Please find our Research on Bloomberg BRYG <GO>)

20th May 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17435.4	-0.52%	+0.06%
S&P 500	2040.04	-0.37%	-0.19%
Nasdaq	4712.53	-0.56%	-5.89%
Nikkei	16736.35	+0.54%	-12.54%
Stoxx 600	333.906	-1.09%	-8.72%
CAC 40	4282.54	-0.85%	-7.65%
Oil /Gold			
Crude WTI	48.1	+0.59%	+29.30%
Gold (once)	1249.49	-1.71%	+17.61%
Currencies/Rates			
EUR/USD	1.1205	-0.66%	+3.15%
EUR/CHF	1.10925	+0.19%	+2.01%
German 10 years	0.173	+4.66%	-72.67%
French 10 years	0.511	-0.76%	-47.87%
Euribor	-	+-%	+-%

Economic releases :

Date	
20th-May	DE - PPI (-3%E y/y, +0.1%m/m) GB - CBI indsutrial US - Existing home Sales US - Baker Hughes Rig Count

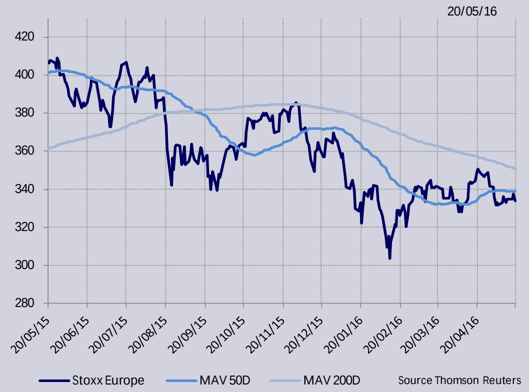
Upcoming BG events :

Date	
24th-May	Petit Déjeuner Thématique avec J. Zelmanovitch, WIMPELCOM
25th-May	Luxottica (BG Paris Roadshow whit IR)
7th-Jun	Cahiers Verts de l'Economie (BG Paris Lunch)
8th-Jun	Cahiers Verts de l'Economie (BG Paris Lunch)
15th-Jun	GENMAB (BG Paris roadshow)
27th-Jun	IMERYS (BG Luxembourg with CFO)

Recent reports :

Date	
19th-May	BURBERRY Too early to sing in the rain!
13th-May	ROYAL UNIBREW Camp Blue Lake
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?

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



CARREFOUR — BUY, Fair Value EUR30 (+25%)

Tending towards premiumisation? (full report published today)

The equity story of Carrefour (13x 2017 P/E vs 16x for peers) may appear as an endless prelude and one is running out of patience. The direction of the share is not clear because, at some point, one struggles to understand the post-turnaround commercial strategy. If investors are not supposed to focus on the "short-term market share monitoring", as the saying goes, then let's try to clarify the long-term aim (i.e. omnichannel and premiumisation).

DIAGEO — NEUTRAL, Fair Value 1840p vs. 1790p (+1%)

Adjusting our estimates

We revise upwards our EBIT estimates by 3% on average over the next three years, to take into account the better performance of the high-margin US market. We expect organic sales in the country to increase 2.8% in 2015/16 and 4% in 2016/17 vs respectively +2% and +2.5% before. We maintain our Neutral recommendation, but we lift our Fair Value to 1840p.

EDF — BUY, Fair Value EUR13.5 (+17%)

EDF defends its "Grand Carénage" maintenance capex program

The French newspaper Les Echos wrote an article this morning on EDF and its "Grand Carénage" maintenance capex program, which is set to raise security at all 58 French reactors, and most importantly to expand the lifespan of EDF French nuclear fleet beyond the current 40 years. Strongly needed by EDF as it will further delay the potential decommissioning of most of its French nuclear asset base. At current power prices, this program is not economically viable. The carbon floor tax could set up a new deal for the EDF, however.

GAMELOFT — TENDER TO THE OFFER vs. BUY, Fair Value EUR7.2 (0%)

Fresh increase in the offer price to EUR8 per share; you can now tender your shares

Vivendi announced that its public tender offer price for the shares of Gameloft automatically increased from EUR7.2 to EUR8.0 per share. As a reminder, we estimated a fair hostile offer in the range EUR7.6-8.6 (vs. our FV of EUR7.2). This 2nd increase in the offer price is in the middle of our estimated range, and values GFT at an estimated EV/sales of 2.3x over 12 rolling months. We consider it should now be attractive enough to seduce investors. We therefore change our recommendation from "Buy" to "Tender to the offer".

STMICROELECTRONICS — NEUTRAL, Fair Value EUR6.3 (+26%)

2016 capital market day feedback: our view remains unchanged

The capital market day held yesterday by STMicroelectronics did not change our view regarding ST. The management stressed the strength of ST's portfolio (we agree) and how to improve profitability to a 10% EBIT margin. When it comes to drawing a bridge with the current level of margin, volume is said to be a very important contributor. The group's manufacturing capabilities implies a revenue level of about USD1.85m, while Q1-16 revenue stood at USD1.61m and the environement is particularly competitive. Following this capital market day, we make no change to our model.

