Please find our Research on Bloomberg BRYG <GO>)

13th May 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17720.5	+0.05%	+1.70%
S&P 500	2064.11	-0.02%	+0.99%
Nasdaq	4737.33	-0.49%	-5.39%
Nikkei	16412.21	-1.41%	-12.54%
Stoxx 600	333.114	-0.49%	-8.94%
CAC 40	4293.27	-0.54%	-7.41%
Oil /Gold			
Crude WTI	46.46	+0.78%	+24.89%
Gold (once)	1267.68	-0.55%	+19.32%
Currencies/Rates			
EUR/USD	1.1404	-0.25%	+4.98%
EUR/CHF	1.1029	-0.64%	+1.43%
German 10 years	0.156	+23.94%	-75.49%
French 10 years	0.514	+9.67%	-47.65%
Euribor	-	+-%	+-%

Economic releases :

Date	
13th-May	DE - GDP 1Q (1.6%A , 1.5%E) EUZ - GDP 1Q(1.6%E) US - Retail sale Apr. (0.8%E) US - Business inventories US - U. of Michigan Conf. (89.5E) US- Baker Hughes U.S. Rig Count May

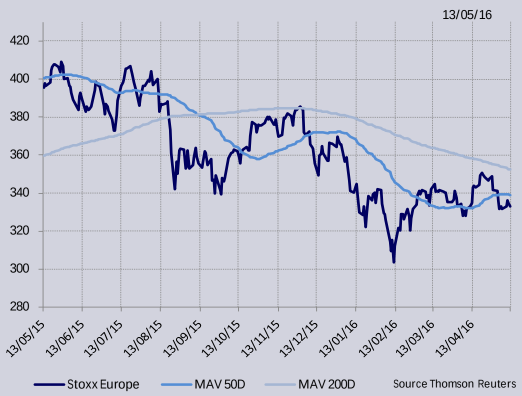
Upcoming BG events :

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



BUREAU VERITAS — NEUTRAL, Fair Value EUR22 (+9%)

Feedback Q1 revenue conf call: challenging and lower than anticipated, management confident in H2 rebound

DIA — BUY vs. NEUTRAL, Fair Value EUR6,5 (+28%)

A far less elusive speech and a more offensive statement!

LAFARGEHOLCIM — BUY, Fair Value CHF50 (+15%)

Buying the stock ahead of the expected improvement

ROYAL UNIBREW — BUY Coverage initiated, Fair Value DKK325 (+12%)

Camp Blue Lake (full report published today)

SALVATORE FERRAGAMO — BUY, Fair Value EUR25 vs. EUR25.8 (+27%)

As expected subdued Q1 sales growth but strong margin improvement!

UBISOFT — BUY, Fair Value EUR34 (+22%)

The call of duty to face the hungry shark

VIDEO GAMES

US packaged video game sales in April

TELECOM SERVICES

Bouygues Telecom Q1 results encouraging, but still some way to go

In brief...

SANOFI, *Medivation: Sanofi starts the clock*

SOITEC, *Launch of second capital increase for around EUR75m at EUR0.32 per share for existing holders*

CONSTRUCTION-INFRASTRUCTURES, *Decent Bouygues Construction figures in Q1*

TELECOM SERVICES, *Following Bouygues and SFR, Orange raises internet prices*

Business Services 13th May 2016

Bureau Veritas

Price EUR20.22

Feedback Q1 revenue conf call: challenging and lower than anticipated, management confident in H2 rebound

Fair Value EUR22 (+9%) **NEUTRAL**

Bloomberg	BVI FP
Reuters	BVI.PA
12-month High / Low (EUR)	21.8 / 16.1
Market Cap (EURm)	8,937
Ev (BG Estimates) (EURm)	10,804
Avg. 6m daily volume (000)	789.7
3y EPS CAGR	6.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.5%	22.5%	5.0%	10.0%
Inds Gds & Svs	1.0%	12.9%	-3.2%	-2.0%
DJ Stoxx 600	-0.5%	6.6%	-10.6%	-8.9%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	4,172	4,635	4,726	4,900
% change		*11.1%*	*2.0%*	*3.7%*
EBITDA	778	782	910	956
EBIT	694.0	775.2	787.0	825.0
% change		*11.7%*	*1.5%*	*4.8%*
Net income	391.3	420.3	447.8	472.3
% change		*7.4%*	*6.5%*	*5.5%*

	2014	2015e	2016e	2017e
Operating margin	16.6	16.7	16.7	16.8
Net margin	9.4	9.1	9.5	9.6
ROE	35.3	38.4	36.4	32.7
ROCE	13.0	15.2	15.2	15.3
Gearing	164.7	166.0	141.8	113.7

(EUR)	2014	2015e	2016e	2017e
EPS	0.90	0.96	1.02	1.08
% change	-	*6.7%*	*6.6%*	*5.5%*
P/E	22.5x	21.1x	19.8x	18.7x
FCF yield (%)	5.1%	6.0%	6.2%	6.5%
Dividends (EUR)	0.48	0.51	0.54	0.57
Div yield (%)	2.4%	2.5%	2.7%	2.8%
EV/Sales	2.6x	2.3x	2.3x	2.2x
EV/EBITDA	13.9x	13.8x	11.8x	11.1x
EV/EBIT	15.6x	13.9x	13.6x	12.9x

The first part of the year was a bit more challenging than anticipated with Q1 lfl revenue down 0.6% (vs.0.3% anticipated) and no improvement expected in Q2. Nevertheless, for FY 2016 management confirmed its guidance for lfl revenue growth of 1-3% (our estimate is 1.6%) benefiting from better comps and the ramp-up in new contracts (not yet disclosed). The adjusted EBITA margin target was also confirmed at between 16.5% and 17% compared with 16.7% in 2015. Strong rerating since the beginning of the year (relative performance of 20% vs. Stoxx600) that could be at risk if there is trouble in H2 rebound anticipated. Neutral opinion confirmed.

ANALYSIS

- **Lower than anticipated lfl revenue growth:** Comps were not easy and a negative figure was anticipated in Q1 2016 especially on a lfl basis. All numbers were lower than expected with total revenue of EUR1,059m (EUR1,095m anticipated), down 4.2% on a reported basis with lfl revenue growth of -0.6% (-0.3%) and a negative currency impact of 4.4% (-1.8%). By segment, while the continuing slowdown in **Oil & Gas** and **upstream minerals** was not a surprise, the **Marine** performance was really disappointing, impacted by the offshore segment which was down double digit and a slowdown in new construction activities as in **GSIT**, definitely impossible to anticipate. On the other hand, more positive figures came from **Consumer products,** which was a good surprise despite the impact of the two key accounts which held back the growth of the Hardlines and E&E/Mobile segment. Construction was in line with expectations.

Lfl revenue trend

	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16 est.	Q1 16
Marine	13,7%	9,9%	8,6%	9,4%	7,0%	1,2%
Industry	4,6%	2,6%	-4,6%	-7,6%	-8,0%	-8,1%
In-Service Inspection & Verification (IVS)	1,1%	2,5%	2,7%	4,6%	5,0%	5,1%
Construction	0,5%	1,4%	2,9%	0,5%	1,0%	0,8%
Certification	4,5%	4,4%	4,9%	4,7%	4,5%	3,6%
Commodities (Inspectorate)	6,3%	4,9%	0,6%	1,9%	0,0%	1,6%
Consumer products	5,1%	2,1%	0,1%	-0,8%	-0,5%	1,6%
Government Services & International	-0,7%	-4,8%	3,3%	-4,8%	0,0%	-5,2%
Total group	**4,4%**	**3,0%**	**0,9%**	**0,0%**	**-0,3%**	**-0,6%**

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

- **Despite a lower start and macro economic uncertainties, management confirmed its FY guidance:** FY 2016 guidance confirmed with lfl revenue growth between 1% and 3% (we maintain our forecast of 1.6% and consensus was at 1.5% after FY2015) with adjusted EBITA margin of between 16.5% and 17% (our estimate is 16.7% and consensus at 16.8%). Actually, even if headwinds continue to hit the strongly upstream commodities segments and a more challenging environement notably in Marine, management is still anticipating a rebound in H2 due to more favourable comps and positive impacts of new commercial successes.

