the beginning of April by the buzz surrounding the announcement of a spin-off by mid-2017. Hence, we upgraded our recommendation at this moment while stressing that: 1/ the spin-off makes sense from a strategic point of view; 2/ separate listings would help gain operational flexibility, 3/ a pure player is far more valuable than a patchwork of different BUs. But we also layed a clear emphasis on fundamental issues that remain harsh facts in our view:

1/ The favorable tax lever (shifting of costs out of Germany, in a bid to boost the domestic operating result at Metro C&C and thus activate the loss carry forward) should not eclipse soft commercial trends. In 2015, Metro beat the consensus thanks to property development revenues (~EUR150m) that are incorporated in EBITDA. In the end, it is not so much Metro's commercial potential that seems to be acclaimed but rather the tax engineering potential.

2/ So far, in view of EBIT margin at around 10% (!), Russia accounts for ~25%e of EBIT whereas its share of sales stands at less than 10%. In a restricted consumer spending environment, and with the market stigmatising and harshly punishing margin rate policies in "oligopolistic areas", a margin rate of this level leaves us somewhat perplexed. Moreover, we are concerned by the situation of Media Saturn outside Russia given that it is in the front row concerning the ramp-up of e-commerce.

On top of this, raising concerns regarding the post spin-off credit situation of both separately listed entities seem to be clearer. Our first-take estimates point to an adjusted Net/EBITDAR of ~3.5x and ~3.0x respectively on MMS (which, we believe, has very little debt) and the Food Business (most of the group's NFD). The precedent of Casino (which has proved that beyond the ratio, a diversified profile is key to maintain a rating) leads us to believe that the situation at MMS (undiversifed cyclical profile and in the front row concerning the ramp-up of e-commerce) is stretched.

On the whole, the LFL (+0.6% in Q2) performances (certainly below the normative natural cost inflation) remain soft and prevent us from talking about a commercial recovery. And at this stage, we continue to think that hype surrounding the spin-off (details on which would have been very much appreciated especially regarding the ex-post credit situation of both seperatly listed entities) has underpinned the share price rather than a commercial recovery whose strength remains unproven.

ANALYSIS & CONLUSION

- Management refused to answer the question of whether we can rule out a rights issue in order to address the capital structure problem. This creates an uncomfortable zone of uncertainty for investors ahead of the spin-off.
- As such, in view of the positive buzz surrounding the spin-off, we believe that the market will start to look at the capital structure more in depth. The cat could truly be let out of the bag sooner rather than later.
- In the end, we have more questions than answers. This situation of uncertainty prompts us to focus on growth fundamentals (SECTOR REPORT – Anorexic growth... the bigger the better!) which are soft (LFL below normative natural cost inflation)! Hence we downgrade our rating to Sell.

VALUATION

- 2017 P/E of 14x vs 16x on average for the secor excl. Tesco

NEXT CATALYSTS

- Q3 15/16 (2nd August). Spin-off by mid-2017

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Utilities

RWE

Price EUR11.45

Better than expected Q1 metrics thanks to Energy Trading gains

Fair Value EUR9,5 (-17%) **NEUTRAL**

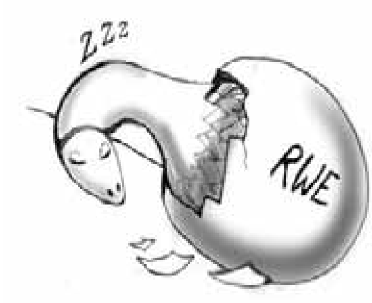
Bloomberg	RWE GR
Reuters	RWEG.DE
12-month High / Low (EUR)	22.7 / 9.2
Market Cap (EURm)	6,917
Ev (BG Estimates) (EURm)	44,484
Avg. 6m daily volume (000)	5 320
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.6%	6.4%	-8.1%	-2.3%
Utilities	0.2%	7.6%	-6.6%	-5.6%
DJ Stoxx 600	0.6%	10.3%	-11.6%	-8.5%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	48,599	48,259	48,337	48,416
% change		*-0.7%*	*0.2%*	*0.2%*
EBITDA	7,017	5,401	5,565	5,280
EBIT	3,837	2,942	3,117	2,866
% change		*-23.3%*	*5.9%*	*-8.1%*
Net income	-170.0	450.1	552.3	395.1
% change		*NS*	*22.7%*	*-28.5%*