RICHEMONT — BUY, Fair Value UNDER REVIEW

FY results below expectations and poor start of the year!

Richemont reported FY 16 (end March 16) this morning with revenues at EUR11.1bn (consensus:EUR11.16bn), implying a 1% organic sales decline of which -6% in Q4 alone. FY current EBIT stood at EUR2.15bn (consensus: EUR2.27bn), down 11%. Current EBIT margin is down 400bp to 19.5%. Furthermore, April sales are clearly disappointing with 15% sales decline.

In brief...

EIFFAGE, *Bpifrance to sell 7.8% of the capital, o/w 6.76% through a placement*

ELIOR, *Exclusive negotiations with Autogrill Restauration Service (railway concessions in France)*

WIRECARD, *Key points to take away from yesterday's conf. call*

Food retailing

Carrefour

Price EUR23.98

Tending towards premiumisation? (full report published today)

Fair Value EUR30 (+25%) **BUY**

Bloomberg	CA FP
Reuters	CARR.PA
12-month High / Low (EUR)	32.0 / 22.3
Market Cap (EURm)	17,709
Ev (BG Estimates) (EURm)	23,828
Avg. 6m daily volume (000)	3 297
3y EPS CAGR	10.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.7%	2.0%	-17.9%	-10.0%
Food Retailing	-6.5%	-0.9%	-9.6%	-2.6%
DJ Stoxx 600	-4.4%	2.3%	-12.4%	-8.7%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	76,945	76,738	80,371	83,606
% change		*-0.3%*	*4.7%*	*4.0%*
EBITDA	3,914	3,938	4,303	4,615
EBIT	2,187	2,473	2,768	3,018
% change		*13.1%*	*11.9%*	*9.0%*
Net income	1,113	1,170	1,373	1,541
% change		*5.2%*	*17.3%*	*12.2%*

	2015	2016e	2017e	2018e
Operating margin	3.2	3.2	3.4	3.6
Net margin	1.4	1.5	1.7	1.8
ROE	NM	NM	NM	NM
ROCE	9.6	9.0	9.7	10.3
Gearing	42.6	42.6	37.9	33.0

(EUR)	2015	2016e	2017e	2018e
EPS	1.54	1.60	1.87	2.10
% change	-	*3.7%*	*17.3%*	*12.2%*
P/E	15.6x	15.0x	12.8x	11.4x
FCF yield (%)	NM	0.8%	5.1%	6.2%
Dividends (EUR)	0.94	1.05	1.14	1.24
Div yield (%)	3.9%	4.4%	4.8%	5.2%
EV/Sales	0.3x	0.3x	0.3x	0.3x
EV/EBITDA	5.9x	6.1x	5.5x	5.1x
EV/EBIT	10.6x	9.6x	8.6x	7.8x

The equity story of Carrefour (13x 2017 P/E vs 16x for peers) may appear as an endless prelude and one is running out of patience. The direction of the share is not clear because, at some point, one struggles to understand the post-turnaround commercial strategy. If investors are not supposed to focus on the "short-term market share monitoring", as the saying goes, then let's try to clarify the long-term aim (i.e. omnichannel and premiumisation).

As a reminder (Anorexic growth... the bigger the better!), we are witnessing a change in paradigm linked to the dilution of natural growth drivers. In this context, size provides a key asset for major players which can dilute fixed costs over a denser than average network and obtain additional ammunition for tackling competitiveness. To start with Carrefour (leader in most of its markets) thus has a comparative edge.

The retailer has underperformed (-14% YTD vs peers) due to circumstantial factors: **1/** the integration of Dia France, **2/** the decline in market share at French hypers faced with hitherto unseen promotional activity from Leclerc, and **3/** losses in China. These have been logically sanctioned, but they unfairly mask the strategy smartly distilled since 2012.

The outline of this omni-channel strategy is taking shape in France (46% of EBIT excl. central costs): **1/** logistical overhaul (prerequisite to any retail initiative), **2/** premiumisation (to build up niche growth), **3/** takeover of Dia France (densification of network), **4/** acquisition of malls (design of a future connected ecosystem). Abroad (54%), the country and format mix should help maintain the conditions for growth.

Several events could also enliven the equity story: **1/** the IPO of Carmila (REIT) in a low rates environment; **2/** more details (investors day?) about Brazil which should be listed someday; **3/** improving inflation environment in Europe (?). And ultimately, the touchy issue of governance, will arise inevitably.

In the end, the relevance of the group's strategy goes hand-in-hand with a high-quality shareholding base (Moulin, Arnault, Diniz, Colony…). And a shareholder like the Moulin family (15% of voting rights) is simply the essence of what is taking shape at Carrefour today (i.e. the marriage of retail, malls, premiumisation and e-commerce) and which could lead to a merger between Carrefour and Galeries Lafayette (?).