VALUATION

- At the current share price, the stock is trading on 2016e and 2017e EV/EBIT of 13.6x and 12.9x compared with a CAGR in 2015-2018 EBIT of 4%.

NEXT CATALYSTS

- H1 2016 results on 28th July (before market)

Click here to download

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Food retailing

DIA

Price EUR5.08

A far less elusive speech and a more offensive statement!

Fair Value EUR6,5 (+28%) **BUY vs. NEUTRAL**

Bloomberg	DIA.SM
Reuters	DIA MC
12-month High / Low (EUR)	7.6 / 4.4
Market Cap (EURm)	3,162
Ev (BG Estimates) (EURm)	4,295
Avg. 6m daily volume (000)	4 206
3y EPS CAGR	6.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.5%	9.2%	-12.4%	-6.7%
Food Retailing	-6.2%	3.2%	-7.7%	-2.6%
DJ Stoxx 600	-0.5%	6.6%	-10.6%	-8.9%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	8,011	8,926	9,024	9,533
% change		*11.4%*	*1.1%*	*5.6%*
EBITDA	585	610	627	685
EBIT	323.9	274.1	349.5	407.8
% change		*-15.4%*	*27.5%*	*16.7%*
Net income	262.4	254.1	249.1	295.7
% change		*-3.1%*	*-2.0%*	*18.7%*

	2014	2015e	2016e	2017e
Operating margin	5.0	4.4	4.4	4.8
Net margin	3.3	2.8	2.8	3.1
ROE	NM	NM	NM	NM
ROCE	32.2	22.5	20.6	22.1
Gearing	141.3	361.8	228.4	149.7

(EUR)	2014	2015e	2016e	2017e
EPS	0.41	0.42	0.41	0.49
% change	-	*3.1%*	*-1.6%*	*18.7%*
P/E	12.5x	12.1x	12.3x	10.3x
FCF yield (%)	1.6%	NM	6.9%	8.7%
Dividends (EUR)	0.18	0.19	0.20	0.21
Div yield (%)	3.5%	3.7%	3.9%	4.1%
EV/Sales	0.5x	0.5x	0.5x	0.4x
EV/EBITDA	6.3x	7.0x	6.8x	6.1x
EV/EBIT	11.4x	15.7x	12.2x	10.2x

1/ In the past, management has been rather elusive concerning a return to positive lfl growth in Spain and Portugal. Today, the CEO has provided the market with clear guidance set in stone, for positive lfl growth excl. calendar effects in Iberia in Q2. 2/ Over the past year, the relationship between the topline (persistently declining LFL rates) and the bottom line (growing underlying margin rate) in Iberia has appeared to be unhealthy in the market's eyes. This relationship seems much more appropriate in Q1 16. In the end, a set of concordant items of evidence which, along with an attractive valuation (10x 2017 P/E), prompt us to upgrade our recommendation to Buy vs Neutral.

Over the past year, the relationship between the topline (persistently declining LFL rates) and the bottom line (growing margin rate) in Iberia has appeared to be unhealthy in the eyes of the market. Hence, investors started to convince themselves that Dia, against all common sense, was intentionally pursuing a margin rate (vs cash margin) commercial strategy. This observation comes after Tesco's nightmare which resulted in an extremely violent and unprecedented margin restatement process in order to attract clients back to its stores.

Having learned from this painful experience, the market became convinced that at some point Dia would have no choice but to do the same. We have never believed that this margin restatement was the right issue to focus on (see – Anorexic growth... the bigger the better!). Because: **1/** initially, the fragmented Spanish market does not have the characteristics of an oligopoly in which players could be tempted to nurture their rates; **2/** Dia, the franchiser, has a specific margin equation (the change in the mix in favor of franchises guarantees an annual improvement of 15-20bp e!: see - Olé!); **3/** Tesco's restatement stemmed from an inappropriate positioning which is not Dia's case.

However, the fact is that others believed this and have convinced the market in 2015. As a reminder, ahead of Q4 2015 results, the guidance provided by management for the FY implied a 190bp (-130 bp finally released) decline of underlying margin (i.e. excl. El Arbol and Eroski) in Q4 in Iberia. At that time, while we considered this anticipated narrowing as a temporary factor prompted in particular by the dilution of upfront synergies on the acquisitions, we also considered that it was going to be interpreted as the pre-cursor to a margin restatement. This fear prompted us to look for cover (28th October).

Nowadays, we have to admit that we were very positively surprised by the publication of Dia yesterday. It is not so much Iberian LFL figures that were in line with estimates but rather the tone of management during the conference call which turned out to be very positive (the CEO provided the market with clear guidance for positive LFL excl. positive calendar in Q2 In Iberia). Moreover, we believe that the 35bp estimated decline in underlying margin in Iberia cannot be interpreted as a margin restatement (contrary perhaps to Q4 2015) while the relationship between the topline (-0.3% LFL) and the bottom line (-35 bp / a decline implying healthy investment in the value proposition we believe; purchasing gains and efficiency gains should be reinvested) should appear to be more appropriate.

Margin estimates (Bryan Garnier)	Q1	Q2	Q3	Q4	2015	Q1 16
LFL sales gowth	-4,5%	-5,2%	-2,3%	-1,4%	-3,3%	-1,3%
Excl. calendar	na	na	na	na	-0.9%	-0.3%
Margin in Iberia (excl. EL Arbold & Eroski)	8,7%	10,2%	10,3%	11,3%	10,1%	8,3%
Underlying margin appreciation	83bp	109bp	12bp	-129bp	19bp	-35bp

In addition, our feeling is that Dia is now aiming to change its model, in order to accompany the market's moves upscale. Hence, the targeted acquisitions of El Arbol and Eroski, which should especially help make up for shortfalls in the fresh products segment.

VALUATION

- The 6% downward revision to our 2016/18estimates is mainly a reflection of forex
- 2017 P/E of 10x vs 16x on average for the sector excl. Tesco

NEXT CATALYSTS

- Positive LFL in Iberia from Q2 2016

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Construction & Building Materials

LafargeHolcim

Price CHF43.47

Buying the stock ahead of the expected improvement

Fair Value CHF50 (+15%) **BUY**

Bloomberg	LHN VX
Reuters	LHN.VX
12-month High / Low (CHF)	72.3 / 34.1
Market Cap (CHFm)	26,382
Ev (BG Estimates) (CHFm)	44,747
Avg. 6m daily volume (000)	2,345
3y EPS CAGR	35.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.5%	23.0%	-22.5%	-13.6%
Cons & Mat	-0.2%	12.4%	-2.0%	-2.5%
DJ Stoxx 600	-0.5%	6.6%	-10.6%	-8.9%

YEnd Dec. (CHFm)	2015	2016e	2017e	2018e
Sales	29,483	30,059	31,837	33,259
% change		*2.0%*	*5.9%*	*4.5%*
EBITDA	5,751	6,022	6,946	7,418
EBIT	3,078	3,349	4,268	4,740
% change		*8.8%*	*27.5%*	*11.1%*
Net income	1,047	1,459	2,218	2,621
% change		*39.4%*	*52.0%*	*18.1%*