	2015	2016e	2017e	2018e
Operating margin	7.9	6.1	6.4	5.9
Net margin	-0.3	0.9	1.1	0.8
ROE	-19.0	7.9	9.5	8.1
ROCE	6.4	4.9	5.2	5.0
Gearing	186.2	201.8	206.8	215.5

(EUR)	2015	2016e	2017e	2018e
EPS	-0.28	0.73	0.90	0.64
% change	-	*NS*	*22.7%*	*-28.5%*
P/E	NS	15.6x	12.7x	17.8x
FCF yield (%)	NM	NM	13.1%	14.3%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	0.9x	0.9x	0.9x	0.9x
EV/EBITDA	6.2x	8.2x	8.0x	8.4x
EV/EBIT	11.3x	15.1x	14.3x	15.5x



RWE has posted higher than expected Q1 metrics thanks notably to Energy Trading gains. EBIT was up 7% to EUR1.7bn, >20% above market expectations, although excluding this positive non recurring item, EBIT was down 5% and only 4% ahead of consensus. Like other European integrated utilities, RWE suffered from a low power prices environment. 2016 targets were confirmed and still imply a >20% drop in the group's EBITDA this year compared with only 12% targeted by E.ON. Besides this, E.ON still aims to distribute a dividend, contrary to RWE. We confirm our Neutral rating.

ANALYSIS

- **Main Q1 metrics**: Q1 EBITDA rose **5%** compared with last year to **EUR2.3bn, 13%** ahead of the consensus, while the group's operating profit was up **7% to EUR1.7bn**, **>20%** above market expectations, thanks notably to energy trading, which made an unusually high earnings contribution. As expected conventional power generation business operating profit dropped considerably, falling by **20% to EUR354m** and was the main negative contributor to the group's margin. The renewables division posted a flat EBIT performance notably due to lower realised generation spreads of market exposed assets. This division still represents a small portion of the group's EBIT (**9%**) despite being identified as high growth potential markets by most sector players. Adjusted net income came out at **EUR900m**, ahead of the consensus, while net debt increased by **EUR2.8bn** to **EUR27.9bn** due to negative cash flows from operating activities and to higher pension provisions on the back of lower discount rates.

- **What to retain from this publication? 1/** Excluding this positive unexpected effect on the energy trading business, the group's operating result was down **5% YoY and not up 7%,** in the same magnitude of what E.ON posted yesterday. **2/** The group's 2016 targets were confirmed: with an EBITDA target of **EUR5.2-5.5bn** *(-24% at middle range*); operating result target of **EUR2.8-3.1bn** *(-23% at middle range*) and adjusted net income target of **EUR500-700m** (-46%). No adjustements were made to group's guidance as for dividend (*no dividend except for preferred shares*). **3/**As for German nuclear decommissioning, RWE's CFO indicated additional nuclear premium asked by Nuclear commission could cost up to **EUR1.7bn** to RWE (*in line with our first estimates of EUR3/RWE share) assuming operators need to be responsible of up to EUR23bn as for German nuclear storage cost.*

- **Conclusion**: As expected, underlying operating performance was poor during the first quarter, mainly due to the low power price environment in Europe. Interestingly, RWE unveiled as for 2017 more than **90%** of its power generation outputs is hedged at price below **EUR35/MWh** while as for 2018 only **70%** is hedged as price below **EUR30/MWh**. This needs to be compared with respectively **100%** at **EUR33/MWh and 80% at EUR25-29/MWh for E.ON** in Central Europe. Both groups seems to be exposed in a similar way, yet RWE has still lower exposure to Renewables and still higher exposure to Europe than E.ON. We continue to favour E.ON over RWE. **Neutral rating with FV at EUR9.5/share confirmed.**

VALUATION

- At the current share price, the stock is trading at 8.2x its 2016e EBITDA and offers no yield
- Neutral, FV @ EUR9.5

NEXT CATALYSTS

- 11th August 2016: H1 2016 earnings

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Luxury & Consumer Goods

Tod's Group

Price EUR61.00

Q1 below expectations with 12% same store sales decline. Lack of visibility on ST.