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Food & Beverages

Diageo

Price 1,818p

Bloomberg	DGE LN
Reuters	DGE.L
12-month High / Low (p)	1,950 / 1,640
Market Cap (GBP)	45,759
Ev (BG Estimates) (GBP)	54,239
Avg. 6m daily volume (000)	3 891
3y EPS CAGR	3.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.6%	-0.6%	-4.4%	-2.1%
Food & Bev.	-4.4%	1.4%	-7.7%	-4.6%
DJ Stoxx 600	-4.4%	2.3%	-12.4%	-8.7%

YEnd Jun. (GBPm)	06/15	06/16e	06/17e	06/18e
Sales	10,813	10,479	10,747	11,245
% change		*-3.1%*	*2.6%*	*4.6%*
EBITDA	3,390	3,322	3,541	3,795
EBIT	3,066	3,007	3,164	3,345
% change		*-1.9%*	*5.2%*	*5.7%*
Net income	2,225	2,201	2,331	2,500
% change		*-1.1%*	*5.9%*	*7.2%*

	06/15	06/16e	06/17e	06/18e
Operating margin	28.4	28.7	29.4	29.7
Net margin	23.8	22.0	23.6	23.3
ROE	24.0	21.1	20.9	20.8
ROCE	12.3	12.6	13.1	13.6
Gearing	102.9	81.2	71.7	61.2

(p)	06/15	06/16e	06/17e	06/18e
EPS	88.40	87.40	92.58	99.28
% change	-	*-1.1%*	*5.9%*	*7.2%*
P/E	20.6x	20.8x	19.6x	18.3x
FCF yield (%)	4.3%	3.3%	4.4%	4.9%
Dividends (p)	56.40	59.22	62.77	67.17
Div yield (%)	3.1%	3.3%	3.5%	3.7%
EV/Sales	5.1x	5.2x	5.0x	4.7x
EV/EBITDA	16.3x	16.3x	15.2x	14.0x
EV/EBIT	18.0x	18.0x	17.0x	15.9x

Adjusting our estimates

Fair Value 1840p vs. 1790p (+1%) NEUTRAL

We revise upwards our EBIT estimates by 3% on average over the next three years, to take into account the better performance of the high-margin US market. We expect organic sales in the country to increase 2.8% in 2015/16 and 4% in 2016/17 vs respectively +2% and +2.5% before. We maintain our Neutral recommendation, but we lift our Fair Value to 1840p.

ANALYSIS

- **Revising estimates up for North America. We expect organic sales in the region to be up 2.8% in 2015/16 vs our previous estimate of +2%. This implies a strong acceleration over the second half of the year (+8% after -1.7% in H1)** which reflects the launch of some innovations (especially Ciroc Apple), an easy comparison base (-3.1% in H2 2014/15) and increased marketing (benefits in H2 of the campaign "Going full captain"). We estimate that the group's value depletions in the country are running at +3% vs +4% for the market. In 2016/17, we forecast 4% organic sales growth vs +2.5% previously.
- **LATAM worst than expected.** During the conference call on Latin America, **management said that the region should post low-single-digit sales growth this year**. Our estimate calls for +1.5% (-6% in H2) vs +5.5% previously. Last year the company classified intercompany sales as external sales and now has to do some rebasement. Brazil is penalizing: consumer trends are weak and the group shipped in advance in H1 before the excise duty hike at the beginning of December.
- **Africa expected to be soft.** In Nigeria, there is a risk of a further devaluation and the product Orijin is facing tough comps and increased price competition. We have slightly revised upwards our estimate for 2015/16 organic sales growth in the region at +3.2% (vs +2.5% before), which takes into account an acceleration in H2 driven by South Africa and African Regional Markets.
- **Asia Pacific accelerating in H2**. This is mostly driven by easy comps in Indonesia (the partial beer ban was implemented in H2 2014/15) and South-East Asia (destocking last year). India should be stronger due to renovation of the MacDowell's brand. In the years to come, the country should be a major growth contributor for the group, if we exclude the possible negative effect of spirits being excluded of the GST system. We make no change to our forecast of 3.5% organic sales growth in Asia Pacific.
- **A broadly similar trend in Europe in H1 and H2**. We expect sales to rise 2.9% organically in 2015/16 (+2.5% before). Like its peers, Diageo sees improvement in its Western European markets. In Russia the comparison base is favourable, but this should be partly offset by a slowdown in Turkey as a consequence of a significant excise duty hike in January.
- **EBIT revised upwards by 3% on average over the next three years. We continue to expect 2.8% group's organic sales growth in 2015/16, but with a better performance in the high margin US market. Our estimate for OSG in 2016/17 is now 3.8% vs 3.3% previously.** This year, EBIT should rise 3.1% organically, in line with the group's guidance of a slight improvement in margin. In reported, it should drop 1.9% due to FX and perimeter. In 2016/17, we expect reported EBIT to increase 5.2%. **Brexit is the main risk affecting our estimates.**The pressure on the pound could benefit Diageo, even though the company is lobbying for the UK to stay within the EU as it fears an exit could endanger scotch whisky exports.