	2015	2016e	2017e	2018e
Operating margin	10.4	11.1	13.4	14.3
Net margin	-3.0	4.5	7.4	8.8
ROE	3.3	4.6	6.9	7.8
ROCE	4.0	4.4	5.7	6.4
Gearing	48.7	46.1	39.4	31.8

(CHF)	2015	2016e	2017e	2018e
EPS	1.73	2.41	3.66	4.33
% change	*-*	*39.4%*	*52.0%*	*18.1%*
P/E	25.2x	18.0x	11.9x	10.0x
FCF yield (%)	7.9%	8.0%	12.7%	14.4%
Dividends (CHF)	1.50	1.65	1.80	1.95
Div yield (%)	3.5%	3.8%	4.1%	4.5%
EV/Sales	1.5x	1.5x	1.4x	1.2x
EV/EBITDA	7.9x	7.4x	6.2x	5.5x
EV/EBIT	14.7x	13.4x	10.1x	8.7x

Strong share price volatility yesterday, as the market successively reacted to poor Q1 first and then to optimistic comments from management during the conference call. We have adjusted our estimates and continue to believe on the gradual recovery of the results dynamic over the course of 2016. Hence, we are still above consensus with a CHF6bn EBITDA in 2016, corresponding to a 7% organic growth, while consensus look more cautious. Buy reiterated.

We have adjusted our estimates, with slightly lower EBITDA in 2016 (-2%) and in 2017 (-3%). We're a bit more cautious on the dividend side (CHF1.65 vs CHF1.75) but we're still more optimistic than the consensus (CHF1.6). We have made various adjustments on the capex side, as well as the working capital change side, and our net debt is now more in line with the consensus. These changes have a overall negative CHF0.8 per share impact on our valuation (unrounded FV down from CHF50.3 to CHF49.5) and we stick with our CHF50 FV.

Regarding our key assumpions for 2016, we are a bit more bullish on the volumes side (2% vs 1%), but a bit more prudent on the price effect (~2% vs 2.3%). We got 2.9% underlying cost inflation for the FY in line with Q1 and we apply the CHF450m of synergies guided for this year, although our long term assumptions continue to consider only 88% of total CHF1.1bn pre-tax synergies, because of India. Finally, we have fine tuned our forex estimates, previously too low. Guidance from CFO is a slightly negative FX effect for the FY.

During the conference call yesterday, the management has particularly insisted on the expected recovery of the prices across various regions. Not only sequential price increase will be reported for the rest of the year (in Q1 it was +2.1% excluding India, 1.2% otherwise), but the full year price effect should be positive too. Additionnaly, comments on some key markets remains positive: **1)** Nigeria, which has been very difficult in Q1, should benefit from better pricing trends (Dangote has announced reduction in discounts in March 2016); **2)** in Brazil, the group will address the difficult situation with further self-help measures (restructurations/cost cutting), while a new so-called "low-cost plant" will soon be in service; **3)** in India, the group effort on costs will continue while volumes are clearly better this year; **4)** in China, the market is likely to become healthier, with production capacities currently closing (not LHN's ones), reducing the vast amount of overcapacities in this country.

ANALYSIS

- Our EBITDA estimates are still above consensus (+4% in 2016, +8% in 2017) but we believe the gap will narrowed over the course of the year, with better publications to support earnings upgrade
- Adjusted from negative ~CHF130 forex impact on EBITDA, we estimate a like-for-like growth at ~7% in 2016, which is consistent with the company guidance.
- Although we do not know the portion of scope and forex in the CHF5.8m EBITDA provided by the consensus, we could mention that organic growth would stand at 3% if based on similar forex assumptions than us. We consider here that the consensus doesn't already take into account any perimeter effect. This might be wrong, as we know that disposal are ongoing, but in Q1 no scope effect has been reported. This 3% suggests there might be some room for consensus upgrade.
- We are confident LHN will deliver on their plan to increase sequentially prices, mostly because volumes are increasing and should gradually compensate pricing pressure. We do not expect strong prices recovery though, but a slight positive impact on the full year basis.

VALUATION

- CHF50 derived fro the application of historical ratios to our 2017 estimates, discounted back. Current share price suggest 7.4x EV/EBITDA 2016e and 6.2x EV/EBITDA 2017e.

NEXT CATALYSTS

- Q2 2016 to be released on 05th August 2016.

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Food & Beverages

Royal Unibrew

Price DKK290.80

Camp Blue Lake (full report published today)

Fair Value DKK325 (+12%)

BUY Coverage initiated

Bloomberg	RBREW DC
Reuters	RBREW.CO
12-month High / Low (DKK)	316.0 / 212.8
Market Cap (DKKm)	16,137
Ev (BG Estimates) (DKKm)	16,204
Avg. 6m daily volume (000)	83.30
3y EPS CAGR	8.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.5%	10.8%	8.6%	3.8%
Food & Bev.	1.4%	4.2%	-5.0%	-3.5%
DJ Stoxx 600	-0.5%	6.6%	-10.6%	-8.9%

YEnd Dec. (DKKm)	2015	2016e	2017e	2018e
Sales	6,032	6,328	6,341	6,455
% change		*4.9%*	*0.2%*	*1.8%*
EBITDA	1,225	1,295	1,320	1,360
EBIT	917.0	984.4	1,010	1,050
% change		*7.4%*	*2.6%*	*3.9%*
Net income	711.4	778.1	799.3	830.5
% change		*9.4%*	*2.7%*	*3.9%*

	2015	2016e	2017e	2018e
Operating margin	15.2	15.6	15.9	16.3
Net margin	11.8	12.3	12.6	12.9
ROE	24.2	27.5	29.7	32.4
ROCE	20.2	23.0	24.2	25.7
Gearing	40.3	39.4	43.9	47.7

(DKK)	2015	2016e	2017e	2018e
EPS	12.93	14.55	15.43	16.58
% change	-	*12.5%*	*6.1%*	*7.4%*
P/E	22.5x	20.0x	18.8x	17.5x
FCF yield (%)	6.4%	6.1%	5.8%	6.3%
Dividends (DKK)	1.80	1.80	1.80	1.80
Div yield (%)	0.6%	0.6%	0.6%	0.6%
EV/Sales	2.7x	2.6x	2.5x	2.5x
EV/EBITDA	13.5x	12.5x	12.2x	11.8x
EV/EBIT	18.0x	16.5x	15.9x	15.3x

We are initiating coverage of Royal Unibrew with a Buy recommendation and a fair value of DKK325 (+12%). The company is very tightly run and management is doing a great job. Royal Unibrew is a leading regional beverage provider in the wider Baltic Sea area and owns profitable niche export businesses (super premium beer to Italy, non-alcohol malt beverages and Faxe beer all over the world).

ANALYSIS

- With the company being active in mainly mature markets where volume and prices are under pressure, management is keeping a strong lid on costs. The drive for small cost-efficient operations has allowed operating margins at the company to improve to 15.2% in 2015 from 11% in 2011. We believe there is further upside (although downplayed by management) and look for a margin of over 17% in the next five years. If Finland and the Baltics could enjoy an economic rebound, the margin could well reach 20%.
- Being close to the operations also has commercial benefits. In Denmark, the company gained share in beer to 16% in 2015 from 14% in 2009 and, in the first quarter of 2016, the company boosted Finnish volumes by 23% as it looks for ways to cement links with the biggest Finnish retailer whilst promoting product tasting. Furthermore, as a small-sized brewer (9.1m hl) most of the company’s products are in the sweet spot of profitability and consumer sentiment that increasingly asks for authenticity. On top of that, the company could be a major beneficiary of Carlsberg’s value management strategy, which includes increased beer prices in Denmark and Finland, where Royal Unibrew generates two thirds of its profits.
- Being in mature cash-generative markets allows for a great platform for further acquisitions but, in the absence of any suitable projects, the company is buying back shares. If a material acquisition is not forthcoming, the company has significant potential to extend its share buy-backs. However, the company could be increasingly looked at as a target, offering not only a strong management team, but also the opportunity to extract more value from the company using global cost efficiencies and introducing owned international brands.