Fair Value EUR60 vs. EUR78 (-2%) **SELL vs. NEUTRAL**

Bloomberg	TOD IM
Reuters	TOD.MI
12-month High / Low (EUR)	94.8 / 59.1
Market Cap (EURm)	2,019
Ev (BG Estimates) (EURm)	2,031
Avg. 6m daily volume (000)	116.2
3y EPS CAGR	6.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.2%	-6.9%	-23.0%	-16.5%
Pers & H/H Gds	1.5%	9.7%	-5.4%	-0.7%
DJ Stoxx 600	0.6%	10.3%	-11.6%	-8.5%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	1,037	1,057	1,112	1,165
% change		*1.9%*	*5.2%*	*4.8%*
EBITDA	203	204	222	237
EBIT	148.7	148.0	165.0	180.0
% change		*-0.5%*	*11.5%*	*9.1%*
Net income	92.8	95.0	112.0	121.0
% change		*2.4%*	*17.9%*	*8.0%*

	2015	2016e	2017e	2018e
Operating margin	14.3	14.0	14.8	15.5
Net margin	8.9	9.0	10.1	10.4
ROE	13.6	13.5	15.2	16.3
ROCE	17.9	17.7	19.9	21.3
Gearing	-15.2	1.7	-2.3	-6.7

(EUR)	2015	2016e	2017e	2018e
EPS	3.03	2.88	3.39	3.67
% change	-	*-5.0%*	*17.9%*	*8.0%*
P/E	20.1x	21.2x	18.0x	16.6x
FCF yield (%)	2.5%	4.8%	5.2%	5.7%
Dividends (EUR)	2.00	2.20	2.30	3.30
Div yield (%)	3.3%	3.6%	3.8%	5.4%
EV/Sales	1.8x	1.9x	1.8x	1.7x
EV/EBITDA	9.3x	10.0x	9.0x	8.3x
EV/EBIT	12.7x	13.7x	12.1x	10.9x

Q1 sales stood at EUR250m vs consensus at EUR257m, down 3.1%. Organically, sales declined 4% (consensus:-1.5%), following +5.9% in Q4 2015. The Q1 figures highlighted a very poor performance in the Americas and in Greater China. More importantly, same store sales were down 12% in Q1. Consequently, we have lowered our 2016 EBIT by 10% and adjusted our FV from EUR78 to EUR60. Given low visibility for coming quarters, some questions on strategy and a disappointing Q1, we adopt an even more cautious view on the stock with a SELL recommendation versus NEUTRAL previously.

ANALYSIS

- **The Italian Group has reported very poor Q1 sales of EUR250m (consensus: EUR257m), down 3.1% and 4% organically**. This implies a clear slowdown versus Q4 2015 and the FY 2015 performance (respectively +5.9% and +1.8%). Q1 retail sales (63% of sales) fell 1.4% with a 12.4% same-store sales decline (-6% in 2015). Sales momentum slowed in March compared with January and February. The group opened four DOS in Q1 to reach 260 stores (+18 stores vs end of March 2015). Wholesale sales fell 7% in Q1, mainly due to a different timing of deliveries that occurred in Q4 2015 (impact of EUR10m).