VALUATION

- The group's trajectory is clearly improving, but it is already largely factored into the share price. At 18.0x EV/EBIT 2015/16e and 17.0x EV/EBIT 2016/17e, the stock is trading 0.5% and 5% respectively above the peers' average. We maintain our Neutral recommendation. Our Fair Value is revised upwards to 1840p.

NEXT CATALYSTS

- 2015/16 results due on July 28th

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Utilities

EDF

Price EUR11.59

EDF defends its "Grand Carénage" maintenance capex program

Fair Value EUR13.5 (+17%) **BUY**

Bloomberg	EDF FP
Reuters	EDF.PA
12-month High / Low (EUR)	22.4 / 9.2
Market Cap (EURm)	22,245
Ev (BG Estimates) (EURm)	85,037
Avg. 6m daily volume (000)	2 989
3y EPS CAGR	-25.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.2%	11.1%	-20.2%	-14.7%
Utilities	-3.3%	1.9%	-8.7%	-6.0%
DJ Stoxx 600	-4.4%	2.3%	-12.4%	-8.7%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	75,006	75,527	76,716	77,948
% change		*0.7%*	*1.6%*	*1.6%*
EBITDA	17,601	16,427	15,794	16,321
EBIT	4,280	7,397	6,313	6,270
% change		*72.8%*	*-14.7%*	*-0.7%*
Net income	4,231	2,613	1,900	1,884
% change		*-38.2%*	*-27.3%*	*-0.8%*

	2015	2016e	2017e	2018e
Operating margin	5.7	9.8	8.2	8.0
Net margin	5.6	3.5	2.5	2.4
ROE	10.5	6.5	4.8	4.8
ROCE	2.0	3.0	2.6	2.6
Gearing	167.6	177.5	188.3	189.6

(EUR)	2015	2016e	2017e	2018e
EPS	2.27	1.30	0.95	0.94
% change	-	*-42.8%*	*-27.3%*	*-0.8%*
P/E	5.1x	8.9x	12.2x	12.3x
FCF yield (%)	NM	NM	NM	10.7%
Dividends (EUR)	1.10	0.96	0.74	0.74
Div yield (%)	9.5%	8.3%	6.4%	6.4%
EV/Sales	1.1x	1.1x	1.1x	1.1x
EV/EBITDA	4.7x	5.2x	5.6x	5.4x
EV/EBIT	19.1x	11.5x	14.0x	14.1x

The French newspaper *Les Echos* wrote an article this morning on EDF and its "Grand Carénage" maintenance capex program, which is set to raise security at all 58 French reactors, and most importantly to expand the lifespan of EDF French nuclear fleet beyond the current 40 years. Strongly needed by EDF as it will further delay the potential decommissioning of most of its French nuclear asset base. At current power prices, this program is not economically viable. The carbon floor tax could set up a new deal for the EDF, however.

ANALYSIS

- **A quick word on "Grand Carénage" program:** This maintenance program (2014-25) which is set to raise security at all 58 French reactors closer to new EPR stanit will cost an estimated **EUR50-55bn** and implies an annual capex of c.**EUR5-5.5bn** (we estimate annual operating CF at c. EUR12bn).
- **Impact on EDF?** With this program, the group is securing the use its nuclear fleet in France, while providing work for most of its French employees over the next ten years, which should please the French government. Thanks to this program, the group will extend the lifespan of its nuclear fleet by at **least 10 years** (*from 40 to 60 years officially, yet as ASN only provides 10 years lifespan extension, the group will only be able to raise it to 50 years*). It will boost EBIT and net margin (lower depreciation), while reducing the provisions linked to the nuclear dismantling and nuclear storage in its balance sheet (higher discounted period). Our **EUR13.5 FV** is already integrating this capex program, and its positive impact on group's P&L and BS as well as the negative tax retrofit payment it will have to cash-out due to the lower depreciation. Besides this, our model is marked-to market, assuming we do not model a power price recovery in France over the short term.
- **Only higher power prices could make this maintenance program economically viable**: Yet the viability of this project is strongly linked to French power prices curve, as this massive capex program is not exposed to regulated tariffs implying all spending by the group is not protected by a tariff formula as for all regulated assets (*gas, power or water*). According to **Dominique Minière**, EDF executive director in charge of nuclear and thermal fleets the new cash cost of EDF nuclear fleet will be closer **to EUR30-40/MWh** after the investments while full economical cost will be closer to **EUR55/MWh**. These indications imply at current power prices (*EUR30/MWh*) that this program is not economically viable (*on both cash and P&L*) and could put further pressure on EDF's cash flow generation equation over the period. Investing in such a massive capex program makes no sense for the group, excect if it betting on a potential power price recovery. The implementation of a **carbon floor tax in France** and potentially in Europe could clearly help the group explaining why French government is pushing for such mechanism implementation as soon as in 2017. As a reminder we estimated EDF share price could more than double, assuming this mechanism pushes French forward power prices back above EUR40/MWh.
- **Conclusion**: EDF has no choice but to defend this program, given that it will raise the intrinsic value of its assets while conforting its dominant position inside French energy mix. Given the determination of the French government to support EDF's strong franchise in nuclear industry while saving jobs, we estimate this carbon tax will be implemented. We remain a buyer of EDF with FV unchanged at EUR13.5/share, as we assume most of negative newsflow is already priced in and, most importantly, as we estimate majorities' interests are aligned with minorities's despite the future French Presidential elections.