VALUATION

- On 2017e numbers, Royal Unibrew trades at below the sector valuation (the 2016e figures are somewhat distorted for TAP and ABI). Its 2017e P/E of 18.8x compares with the sector at 20.4x and EPS growth of 7% is in line with the sector’s. However, the company is far less geared than the other brewers. Its net debt/EBITDA ratio stands at 0.8x for 2016e compared to 2.4x for the sector. Furthermore, if we take into account the value of its stake in Hansa Borg, net debt/EBITDA falls to 0.3x. This indicates the significant value creation that the company could achieve if it were to find an attractive acquisition target or buy back up to 20% of its shares. In terms of EV/EBITDA, Royal Unibrew is at 11.8x whereas the sector trades at 12.4x 2017e numbers (for the sector valuations we have excluded SABMiller which is the subject of a takeover bid from AB InBev.)
- Our DCF-based fair value of DKK325 for Royal Unibrew is based on a consistent method to generate fair values using a standardised DCF model. Following this, our valuations are compared against a peer group in order to formulate our final investment view.

NEXT CATALYSTS

- 24 August H1 results, 23 November Q3 update

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Luxury & Consumer Goods

Salvatore Ferragamo

Price EUR19.69

As expected subdued Q1 sales growth but strong margin improvement!

Fair Value EUR25 vs. EUR25.8 (+27%) **BUY**

Bloomberg	SFER IM
Reuters	SFER MI
12-month High / Low (EUR)	30.3 / 18.8
Market Cap (EURm)	3,323
Ev (BG Estimates) (EURm)	3,329
Avg. 6m daily volume (000)	847.5
3y EPS CAGR	9.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.0%	2.3%	-17.5%	-9.5%
Pers & H/H Gds	0.9%	7.2%	-4.3%	-1.0%
DJ Stoxx 600	-0.5%	6.6%	-10.6%	-8.9%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	1,332	1,430	1,475	1,585
% change		*7.4%*	*3.1%*	*7.5%*
EBITDA	293	324	340	367
EBIT	245.5	264.7	283.0	312.0
% change		*7.8%*	*6.9%*	*10.2%*
Net income	157.5	172.6	184.0	206.0
% change		*9.6%*	*6.6%*	*12.0%*

	2014	2015e	2016e	2017e
Operating margin	18.4	18.5	19.2	19.7
Net margin	11.8	12.1	12.5	13.0
ROE	33.2	30.0	28.3	27.8
ROCE	26.1	26.2	25.1	25.7
Gearing	8.8	0.8	-1.9	-4.6

(EUR)	2014	2015e	2016e	2017e
EPS	0.94	1.02	1.09	1.22
% change	-	*9.6%*	*6.6%*	*12.0%*
P/E	21.1x	19.2x	18.0x	16.1x
FCF yield (%)	0.3%	3.2%	3.0%	3.5%
Dividends (EUR)	0.42	0.47	0.53	0.60
Div yield (%)	2.1%	2.4%	2.7%	3.1%
EV/Sales	2.5x	2.3x	2.2x	2.1x
EV/EBITDA	11.5x	10.3x	9.7x	9.0x
EV/EBIT	13.7x	12.6x	11.7x	10.5x

Salvatore Ferragamo's Q1 2016 sales stood at EUR321m versus the consensus at EUR324m. Sales fell 2.4% organically after +2% in Q4 2015. EBIT grew 4.5% to EUR49m (consensus: EUR44m), implying EBIT margin at 15.2% (14.3% in Q1 15). We have notched down (by less than 2%) our 2016 EBIT estimate and adjusted our FV from EUR25.8 to EUR25. We remain at Buy on the stock.

ANALYSIS

- **Salvatore Ferragamo has reported mixed Q1 figures with sales down 2.4% organically (-1.8% reported), globally in line with the consensus which was at -2% organically**. Nevertheless Q1 highlighted some slowdown versus the 2% growth seen in Q4 and 1% over FY 2015. Retail sales fell 4% organically with around 7% same-store growth, while wholesale sales remains stable thanks to the strong performance by travel retail. In Q1, the group closed four DOS (net of openings) to 386. **Group Q1 EBIT grew 4.5% to EUR49m (consensus: EUR44m).** Consequently, Q1 EBIT margin gained 90bp to 15.2%.
- By geographical area, we would highlight the 3.8% revenue decrease in Q1 in **North America** (23% of sales) following -3.2% in Q4 2015. In the US, retail sales outperformed wholesale (affected by poor department store activity) while sales remained almost stable in **Japan** (9% of sales) after +13.2% in Q4 15. Clearly in Japan, following the recent strength of the JPY, Chinese tourists flows are slowing down. **Asia-Pacific** had a subdued performance with a 2% decline despite some encouraging signs in mainland China that have been confirmed since the end of March. Hong Kong remained sluggish with a double-digit sales decline. On the other hand, Korea and SEA were robust. Unsurprisingly, sales in Europe (-4% in Q1) were affected by the recent terrorist attacks.
- Among the group's businesses, the "winner" was **Footwear** (-1%), while **Leather Goods sales** were down 3%. Footwear accounts for 42% sales and Leather Goods 36% of sales.

Quarterly P&L summary

EURm	Q1 15	Q1 16	chge (%)
Sales	327	321	-1.8
Gross profit	212	216	2.0
as % of sales	*64.8*	*67.2*	*+250bp*
EBIT	**47.0**	**49.0**	**-18.5**
as % of sales	*14.3*	*15.2*	*+90bp*

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

- The Q1 profitabilty improvement (EBIT margin up 90bp to 15.2%) was driven by a strong improvement in gross margin (+250bp) on the back of **i/** a less negative hedging impact, **ii/** manufacturing efficiency and **iii/** fewer discount sales following the higher weight of classic products. This strategy, which can impact the volume trend, is targeted profitability but also high-end brand positioning. Furthemore, Salavatore Ferragamo's group strategy is clearly to focus on improving store productivity as highlighted by virtually stable "sales & distribution costs" in Q1. Globally, total Q1 OPEX grew only 1.3% and was therefore well under control.
- We have notched down our figures, following sales momentum just below our estimates, lowering our EBIT by less than 2%. We expect 2.5% organic sales growth vs +4% previously expected. 2016 EBIT margin is still expected to gain 70bp to 19.2% which should be one of the best performances in our luxury sample. Furthermore, Mr. Eraldo Poletto (ex Furla CEO) will become Group CEO from 2nd August.

VALUATION

- The SFER share price has lost 9 YTD, gained 3% on 3m and the stock is trading on a 2% premium vs the peer average. We remain at Buy on the stock with a new EUR25 FV vs EUR25.8.

NEXT CATALYSTS

- H1 results to be reported on 2nd August!