- By geographical area, note the disappointment in the **Americas** (10% of sales,) where revenues declined 8.7% despite an undemanding comparison basis. Americas is an increasingly volatile market with particularly poor activity in Department Stores (DOS sales were stable). **Europe** excluding Italy (24% of sales) also suffered with stable sales in Q1, affected by negative momentum both in France and in the UK. Revenues in **Italy** were down 3%. The situation in **Greater China** (22% of sales) remained under pressure with a 12% decline (-5.9% in Q4 and -12% on FY 2015), strongly affected by Hong Kong and Macau. Sales in mainland China were almost stable in Q1, showing some slight improvements.

Organic sales growth by geographical area

same forex (%)	Q3 15	9m 15	Q4 15	2015	Q1 16
Italy	0.3	1.9	11.0	3.7	-3.0
Europe	5.8	8.8	11.4	9.4	0.3
Americas	-3.7	3.0	10.9	5.3	-8.7
Greater China	-17.2	-14.0	-5.9	-12.0	-12.0
RoW	5.3	7.2	3.6	6.3	1.2
Total	**-2.2**	**0.5**	**5.9**	**1.8**	**-4.0**

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

- Again in Q1, despite the 2.8% sales decline, the **Footwear** business (78% of group sales), partly driven by **Roger Vivier** sales (+6.2%), outperformed the **Leather Goods** division (15% of sales) where sales fell 12.4%. Roger Vivier delivered the best performance among the group's brands while the **Tod's** and **Hogan** brands were quite soft, dropping 8.3% and 1.7% respectively.

- Following the Q1 sales disappointment and also a lack of visibility, we have lowered our 2016 sales by 3% (we currently expect 1% organic sales growth vs +4% previously). Given negative product and distribution mixes, our downward revision is even stronger in terms of EBIT (-10%). 2016 EBIT margin is set to narrow by 30bp to 14% (+70bp expected previously).

VALUATION

- **Tod's share price has lost 10% over the last three months**, the worst performance among our luxury sample. Taking in account our new 2016-17 EBIT assumptions,we adjust our Fair Value from EUR78 to EUR60. Consequently, we have downgraded our recommendation from Neutral to Sell. Actually, beyond our results and FV adjustement, visibility on the short term is increasingly poor with some questions on strategy. The stock is trading on an 18% premium vs the peer average!

NEXT CATALYSTS

- H1 sales to be reported on 21st July.

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Healthcare

Ablynx

Price EUR13.90

Bloomberg	ABLX BB
Reuters	ABLX.BR
12-month High / Low (EUR)	16.1 / 9.8
Market Cap (EURm)	769
Avg. 6m daily volume (000)	171.2

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.0%	33.7%	9.0%	-12.6%
Healthcare	-0.7%	7.4%	-11.4%	-11.0%
DJ Stoxx 600	0.6%	10.3%	-11.6%	-8.5%

	2015	2016e	2017e	2018e
P/E	NS	NS	NS	NS
Div yield (%)	NM	NM	NM	NM

Final stretch

Fair Value EUR18 (+29%) **BUY-Top Picks**

ANALYSIS

- Ablynx has reported Q1 results with revenues standing at EUR27.4m for the quarter, primarily driven by R&D income (EUR27.2m). As a result of a maturing pipeline, R&D expenses rose 49% from EUR16.7m to EUR24.9m while G&A expanded by EUR0.7m to EUR3.2m. Positive financial results of EUR17.2 (compared with EUR1.1m in Q1 2015) reflects the boost provided by fair value changes from amortisation of the convertible bond (non-cash income). Net profit works out to EUR16.8m. Ablynx has EUR233.7m in cash and cash equivalents at the end of the quarter.
- The company is on–track to report phase IIb results for both the MTX combo and monotherapy trial in Q3. Note that Ablynx would be eligible for a USD76m milestone should AbbVie decide to in-license the product based on these results (decision before year-end). Considering 1/ strong phase IIa results and 2/ the replicability of results from one phase to another, we remain positive on the outcome of the trial. The company did not disclosed the roll-over rate in the open-label extension trial, we would expect the latter to be at around 90% with regards to previous communications from companies in our coverage for the same indications at the same stage.
- ALX-0171 in RSV phase IIb trial is expected to be initiated in H2 with an indicative cost in the EUR10-15m range. Initiating the trial shortly should enable Ablynx to benefit from the effect of the European RSV season which begins in around November to ease recruitment of the >150 infants expected to be enrolled. In phase Ib/IIa trial, onset of action and impact on viral replication was seen (plaque assay). Note however that the small sample size did not allow for accurate efficacy measures notably when measured with qRT-PCR, which measures all viral RNA (infectious and non-infectious, one viral load can influence results).
- Turning to the company's late stage asset, Caplacizumab, phase III recruitment is well on track in a-TTP patients and the company reiterates its ambition to file for conditional approval in Europe in H1 2017.