VALUATION

- At current share price, the stock is trading at 5.2x its 2016e EBITDA and offers a 8.3% yield
- Buy, FV @ EUR13.5

NEXT CATALYSTS

- July 29th: H1-2016 earnings

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TMT

Gameloft

Price EUR7.18

Fresh increase in the offer price to EUR8 per share; you can now tender your shares

Fair Value EUR7.2 (0%) **TENDER TO THE OFFER vs. BUY**

Bloomberg	GFT FP
Reuters	GLFT.PA
12-month High / Low (EUR)	7.6 / 3.2
Market Cap (EURm)	625
Ev (BG Estimates) (EURm)	570
Avg. 6m daily volume (000)	290.0
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.1%	12.2%	32.7%	18.5%
Softw.& Comp.	-3.0%	1.9%	-5.2%	-5.1%
DJ Stoxx 600	-4.4%	2.3%	-12.4%	-8.7%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	256.2	269.0	290.5	322.5
% change		*5.0%*	*8.0%*	*11.0%*
EBITDA	8.0	47.4	59.6	79.3
EBIT	-1.2	28.0	37.6	54.8
% change		*NS*	*34.2%*	*45.8%*
Net income	-19.6	19.2	26.6	38.1
% change		*NS*	*38.7%*	*43.3%*

	2015	2016e	2017e	2018e
Operating margin	-0.5	10.4	12.9	17.0
Net margin	-9.4	6.9	9.2	11.8
ROE	-21.2	14.0	16.7	19.3
ROCE	-1.1	25.7	30.9	39.4
Gearing	-32.4	-41.2	-45.4	-49.7

(EUR)	2015	2016e	2017e	2018e
EPS	-0.22	0.22	0.30	0.43
% change	*-*	*NS*	*38.7%*	*43.3%*
P/E	NS	33.1x	23.9x	16.7x
FCF yield (%)	NM	3.9%	4.0%	5.5%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	2.3x	2.1x	1.9x	1.6x
EV/EBITDA	73.6x	12.0x	9.3x	6.6x
EV/EBIT	NS	20.4x	14.7x	9.6x

Vivendi announced that its public tender offer price for the shares of Gameloft automatically increased from EUR7.2 to EUR8.0 per share. As a reminder, we estimated a fair hostile offer in the range EUR7.6-8.6 (vs. our FV of EUR7.2). This 2nd increase in the offer price is in the middle of our estimated range, and values GFT at an estimated EV/sales of 2.3x over 12 rolling months. We consider it should now be attractive enough to seduce investors. We therefore change our recommendation from "Buy" to "Tender to the offer".

FACTS

- Yesterday afternoon, **Vivendi informed the French market regulator AMF that it has raised its bid for Gameloft from EUR7.2 to EUR8.0 per share** (+46.0% vs. the share price prior to the announcement of the takeover bid on 18th February, +100.5% vs. the share price prior to Vivendi being a shareholder on 14th October 2015, +11.4% vs. yesterday's closing price, and +5.7% vs. its two-year high). **This is the second increase in the offer price** (having already been raised from EUR6.0 to EUR7.2 per share on 29th February) and has automatically resulted from an acquisition of a block of 148,743 shares at EUR8. So, **Vivendi now owns 25,572,749 Gameloft shares (29.37% of the share capital and 26.47% of the voting rights)**.

ANALYSIS

- Vivendi's first bid was too low (EUR6), while the EUR7.2 was reasonable. However, **Gameloft's mid-term outlook deserved more than EUR7.2 per share, and as Vivendi is seeking to acquire Ubisoft, which has to be a friendly move, it had to be generous with Gameloft** (the Guillemot family runs both companies). As a result, we were betting on an increase in the offer price.
- **We estimated a fair offer in the range EUR7.6-8.6** (vs. our FV of EUR7.2). So, **this new offer price of EUR8.0 is in the middle of our estimated range**, and **values GFT at an estimated EV/sales of 2.3x over 12 rolling months** (6 months of 2016e and 6 months of 2017e). As a result, we consider **it should now be attractive enough to seduce investors.**

VALUATION

- **We now advise investors to tender their shares at this new offer price of EUR8.0.** We therefore change our **recommendation from "Buy" to "Tender to the offer"**.

NEXT CATALYSTS

- **Gameloft should hold a board meeting in the coming days** to evaluate the Vivendi offer. **Whatever, it is now in the hands of shareholders and, in our view, the offer is now really fair**.
- Unless the AMF decides to make a change to the calendar, **the offer will expire on 27th May**.