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Ant

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TMT

Ubisoft

Price EUR27.80

The call of duty to face the hungry shark

Fair Value EUR34 (+22%) **BUY**

Bloomberg	UBI.FP
Reuters	UBIP.PA
12-month High / Low (EUR)	28.2 / 14.9
Market Cap (EUR)	3,092
Ev (BG Estimates) (EUR)	2,886
Avg. 6m daily volume (000)	317.2
3y EPS CAGR	37.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.7%	46.4%	4.8%	4.2%
Softw.& Comp.	-0.2%	8.4%	-3.7%	-5.4%
DJ Stoxx 600	-0.5%	6.6%	-10.6%	-8.9%

YEnd Mar. (EURm)	03/16	03/17e	03/18e	03/19e
Sales	1,394	1,706	1,945	2,200
% change		*22.4%*	*14.0%*	*13.1%*
EBITDA	600	731	903	1,089
EBIT	156.1	219.0	319.0	429.0
% change		*40.3%*	*45.7%*	*34.5%*
Net income	116.0	148.9	221.6	301.5
% change		*28.3%*	*48.8%*	*36.1%*

	03/16	03/17e	03/18e	03/19e
Operating margin	11.2	12.8	16.4	19.5
Net margin	6.7	8.7	11.4	13.7
ROE	9.2	12.8	16.0	17.8
ROCE	11.0	15.7	23.3	31.6
Gearing	4.3	-17.7	-31.1	-43.6

(EUR)	03/16	03/17e	03/18e	03/19e
EPS	1.02	1.29	1.92	2.62
% change	-	*27.2%*	*48.8%*	*36.1%*
P/E	27.4x	21.5x	14.5x	10.6x
FCF yield (%)	NM	7.8%	7.1%	9.5%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	2.2x	1.7x	1.4x	1.1x
EV/EBITDA	5.2x	3.9x	2.9x	2.2x
EV/EBIT	20.1x	13.2x	8.3x	5.5x

Ubisoft has posted an outstanding FY15/16 (mainly thanks to the outperformance of its fiscal Q4 titles, *The Division* and *Far Cry Primal,* and its digital revenues), i.e. halfway between the consensus and our estimates, and well above guidance (for revenue, non-IFRS operating income and net income). The group reiterated its FY16/17 targets and is on the right path to deliver its three-year strategic plan. We expect good news flow in the coming months/years (the E3 trade fair in Los Angeles, an improvement in UBI's fundamentals and speculation surrounding the stock) and, since Vivendi's entry into the share capital, we see very little risk of game delays since the publisher needs to prove it can remain independent. We maintain our Buy rating and Fair Value of EUR34.

ANALYSIS

- **Outstanding FY15/16 earnings:** **sales came in at EUR1,394.0m** i.e. -4.8% Y/Y and -10.7% at cc (incl. +268% and +250% respectively in fiscal Q4), halfway between the consensus of 1,386.2m and our EUR1,414.7m est., and well above guidance for ~EUR1,360m. Sell-in + digital sales were driven mainly by *The Division*, *Far Cry Primal*, *Assassin's Creed: Syndicate*, *Rainbow Six: Siege* and *Just Dance* 2016. Note that digital sales grew by 16.7%, to a record of 32% of revenue (vs. our 30%e, and 26% last year) and that the back-catalogue was strong (EUR355m, i.e. 25% of its revenue). **Current operating profit before SO came to EUR169.0m (margin of 12.1%, +50bp)**, halfway between the cons. of EUR157.6m and our est. of EUR179.9m and well above guidance for ~EUR150m. After stock options (-EUR12.9m) and non-current charges (-EUR19.3m in goodwill depreciations), it stood at EUR136.8m (margin of 9.8%, +30pb) vs. our EUR163.4m est. **As such, net profit came to EUR93.4m (margin of 6.7%, +80bp)**, again halfway between the consensus of EUR88m and our est. of EUR100.2m, and finally adj. net profit was EUR116.0m (margin of 8.3%) vs. our EUR102.5m est. **The financial situation was slightly better than expected, with a negative FCF of -EUR191.5m** compared to our est. of -EUR219.9m and guidance of "negative FCF" because of the back-end releases of *Far Cry Primal* and *The Division* (FCF before WCR was positive at EUR61.8m), **and a net debt of EUR44.2m i.e. gearing of 4.3%** (vs. our EUR42.1m est.). The group gave a cautious **Q1 16/17 sales guidance of ~EUR125.0m (+29% Y/Y)**, i.e. 7.4% of its FY target.

- **FY16/17 guidance reiterated:** Ubisoft still expects ~EUR1,700m in sales i.e. +22% Y/Y, non-IFRS EBIT of ~EUR230m (margin of 13.5%, i.e. +140bp) and strong FCF generation. **This should be achieved thanks to 1/ Five AAAs vs. four last year** (*Watchdogs 2*, *Ghost Recon WildLands*, *For Honor*, *South Park the Fractured but Whole*, and a new AAA IP that should be announced at E3), **2/ another sharp increase in highly profitable recurring revenues from the digital segment** (over 35% of FY sales), and **3/** further strong growth for the back catalogue (~30% of total sales via *The Division*, *Far Cry Primal* and to a lesser extent *Rainbow Six Siege*). **And as a reminder, the *Assassin's Creed* movie** is due to hit theatres on 21st Dec.(the video game will take a breather, this is a good decision for the franchise in the long run). **We have revised upward our EPS sequence by 4.4% on average over the next 3 years** (FY6/17e +4.6%, FY17/18e +4.4% and FY18/19e +4.3%), by taking into account a decrease in the group's normative tax rate (from 32% to 28%) and an increase in the number of fully diluted shares (from 113.3m to 115.3m). *More details on p2.*

- **Positive newsflow expected:** **1/** we expect good news from Ubisoft's press conference at the E3 2016 trade fair (13th June); **2/** since Vivendi has entered the share capital, we see very little risk of game delays (UBI's management is under pressure to deliver titles on time) to convince shareholders it can remain independent; **3/** the sector is doing very well, re. Activision Blizzard's and Electronic Arts' latest earnings reports (strong sales of new-gen consoles, high tie ratios, and margin expansion via the market shift to digital), and we expect the current console cycle to last until 2019e.

- **No hostile takeover bid likely:** In its last statement to the French regulator AMF, Vivendi said it "plans to continue its purchases depending on market conditions" (**Vivendi owns 17.73% of the capital and 15.66% of voting rights vs. the Guillemot family's 8.71% and 15.71% respectively**), and that "it does not intend to file a public offer for Ubisoft or to take control of the company". So, **it seems that Vivendi understands that if it really wants to acquire Ubisoft it has to be soft and the only way is to make the move friendly** (we do not see another choice for this kind of console game publisher, which relies only on talented developers/creators). **With this statement, if Vivendi finally wanted to make an offer in the near future, it will have to wait six months**. In our view, the statement means that Vivendi is now totally excluding a hostile bid regarding Ubisoft.

VALUATION

- **We maintain our Buy rating and FV of EUR34.** Bear in mind that our FV is derived from UBI's 12m fwd average multiples over the past 2 console cycles applied to our FY16/17e estimates (given the unreliability of a longer horizon guidance in this industry), to which we have added a 15% premium (digital sales and other entertainment revenues).
- **We expect good news flow** in the coming weeks and months.

NEXT CATALYSTS

- **UBI's E3 press conference:** on 13th June at 1:00pm in Los Angeles (local time)
- **UBI's investor meeting:** on 14th June at 8:00am in LA (local time).