VALUATION

- FY cash burn guidance reiterated (EUR65-75m range).
- We reiterate our BUY rating and EUR18 fair value ahead of transforming clinical newsflow.

NEXT CATALYSTS

- Q3: ALX-0061 phase IIb results
- 25th August: HY results

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Luxury & Consumer Goods

adidas Group

Price EUR113.30

Bloomberg	ADS GY
Reuters	ADSG.F
12-month High / Low (EUR)	114.3 / 63.7
Market Cap (EUR)	23,704
Avg. 6m daily volume (000)	1 019

	1 M	3 M	6 M	31/12/15
Absolute perf.	10.7%	27.2%	26.2%	26.0%
Consumer Gds	1.8%	8.5%	-6.5%	-4.3%
DJ Stoxx 600	0.6%	10.3%	-11.6%	-8.5%

	2015	2016e	2017e	2018e
P/E	34.1x	27.3x	22.6x	19.8x
Div yield (%)	1.4%	1.6%	1.9%	2.1%

adidas Group upgrades FY16 earnings guidance thanks to a one-off gain

Fair Value EUR124 (+9%) **BUY**

ANALYSIS

- Yesterday, adidas Group announced the early termination by mutual consent of its existing partnership agreement with Chelsea Football Club (started in 2006), which will now end on 3àth June 2017 instead of 30th June 30 2023 initially. As a result, the German group will receive a compensation payment in the mid-double-digit million euro range (BG ests: ~EUR50m), which will positively impact the group's P&L in Q2 2016.
- This one-off gain has enabled the group to make another upgrade to its two FY16 earnings targets: **(i)** operating margin is now expected to increase to a level of "around 7%" vs. 6-6-7% initially and **(ii)** net income from continuing operations should increase by ~25% to approx. EUR900m. Consequently, we have nudged up our FY16 operating profit by 4%, implying an op margin of 7.1% whilst the adj. op margin remains unchanged at 6.8%. On our new estimates, net income from continuing operations should increase by 25% to EUR898m.
- This announcement comes after rumours of negotiations between adidas and the German football federation (DFB) to extend their longstanding partnership (since 1954!) until 2022, worth EUR75m per year according to industry experts, significantly higher than the existing partnership (EUR25m per year since 2007) and topping the highest-valued national team supplier contract (France and Nike: EUR42.5m per year). As a comparison, adidas pays ~EUR100m/year to endorse Manchester United whilst Bayern Munich receives ~EUR60m/year until 2020 (EUR90m over 2020-30). Consequently some trade-offs are made in order to avoid any significant inflation in sports marketing investments, which should remain around 50% of adidas' total marketing investments.

VALUATION

- We leave our FV of EUR124 and our Buy recommendation unchanged.

NEXT CATALYSTS

- adidas Group will release H1 2016 results on 4th August.