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TMT

STMicroelectronics

Price EUR5.01

2016 capital market day feedback: our view remains unchanged

Fair Value EUR6.3 (+26%) **NEUTRAL**

Bloomberg	STM FP
Reuters	STM.FR
12-month High / Low (EUR)	7.9 / 4.6
Market Cap (EURm)	4,564
Ev (BG Estimates) (EURm)	3,961
Avg. 6m daily volume (000)	2,381
3y EPS CAGR	30.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.1%	-3.7%	-24.8%	-18.9%
Semiconductors	-5.2%	3.0%	-10.8%	-7.6%
DJ Stoxx 600	-4.4%	2.3%	-12.4%	-8.7%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	6,897	6,882	6,998	7,151
% change		*-0.2%*	*1.7%*	*2.2%*
EBITDA	910	972	1,083	1,245
EBIT	174.0	256.7	355.0	500.9
% change		*47.5%*	*38.3%*	*41.1%*
Net income	175.0	178.1	262.2	386.0
% change		*1.8%*	*47.2%*	*47.2%*

	2015	2016e	2017e	2018e
Operating margin	2.5	3.7	5.1	7.0
Net margin	2.5	2.6	3.7	5.4
ROE	2.2	3.8	5.6	8.2
ROCE	5.1	4.7	7.1	10.9
Gearing	-10.5	-14.5	-18.2	-22.4

(USD)	2015	2016e	2017e	2018e
EPS	0.20	0.20	0.30	0.44
% change	-	*2.0%*	*46.4%*	*49.0%*
P/E	28.3x	27.7x	18.9x	12.7x
FCF yield (%)	5.2%	7.9%	8.8%	11.2%
Dividends (USD)	0.40	0.24	0.30	0.39
Div yield (%)	7.1%	4.3%	5.4%	7.0%
EV/Sales	0.7x	0.6x	0.6x	0.6x
EV/EBITDA	5.1x	4.6x	3.9x	3.3x
EV/EBIT	26.6x	17.3x	12.0x	8.1x

The capital market day held yesterday by STMicroelectronics did not change our view regarding ST. The management stressed the strength of ST's portfolio (we agree) and how to improve profitability to a 10% EBIT margin. When it comes to drawing a bridge with the current level of margin, volume is said to be a very important contributor. The group's manufacturing capabilities implies a revenue level of about USD1.85m, while Q1-16 revenue stood at USD1.61m and the environement is particularly competitive. Following this capital market day, we make no change to our model.

ANALYSIS

- **The 10% EBIT margin target comes back in the cards, but the timing remains unclear.** During the presentation, the management shared details about the expected operating margin per division. ADG, AMG, MDG and Others' EBIT margins are anticipated to reach >10%, 5-10%, >10% and >0% respectively, which compares to 7.1%, 6.5%, 1.3% (12.7% excl. STB) and -USD157m achieved in FY15. Given the weight of each division in overall business, this leads to about 10% EBIT margin (excl. STB). However, when it comes to timing and details on how to get there, management remains almost mute, except to say that volume increases will help significantly. Obviously, another contributor will be the winding down of STB, which is said to generate about USD100m saving in 2016, USD145m in 2017 and USD170m upon completion or 2.5% of current rev.

- **About USD600m capex in 2016 with 50% for Front-End and 50% for Back-End.** For 2016, the group forecasts to spend about USD600m to develop and reshape both Front-End production (silicon level production) and Back-End production (packaging silicon dies to final components). In the Front-End side, the group plans to update 300mm fabs to new technologies (such as FD-SOI, BCD…) and expand 200mm. The aim of these investments is to achieve faster time to market. **In addition, we understand that the group is now open for external growth,** but no comment was made during the capital market day except to say ST can afford a deal.

- **The group came back on its two new focus areas, Smart Driving and IoT. Regarding IoT**, the group sees opportunity in many applications and wants to leverage on its broad product portfolio and especially microcontrollers (General Purpose and Secure MCUs), connectivity products (Wi-Fi, BT, Lora, Sigfox…), sensors and power & energy management. The group also redescribed its strategy to build a one-stop shop with fast, integrated and affordable all-in-one solutions that is also the right strategy to adopt, in our view (same prototyping tool, same architecture…). We believe the main assets here is ST's strong MCUs portfolio and a leading market position (#1 WW) continuing to generate rapid growth. However, we also believe that the pressure will increase on sensor and the future of sensor business at ST also strongly depends on the leverage that can be done by ST's MCU success.

- **Regarding Smart driving, the group sees also a major opportunity thanks to a fast evolving market.** Indeed, ST hold a strong position in the automobile market with about 9% market share (#4 WW), while the group holds a privileged position by addressing about 90% (value) of needs with its wide product portfolio and strong R&D pipeline in strong growing applications such as in ADAS (ST already holds 30% market share of a market of USD550m by 2015) and electric vehicles (a market of USD140m by 2015). In addition, the group gave an update on its 32bit Automotive MCUs and said this product line grew by +60% in 2015 and expect to see a >50% growth in 2016. Again, we are convince that the group has a strong product portfolio to succeed.