Main financial items for 2014/15 to 2018/19e

EURm	14/15 report.	15/16 report.	BG 15/16e	Cons. 15/16e	BG 16/17e (old)	BG 16/17e (new)	Cons. 16/17e	BG 17/18e (old)	BG 17/18e (new)	BG 18/19e (old)	BG 18/19e (new)
Sales	**1,463.8**	**1,394.0**	**1,414.7**	**1,386.2**	**1,706.3**	**1,706.3**	**1,696.4**	**1,945.1**	**1,945.1**	**2,200.0**	**2,200.0**
Y/Y change (%)	*45.3%*	*-4.8%*	*-3.4%*	*-5.3%*	*20.6%*	*22.4%*	*22.2%*	*14.0%*	*14.0%*	*13.1%*	*13.1%*
Non-IFRS EBIT	**170.7**	**169.0**	**179.9**	**157.6**	**230.0**	**235.0**	**234.8**	**330.0**	**335.0**	**440.0**	**445.0**
As % of sales	*11.7%*	*12.1%*	*12.7%*	*11.4%*	*13.5%*	*13.8%*	*13.8%*	*17.0%*	*17.2%*	*20.0%*	*20.2%*
IFRS EBIT after SO	**139.4**	**136.8**	**163.4**	**-**	**217.0**	**219.0**	**-**	**317.0**	**319.0**	**427.0**	**429.0**
As % of sales	*9.5%*	*9.8%*	*11.6%*		*12.7%*	*12.8%*		*16.3%*	*16.4%*	*19.4%*	*19.5%*
Net profit after SO	**87.0**	**93.4**	**100.2**	**88.0**	**140.0**	**148.9**	**141.9**	**208.7**	**221.6**	**284.2**	**301.5**
As % of sales	*5.9%*	*6.7%*	*7.1%*	*6.3%*	*8.2%*	*8.7%*	*8.4%*	*10.7%*	*11.4%*	*12.9%*	*13.7%*
Adj. net profit after SO	**103.1**	**116.0**	**102.5**	**-**	**140.0**	**148.9**	**-**	**208.7**	**221.6**	**284.2**	**301.5**
As % of sales	*7.0%*	*8.3%*	*7.2%*		*8.2%*	*8.7%*		*10.7%*	*11.4%*	*12.9%*	*13.7%*
FCF	**176.3**	**-191.5**	**-219.9**	**-**	**225.0**	**250.4**	**-**	**210.2**	**226.1**	**284.9**	**305.3**
Net debt	**-197.7**	**44.2**	**42.1**	**-**	**-182.9**	**-206.2**	**-**	**-393.1**	**-432.3**	**-678.0**	**-737.6**
Gearing	*-20.2%*	*4.3%*	*3.9%*		*-15.0%*	*-17.7%*		*-27.5%*	*-31.1%*	*-39.6%*	*-43.6%*

Sources: Bryan, Garnier & Co ests; company consensus (15/04/16).

- **UBI's FY15/16 guidance was:** ~EUR1,360m (-7% Y/Y), non-IFRS EBIT of ~EUR150m (margin of 11%), and a negative FCF (but slightly negative or breakeven before WCR vs. positive initially).
- **The group reiterated its FY16/17 guidance:** ~EUR1,700m in sales (+22% Y/Y), non-IFRS operating income of ~EUR230m (margin of 13.5%) and a strong FCF generation.
- **The group is well on track to deliver its three-year plan:** As a reminder, UBI's FY18/19 plan is to generate EUR2.2bn in sales, 20% in non-IFRS EBIT margin and ~EUR300m in FCF. These targets are based on a gross margin of more than 80% via 1/ the release of around five AAA games generating a total of 40m units (stemming only from existing franchises, and taking into account quantities that they have all already reached), and 2/ the digital segment (45% of its FY18/19 sales: 28% in digital distribution and 17% in player recurring investment). **We expect the vast majority of the non-IFRS operating margin improvement to 20% in FY18/19 to stem from gross margin and ~2% from other P&L cost reductions** (R&D, marketing and SG&A).

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Sector View

Video Games

US packaged video game sales in April

	1 M	3 M	6 M	31/12/15
Softw.& Comp. SVS	-0.2%	8.4%	-3.7%	-5.4%
DJ Stoxx 600	-0.5%	6.6%	-10.6%	-8.9%

*Stoxx Sector Indices

Companies covered

GAMELOFT		**BUY**	**EUR7.2**
Last Price	EUR7.35	*Market Cap.*	EUR640m
UBISOFT		**BUY**	**EUR34**
Last Price	EUR27.8	*Market Cap.*	*EUR3,092m*

The NPD Group has released data for April packaged video games sales in the US. Hardware sales were down 23% Y/Y (the PS4 was again the top-selling console), due to declines in handheld and last generation consoles. Packaged software was down 21% (vs. BG est.: -15%), mainly impacted by a difficult comparison base, with *Dark Souls III* (Bandai Namco) as the best-seller game over the month. Ubisoft placed one game in the Top 10 (*The Division* #4 after being #1 in March). We maintain our ratings within our sector coverage: Buys on UBISOFT (FV of EUR34) and on GAMELOFT (FV of EUR7.2).

ANALYSIS

- **On Thursday night, the NPD Group released its monthly sales report for April packaged video games in the US** (four-week period ending 30th April). Bear in mind that these numbers only represent a fraction of the industry (i.e. around 50% of spending). NPD only tracks new games sold at US retailers. This does not include second-hand software, mobile, and digital. As such, it simply gives an insightful glimpse into a much more dynamic industry. **Revenue in the sector was down 14.8% over one year at USD509.5m: 1/ Hardware -22.6% Y/Y at USD142.1m** (8th-gen consoles decreased by 15% with an over 70% decline in 7th-gen consoles and also a sharp drop in handheld consoles). **The PS4 was again the best-selling platform**, despite the temporary price cut to USD299 for the Xbox One as of 21st March. **2/ Software -20.6% Y/Y at USD203.9m** (-6.5% YTD), i.e. below our estimate of -15%e (no consensus). ***Dark Souls III* (Bandai Namco) was the best-selling game** (the strongest launch in the franchise's history). **3/ Accessories +3.7% Y/Y at USD163.5m** (incl. interactive toys such as Nintendo's *Amiibo* and the recently defunct *Disney Infinity*).
- **Worth noting on the software side: 1**/ an unfavourable base effect (+13% in April 2015) with the release of Warner Bros' *Mortal Kombat X* (its April 2015 sales exceeded that of all April 2016 new launches combined by 18%); **2/** a poor performance by March launches in April compared to last year; **3/** a negative Easter calendar effect (27th March in 2016 vs. 5th April in 2015); **4/** sharp declines in software sales for 7th generation consoles and handheld software sales compared with last April; **and 5/** the growing transition towards digital (gamers are increasingly comfortable with downloading games, all the more so with the highly connected home consoles).
- **Bear in mind that the NPD Group does not track: 1/** digital game sales, **and 2/** games packed-in with consoles.

VALUATION

- **UBISOFT:** We maintain our **Buy rating** and **FV of EUR34**. The stock boasts positive momentum for the coming weeks and months.
- **GAMELOFT:** We maintain our **Buy rating** and **FV of EUR7.2**. Regarding the speculation surrounding the stock, we view **a fair offer in the range of EUR7.6-8.6** to really seduce shareholders.

NEXT CATALYSTS

- **UBISOFT: UBI's E3 press conference** on 13th June at 1:00pm in Los Angeles (local time), **UBI's investor meeting** on 14th June at 8:00am in LA (local time).
- **GAMELOFT: last day for an increase in the offer price or a counter-offer** on 20th May, and **closing date for the offer** on 27th May.