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Insurance

Aegon

Price EUR4.83

Bloomberg	AGN NA
Reuters	AEGN.AS
12-month High / Low (EUR)	7.3 / 4.1
Market Cap (EUR)	10,364
Avg. 6m daily volume (000)	9,443

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.6%	18.5%	-15.8%	-7.7%
Insurance	-0.8%	9.3%	-17.0%	-16.2%
DJ Stoxx 600	0.6%	10.3%	-11.6%	-8.5%

	2015	2016e	2017e	2018e
P/E	6.6x	6.6x	6.3x	
Div yield (%)	5.2%	5.6%	6.3%	

Q1 numbers impacted by lower equity markets and higher volatility

Fair Value EUR6 (+24%) **NEUTRAL**

ANALYSIS

- Q1 2016 net income stood at EUR143m, down 50% yoy, below consensus (EUR335m), mainly driven by fair value items (loss from alternative investments and hedging programs in the US and NL), lower capital gains and higher impairment charges (energy related).
- Q1 operating profit stood at EUR462m, up 7% yoy, below consensus (EUR486m). Operating profit in the US fell 5% in dollar terms (down 2% reported), driven by lower fee income (lower average equity markets). The contribution from Europe rose 20%, driven by CEE (normalization of surrenders in Poland) and the UK (lower DAC amortisation).
- New life insurance sales fell 11% to EUR266m, driven by lower sales in Asia and Poland.
- NBV stood at EUR133m, down 5% yoy, due to lower life sales and interest rates.
- Solvency II margin at end-March stood at 155% vs. 160% at end-2015.
- -> Transformation of the company towards higher-fee business is still underway, but clearly this is taking time. Short-term catalysts remain unclear.

VALUATION

- Based on our current estimates, our SOTP valuation is EUR6.

NEXT CATALYSTS

- AGM on 20th May. Q2 2016 numbers on 11th August.

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Healthcare

ERYTech

Price EUR23.74

Bloomberg	ERYP FP
Reuters	ERYP.PA
12-month High / Low (EUR)	40.0 / 18.2
Market Cap (EUR)	188
Avg. 6m daily volume (000)	29.50

	1 M	3 M	6 M	31/12/15
Absolute perf.	-11.4%	30.5%	-16.6%	-7.3%
Healthcare	-0.7%	7.4%	-11.4%	-11.0%
DJ Stoxx 600	0.6%	10.3%	-11.6%	-8.5%

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

Don't overestimate the "clock stop"

Fair Value EUR48 (+102%) **BUY**

ANALYSIS

- Yesterday, the company announced that the review of GRASPA ALL by the CHMP had been delayed by three months as management wanted more time to answer the different questions asked by commission. Obviously, questions were raised regarding the nature of these interrogations… and **we understand the scientific experts would like more details and clarification** (so we believe they were mostly looking at the mechanism of action of GRASPA, given its innovative nature).
- A look at the recent past: A 2013 report from Rashmi Shah et al compared the approvals of tyrosine kinase inhibitors (e.g. imatinib, sorafenib, etc.) and noted that **1/ approval times in the EU were on average twice as long as in the US (410 vs 205 days); and 2/ most of this delay was due to "clock stops"** (as seen with ERY) arising from requests for clarification. In other words, this type of postponement is quite common.
- To give an example, we would say that **Baxalta's Oncaspar (the PEGylated form of asparaginase) also got a "clock stop" back in 2015**.

VALUATION

- **BUY reiterated with a FV of EUR48** all the more so, at current levels, the street implicitly values a fairly broad pipeline at EUR150m (as net cash stood at EUR40m at the end of March 16)… which looks a bit unfair when you compare it to the USD900m Baxalta paid to acquire Oncaspar).

NEXT CATALYSTS

- H2 2016: Feedback from the CHMP (Committee for Medicinal Products for Human Use) regarding the approvability of GRASPA in ALL (acute lymphoblastic leukaemia).
- H2 2016: Top-line results from the Phase II of ERY-ASP as a treatment for 2L pancreatic cancer.