VALUATION

- **We are maintaining our Neutral recommendation and our FV of EUR6.3.** Based on our estimates, STMicroelectronics' shares are trading on a 2016e P/E ratio of 27.7x, yielding a PEG ratio of 0.9x. This compares to the peer group (Logic & Analog IDMs) trading on 2016e P/E ratio of 17.3x.

NEXT CATALYSTS

- 22 July 2016 (preliminary): Q2 results

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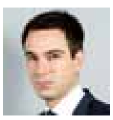

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Richemont

Price CHF61.60

FY results below expectations and poor start of the year!

Fair Value UNDER REVIEW **BUY**

Bloomberg	CFR VX
Reuters	CFR.VX
12-month High / Low (CHF)	86.9 / 59.0
Market Cap (CHF)	34,496
Ev (BG Estimates) (CHF)	26,373
Avg. 6m daily volume (000)	1,763
3y EPS CAGR	17.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.7%	-5.2%	-20.7%	-14.6%
Pers & H/H Gds	-2.8%	1.7%	-5.2%	-1.1%
DJ Stoxx 600	-4.4%	2.3%	-12.4%	-8.7%

YEnd Mar. (EURm)	03/15	03/16e	03/17e	03/18e
Sales	10,410	11,160	11,460	12,290
% change		*7.2%*	*2.7%*	*7.2%*
EBITDA	3,060	2,660	2,750	3,125
EBIT	2,436	2,250	2,340	2,715
% change		*-7.6%*	*4.0%*	*16.0%*
Net income	1,336	1,770	1,800	2,145
% change		*32.5%*	*1.7%*	*19.2%*

	03/15	03/16e	03/17e	03/18e
Operating margin	23.4	20.2	20.4	22.1
Net margin	12.8	15.9	15.7	17.5
ROE	9.3	10.3	9.0	9.4
ROCE	23.3	18.9	17.7	19.2
Gearing	-39.6	-42.6	-45.8	-48.6

(EUR)	03/15	03/16e	03/17e	03/18e
EPS	2.39	3.16	3.21	3.83
% change	-	*32.5%*	*1.7%*	*19.2%*
P/E	23.3x	17.6x	17.3x	14.5x
FCF yield (%)	4.8%	7.9%	8.8%	9.9%
Dividends (EUR)	1.60	1.85	2.10	2.20
Div yield (%)	2.9%	3.3%	3.8%	4.0%
EV/Sales	2.4x	2.1x	1.9x	1.6x
EV/EBITDA	8.3x	8.9x	8.0x	6.4x
EV/EBIT	10.4x	10.6x	9.4x	7.4x

Richemont reported FY 16 (end March 16) this morning with revenues at EUR11.1bn (consensus:EUR11.16bn), implying a 1% organic sales decline of which -6% in Q4 alone. FY current EBIT stood at EUR2.15bn (consensus: EUR2.27bn), down 11%. Current EBIT margin is down 400bp to 19.5%. Furthermore, April sales are clearly disappointing with 15% sales decline.

ANALYSIS

- **Richemont 2015/16 sales grew 6.4% to EUR11.1bn and declined 1% organically (consensus at -1%)**. This implies a 6% decline in Q4 alone after -4% in Q3 and +1% on 9m. By geographical area and at same forex, we want to highlight the clear deterioration during the last quarter in **Europe** (-8% in Q4 following -3% in Q3), as some peers, consequence of significant lower tourists flows (mainly Chinese clientele) since the beginning of the year. On the other hand, In **Asia Pacific (36% of sales)**, sales were down 13% on FY, implying -7% in Q4 after -9% in Q3, as Mainland China was better oriented recently (even if in Hong Kong, trend remained strongly negative). **America** (16% of sales) momentum was not so bad in Q4 with a 1% decline following -3% in Q3. Luxury market in US is clearly slowing down (lack of tourists, poor trend with local consumers…). Lastly and surprisingly, in **Japan** (9% of sales) revenues declined in Q4 by 8% following +9% in Q3 as we have seen less Chinese tourists given the recent JPY strength. FY Retail sales grew by 5% (+8% on 9m) while wholesale revenues declined 7% (-7% on 9m).

Quarterly organic sales growth by geographical area

Ifl chge %	H1 16	Q3 16	9m 16	Q4 16	FY 16
Europe	24	-3	15	-8	10
Middle East	4	0	2	2	2
Asia Pacific	-17	-9	-15	-7	-13
America	1	-3	-1	-1	-1
Japan	44	9	30	-8	20
Group	**3**	**-4**	**1**	**-6**	**-1**

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

- By division, the worst performance has been achieved by the Watchmakers (30% of sales) with around a 4% decline while Jewellery Maisons (53% of sales) momentum was almost stable. By business, Jewellery revenues grew while watches were down.
- **Recurrent Group EBIT declined 11% to EUR2.15bn (consensus: EUR2.27bn)**, implying a 400bp EBIT margin decline to 19.5%. The reported EBIT stood at EUR2.04bn as it includes a one off charge of EUR97m (restructuring costs and one-time charges in order to adjust fixed costs) that concerns all the divisions. Gross margin declined 4% and gross margin decreased 180bp to 64.3%. Gross profit includes a one-off charge of EUR67m.
- This negative move has been driven by the Watchmakers division (-730bp to 16.1%), while profitability of Jewellery Maisons are down 360bp to 31.3%, mainly due to Cartier watches sales significant decline. Lastly …
- Furthermore, April has achieved a clear disjointing performance with a 15% sales decline at constant exchange rate. The only good news is coming from Mainland China where sales were up 26%, and retail outperforming wholesale.