Top 10 selling games in April 2016 by platform in the US

Rank	Games	Consoles	Publisher
1	*Dark Souls III*	PS4, Xbox One	Bandai Namco Games

2	*Ratchet & Clank 2016*	PS4	Sony
3	*MLB 16: The Show*	PS4, PS3	Sony
4	*Tom Clancy's The Division*	PS4, Xbox One, PC	Ubisoft
5	*Grand Theft Auto V*	PS4, Xbox One, Xbox 360, PS3, PC	Take-Two Interactive
6	*Minecraft*	Xbox One, Xbox 360, PS4, PS3	Microsoft
7	*Quantum Break*	Xbox One	Microsoft
8	*Call of Duty: Black Ops III*	Xbox One, PS4, Xbox 360, PS3, PC	Activision Blizzard
9	*NBA 2K16*	PS4, Xbox One, Xbox 360, PS3	Take-Two Interactive
10	*Star Fox Zero*	Wii U	Nintendo

N.B.: games bundled with hardware are not tracked by the NPD Group

Sources: NPD Group; Bryan, Garnier & Co.

- Bandai Namco's ***Dark Souls III*** was the top-selling game in April (this series is nearly growing exponentially).
- **Sony was the publisher of the month**, with *2* games in the TOP10.
- **Ubisoft placed one game in the charts** (*The Division*, #4, after being the best seller in March).

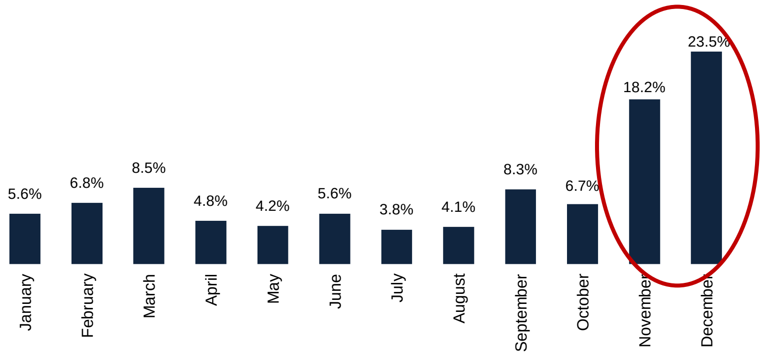
Y/Y % change in retail software sales in the US from 2000 to 2016 (in value)

%	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
January	2	16	4	0	18	0	-5	53	12	10	-12	-5	-38	1	-25	6	-10
February	5	-11	45	-5	5	13	-12	32	48	9	-15	-5	-23	-36	-9	7	-10
March	20	-15	33	8	-6	31	-8	16	64	-17	10	-16	-25	-1	-27	-3	8
April	27	-13	11	39	-3	9	16	-1	69	-22	-22	26	-42	-17	-10	13	-21
May	4	10	31	20	-17	30	-10	33	42	-17	4	-19	-32	-31	57	-25	
June	4	23	27	-9	12	2	15	22	61	-29	-15	-12	-29	-10	-3	21	
July	-1	26	11	4	27	-10	19	11	41	-26	-8	-17	-23	-19	-15	0	
August	-12	18	43	4	1	0	18	23	13	-15	-14	-34	-9	23	-21	-10	
Septembe	-26	-8	50	-10	44	-24	29	47	-6	5	-6	3	-18	52	-36	-3	
October	13	-20	74	-15	35	-24	1	40	36	-18	6	3	-25	12	-27	-3	
November	1	28	7	7	11	-17	14	63	11	-3	3	11	-11	-24	-1	-7	
December	-9	24	7	13	-1	-3	6	37	15	-7	-8	-14	-26	-17	-2	-3	
Total	-1	10	21	5	8	-3	7	34	27	-10	-6	-6	-23	-9	-12	-2	

Sources: NPD Group; Bryan, Garnier & Co.

- **Packaged software sales were down 21% in April** (vs. BG est.: -15%).
- **Physical sales account for 50%e of the US consumer spend** on the industry (35-40%e in Europe).
- **The Xbox One and PS4 are still trending 40% higher than cumulative sales of the Xbox 360 and PS3**, after the same 30-month period.

Average US retail software contribution in FY sales per month, over 2009/15



Sources: NPD Group; Bryan, Garnier & Co.

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Sector View

Telecom services

Bouygues Telecom Q1 results encouraging, but still some way to go

	1 M	3 M	6 M	31/12/15
Telecom	-0.3%	6.1%	-13.9%	-8.9%
DJ Stoxx 600	0.6%	10.3%	-11.6%	-8.5%

*Stoxx Sector Indices

Companies covered

ALTICE		**BUY**	**EUR16,3**
Last Price	EUR13,735	*Market Cap.*	EUR15,030m
ILIAD		**NEUTRAL**	**EUR212**
Last Price	EUR194,55	*Market Cap.*	*EUR11,422m*
NUMERICABLE SFR		**NEUTRAL**	**EUR28,4**
Last Price	EUR27,685	*Market Cap.*	*EUR12,133m*

This morning Bouygues Telecom published encouraging Q1 2016 results. Revenues from the network rose 4.2% and EBITDA was up 23.7%. Commercial performances were good on the mobile side, whereas the fixed performance is still undergoing heavy promotional intensity. Price increases in fixed, as well as further cost cutting expected in 2016 should help Bouygues secure its recovery plan, Q1 current operating profit and free cash flow are still negative, partly explained by seasonality.

ANALYSIS

- **Q1 revenues came out at EUR1,131bn, up +6.4% yoy**, compared with +4.2% yoy in Q4 2015. Revenues from the network were **up 4.2% yoy**, compared with 0.9% in Q4. **Q1 EBITDA reached EUR146m, up 23.7% yoy**, i.e. a EBITDA margin of 15.0% vs 12.7% in Q1 2015 and 19.7% in FY 2015. **Current operating profit was still negative at -EUR33m** vs -EUR62m in 2015. Bouygues Telecom's **CAPEX reached EUR238m, up 15% yoy**, and **FCF was negative at -EUR78m**, vs -EUR91m in Q1 2015.
- As shown by the numbers, revenues and EBITDA were on a good trend, but **CAPEX was high and Free Cash Flow was still negative in Q1**. Seasonality should be better in Q2/Q3, and the **cost cutting plan will need to deliver more** in order to secure Bouygues Telecom's **recovery plan.**
- **Mobile** net adds reached 240k in Q1, of which **151k of contracts excluding M2M**, vs 177k in Q4, and 101k in Q1 2015. Mobile ARPU was **EUR22.4 in Q1, down -1.3% yoy** vs -4.2% in Q4, and down -1.8% vs Q4. **Broadband** net adds reached **71k in Q1**, vs 92k in Q4, and 96k in Q1 2015. Cumulated net adds amounted to 431k since 2015, i.e. 43% of the company's objective of 1,000 net adds by 2017. Broadband ARPU was **EUR27.7 in Q1, down -3.1% yoy** vs -5.1% in Q4, and down -1.4% vs Q4.
- **In our opinion, Bouygues Telecom's mobile results are good**, with high commercial performances, although it appears ARPU is still under pressure. Things look **more contrasted on the broadband side**, where ARPU and commercial activity are still suffering from **heavy promotional activity** in the market.
- **As a reminder,** Orange and SFR posted mobile postpaid net adds of resp. +41k and -28k (BtoC only at SFR), with postpaid ARPU resp. down -4.4% YoY (annual rolling), and down -3.5% YoY. Orange and SFR posted fixed net adds of resp. +96k and -61k, with YoY fixed ARPU resp. down -0.6% (annual rolling) and up 4.3%.

VALUATION

- We stick to our fair values and recommendations for all companies covered in the sector.

NEXT CATALYSTS

- Bouygues Q2 results at the end of August.