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Construction & Building Materials

Saint Gobain

Price EUR38.50

Bloomberg	SGO FP
Reuters	SGOB.PA
12-month High / Low (EUR)	44.5 / 32.1
Market Cap (EUR)	21,596
Avg. 6m daily volume (000)	1,916

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.3%	20.0%	-2.8%	-3.4%
Cons & Mat	0.4%	15.4%	-3.2%	-2.1%
DJ Stoxx 600	0.6%	10.3%	-11.6%	-8.5%

	2015	2016e	2017e	2018e
P/E	18.7x	18.0x	14.1x	11.7x
Div yield (%)	3.2%	3.4%	3.4%	3.4%

SIG trading statement: poor performance in France at end-April

Fair Value EUR46 (+19%) **BUY**

ANALYSIS

- In its trading statement this morning, SIG reports a 3.1% y/y decline for sales in France, for the period January to April. SIG says the "*trajectory of the recovery in this construction market continues to be uncertain*", although it states that leading indicators are positive in France.
- SIG Plc is exposed to the French building materials distribution, through subsidiaries like Larivière, Litt or Ouest isol. It is a decent peer to Saint-Gobain distribution, although SIG market share is modest at presumably less than 5% compared to 25-30% for the French Group.

Sales y/y change (l-f-l)	2014	H1 15	Jan. to April 2015	Q3 15	Q415	Jan. to April 2016
Mainland Europe	-1.0	-1.5	-3.0	-2.3	1.8	-1.0
o/w France	-2.1	-3.4	-5.3	-6.6	2.5	-3.1

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

- This is not a positive read-across for Saint-Gobain. 75% of SGO revenues in France come from distribution and generated EUR7.4bn last year, i.e. 19% of consolidated sales (cEUR40bn). Hence, 13% of SGO sales are exposed to the French renovation segment and 6% to the new residential one. Note that SGO's distribution business (c40% generated in France) was up 1.4% l-f-l in Q1, while France as a whole was flat.

VALUATION

- EUR46 derived from the application of historical EV/EBIT of 10x to our 2018 estimates, then discounted back.

NEXT CATALYSTS

- AGM on 2nd June. Interim results on 28th July.

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Insurance

Zurich Insurance Group

Price CHF216.30

Waiting for Mario Greco's action plan

Fair Value CHF270 (+25%) **NEUTRAL**

Bloomberg	ZURN VX
Reuters	ZURN.VX
12-month High / Low (CHF)	308.4 / 196.0
Market Cap (CHF)	32,550
Avg. 6m daily volume (000)	726.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	7.9%	8.2%	-19.0%	-16.3%
Insurance	-0.8%	9.3%	-17.0%	-16.2%
DJ Stoxx 600	0.6%	10.3%	-11.6%	-8.5%

	2015	2016e	2017e	2018e
P/E	16.9x	9.3x	8.8x	
Div yield (%)	7.6%	7.6%	7.6%	

ANALYSIS

- Q1 2016 net income came in at USD875m, down 28% yoy, driven by operating performance and higher taxes. Operating profit of USD1.1bn was down 16% yoy, mainly driven by P&C.
- In P&C, the reported combined ratio stood at 97.7% vs. 96.7% in Q1 2015. Excluding catastrophes (1.1 point vs. 1.4 point) and run-offs (1.5 point, flat), the underlying combined ratio reached 98.1% vs. 96.8% in Q1 2015. Operating profit in P&C of USD542m was down 23%, but much better than the USD0.3bn loss in H2 2015.
- In Life, operating profit was flat at USD317m, with strong performances in Latam (Zurich Santander). The NBV margin stood at 27.0% vs. 19.2% in Q1 2015.
- At Farmers, operating profit was down 12% to USD343m, driven by reinsurance (8.9 points of catastrophes vs. 1.2 point in Q1 2015). Operating profit from the management services of the Exchanges (the operating company which Zurich manages but does not own) rose 5%. GWP reported by the Exchanges was up 3.6%.
- Solvency (internal model Z-ECM) was 110% at end-March (in line with 100-120% guidance) vs. 121% at end-2015.
- Solvency and cash remittance targets are ok, but profitability remains an issue. Waiting for Mario Greco's action plan.

VALUATION

- Based on our current estimates, our SOTP valuation is CHF270.

NEXT CATALYSTS

- Q2 2016 numbers on 11th 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 34.3% SELL ratings 7.9%

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