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Healthcare

Sanofi

Price EUR69.11

Bloomberg	SAN FP
Reuters	SASY.PA
12-month High / Low (EUR)	100.7 / 67.3
Market Cap (EURm)	90,492
Avg. 6m daily volume (000)	3 199

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.9%	0.5%	-15.1%	-12.1%
Healthcare	-1.5%	4.3%	-10.6%	-11.7%
DJ Stoxx 600	-0.5%	6.6%	-10.6%	-8.9%

	2015	2016e	2017e	2018e
P/E	12.2x	12.6x	12.5x	11.5x
Div yield (%)	4.2%	4.3%	4.6%	5.1%

Medivation: Sanofi starts the clock

Fair Value EUR86 (+24%) **NEUTRAL**

ANALYSIS

- So far, everything is developing in line with expectations since Sanofi's approaches to Medivation's Board have failed to result in open negotiations, and since Sanofi has decided to go hostile and to present the rationale of the transaction and direct its offer to shareholders, while still hoping for discussions with management. So yesterday, Sanofi announced that it had filed for a Hard-Scott-Rodino premerger notification, which provides the FTC and the Department of Justice (DOJ) with information about the proposed acquisition of Medivation by Sanofi. It provides information about each party's business. This is pure procedure as we do not expect any issue from a legal or antitrust perspective considering the small size of Medivation and the absence of any conflict and anticompetitive situation with any product. Xtandi and Jevtana are highly complementary but do not represent a threat to competition in the prostate cancer field in our view.
- We also know that Medivation has decided to invite banks to help defend the best interests of its shareholders including through exploration of a sale of the company. Recently, Medivation would have opened doors to Pfizer and Amgen, which have signed non-disclosure agreements, to access data room and consider making an offer. Other names like AstraZeneca or Novartis have also been mentioned. We think it would make sense for Novartis to look at a combination with Medivation.

VALUATION

- There is little doubt that, unless companies invited to the data room see something unpleasant, prices will go much higher than the original USD52.50 that Sanofi has offered. A deal is value-enhancing up to USD80 in our view and that's where we see the final price in case of a battle.

NEXT CATALYSTS

- 24-25th May 2016: FDA Advisory Committee for LixiLan and Xultophy

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TMT

Soitec

Price EUR0.68

Launch of second capital increase for around EUR75m at EUR0.32 per share for existing holders

Fair Value EUR0.5 (-26%) **NEUTRAL**

Bloomberg	SOI FP
Reuters	SOIT.PA
12-month High / Low (EUR)	0.9 / 0.5
Market Cap (EURm)	252
Avg. 6m daily volume (000)	710.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	15.3%	41.7%	-10.5%	6.3%
Semiconductors	-7.7%	10.8%	-11.9%	-9.3%
DJ Stoxx 600	0.6%	10.3%	-11.6%	-8.5%

	03/15	03/16e	03/17e	03/18e
P/E	NS	NS	50.0x	40.2x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- Today, Soitec has announced that the group is launching a second capital increase for a total of EUR75m with a subscription price of EUR0.32 per new share or a discount of 53% to yesterday's close at EUR0.68 (theoretical value of a preferential subscription right is EU0.14). Subscriptions are to open during the period from 16th to 30th May. Given that this is a rights offer, the group announced that 43.5% (or EUR32.8m) had already been undertaken by Bpifrance, CEA Investissement and NSIG Sunrise. This capital increase will result in the creation of about 235.7m shares, compared to the current number of shares outstanding of 370.4m (68% free float). As a result, existing shareholders will receive rights to subscribe to seven new shares for 11 existing shares. Overall, this points to a global capital increase of EUR152m. Note that, at the end of FY16, net debt was EUR170m including gross cash of EUR49.1m and gross debt of EUR218.9m.
- As already announced, the proceeds of the two successive IPOs will be used to expand current industrial capacity investments for the production of FD-SOI for about EUR40m, and reimburse debts made up of 1/ about EUR55m (including interests) of bridge loans issued last year, and 2/ about EUR61m of 2018 OCEANEs. Indeed, yesterday, Soitec also announced that, through the reverse book-building launched on 3rd May, the group received selling interests for 22m OCEANEs.

VALUATION

- Soitec's shares trade on 2017e EV/EBIT ratio of 30.0x and EV/Sales of 1.3x.

NEXT CATALYSTS

- 30th May: result of the capital increase.

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Sector View

Construction-Infrastructures

	1 M	3 M	6 M	31/12/15
Cons & Mat	-0.2%	12.4%	-2.0%	-2.5%
DJ Stoxx 600	-0.5%	6.6%	-10.6%	-8.9%

*Stoxx Sector Indices

Companies covered

EIFFAGE	BUY	EUR73
VINCI	BUY	EUR72

Decent Bouygues Construction figures in Q1

Bouygues has reported decent figures for its Construction division, with a limited 3% lfl y/y revenue decline in Q1. Roadworks in France fared especially well with a 3% top-line decline vs a double-digit decline over the past two years. The order book improved by EUR30bn, flat y/y but up 3% since last December. "First signs of stabilisation in the construction market in France" were seen in Q1, according to Bouygues. This is a positive read-across for Vinci and Eiffage.

ANALYSIS

- Bouygues construction businesses (construction, property, roadworks) have reported a limited 3% (y/y, l-f-l) revenue decline for Q1, better than Vinci (-5.4% excl property) and Eiffage (-3.8%)
- In particular, Colas (roadworks) revenues were down 7% in Q1 slightly better than Vinci roadworks division Eurovia (-8.2%) but much better in France (-3% for Colas vs -10.5% for Eurovia). Eiffage Infrastructures division (roadworks + civil works) reported a 4.5% sales decline in Q1.
- Current EBIT for all construction businesses stood at –EUR116m (vs –EUR146m in Q115), polluted by traditional Q1 losses from Colas. For Bouygues Construction alone, current EBIT margin improved by 40bps to c3%.
- Order book trends were somewhat similar to those of Vinci and Eiffage. On a y/y basis, the order book was flat for Bouygues, up a slight 0.3% for Eiffage and Vinci. YTD, the increase stands at 3% for Bouygues vs 5.5% for Vinci and 2.8% for Eiffage, before any adjustments related to the large high speed train contracts.

NEXT CATALYSTS

- H1 2016 to be released on 29th July (Vinci) and 31st August (Bouygues pre-market, Eiffage post)

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Sector View

Telecom services

Following Bouygues and SFR, Orange raises internet prices

	1 M	3 M	6 M	31/12/15
Telecom	-0.3%	6.1%	-13.9%	-8.9%
DJ Stoxx 600	0.6%	10.3%	-11.6%	-8.5%

*Stoxx Sector Indices

Companies covered		
ALTICE	BUY	EUR16,3
ILIAD	NEUTRAL	EUR212
NUMERICABLE SFR	NEUTRAL	EUR28,4

Thanks to its new Livebox, Orange is raising prices of its Play and Jet internet offers. Is the fixed market about to recover from the promotional war? Some positive signs, but still a little too early to say.

ANALYSIS

- Orange announced yesterday that its new premium Livebox will be launched on 19th May, available for Play and Jet customers. In order to monetize the level of service provided by the new box, the prices of these two offers will increase by EUR2 and EUR5 respectively.
- These price increases from Orange are good news for the market. Bouygues Telecom has recently raised its prices, turning its back on a very low cost strategy. The move will provide more room for NC-SFR's premium pricing strategy, and Iliad should progressively recover from the impacts of high promotional intensity.
- Still, two conditions remain before we can be very confident in a repairing of the fixed market: First, Bouygues Telecom needs to able to sustain good commercial performances in fixed so as to secure its recovery plan. Second, NC-SFR needs to be able to raise fixed net sales by improving of churn, without turning to massive promotional campaigns.

VALUATION

- We stick to our fair values and recommendations for all companies covered in the sector.

NEXT CATALYSTS

- Q2 publications in the summer.

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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 57.1% NEUTRAL ratings 33.6% SELL ratings 9.3%

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