VALUATION

- The stock is trading with a 6% discount vs. peers.

NEXT CATALYSTS

- 5m trading statement to be reported on September 14th.

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Construction & Building Materials

Eiffage

Price EUR67.90

Bloomberg	FGR FP
Reuters	FOUG.PA
12-month High / Low (EUR)	70.1 / 47.8
Market Cap (EURm)	6,660
Avg. 6m daily volume (000)	298.5

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.0%	9.3%	18.0%	14.1%
Cons & Mat	-2.9%	5.9%	-4.5%	-2.0%
DJ Stoxx 600	-4.4%	2.3%	-12.4%	-8.7%

	2015	2016e	2017e	2018e
P/E	20.2x	17.0x	15.2x	12.6x
Div yield (%)	2.2%	2.2%	2.2%	2.2%

Bpifrance to sell 7.8% of the capital, o/w 6.76% through a placement

Fair Value EUR73 (+8%) **BUY**

ANALYSIS

- Bpifrance has announced the placement of 6.6 million shares of Eiffage, corresponding to 6.76% of the capital, through an accelerated bookbuilding and the sale of 1 million directly to Eiffage. According to Bpifrance press release, there will be a 180-day lock-up period.
- Eiffage is committed to acquire these 1 million shares at the placement price, i.e. EUR66.2 says Bloomberg, 2.5% below last closing price. Order books have been closed last night (Bloomberg)
- Following this operation, Bpifrance will hold 5.67% of Eiffage capital. The other shareholders are the staff (26%), Blackrock (6%); while the free float will increase to 57%. It worth underlying 3% of the capital has been created recently through a capital increase reserved for the employees.

Shareholding structure

Shares in millions	pre deal – shares #	Split	post deal – shares #	Split
Staff	25.3	25.8%	25.3	25.8%
Treasury shares	4.7	4.8%	5.7	5.8%
BPI	13.3	13.5%	5.6	5.7%
Blackrock	6.0	6.1%	6.0	6.1%
Free float	48.9	49.8%	55.5	56.6%
Total	**98.1**	**100.0%**	**98.1**	**100.0%**

VALUATION

- EUR43 through a SOTP

NEXT CATALYSTS

- APRR Q2 2016 on 21 July 2016

Eric Lemarié, elemarie@bryangarnier.com

Business Services

ELIOR

Price EUR19.00

Exclusive negotiations with Autogrill Restauration Service (railway concessions in France)

Fair Value EUR23 (+21%) **BUY-Top Picks**

Bloomberg	ELIO FP
Reuters	ELIO.PA
12-month High / Low (EUR)	19.8 / 16.3
Market Cap (EURm)	3,273
Avg. 6m daily volume (000)	217.1

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.9%	8.5%	8.6%	-1.6%
Travel&Leisure	-1.6%	-1.5%	-8.5%	-10.5%
DJ Stoxx 600	-4.4%	2.3%	-12.4%	-8.7%

	09/15	09/16e	09/17e	09/18e
P/E	23.9x	16.8x	13.3x	12.2x
Div yield (%)	1.7%	2.1%	2.7%	3.0%

ANALYSIS

- Management has announced that it has entered into exclusive negotiations with **Autogrill** to buy 100% of **Autogrill Restauration Service,** which manage concessions in railway stations in France. The exclusivity has been granted to Elior by Autogrill until 31st July, 2016.
- **Autogrill Restauration Service** generates EUR50m total annual revenue and will reinforce market share of **Elior** significantly. In Railways, City sites & Leisure, **Elior** generated total revenue of c. EUR380m i.e. over 22% of Concession Catering and c.7% of **Elior** 2015 consolidated revenue.
- In **France**, the railway concessions market weighs about EUR350m and is growing around 3% per year and **Elior** is the leader. Remember that at the end of last year the group signed a large contract with SNCF for the management of 34 foodservices outlets in eight train stations o/w Gare du Nord and Lille-Europe, worth an estimated EUR700m over 10 years, with full ramp-up in 2017.

VALUATION

- At the current share price, the stock is trading 9.1x EV/EBITDA 2015-16e and 8.2x 2016-17e.

NEXT CATALYSTS

- H1 results on 27th May (before market).

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TMT

Wirecard

Price EUR41.07

Key points to take away from yesterday's conf. call

Fair Value EUR52 (+27%) **BUY-Top Picks**

Bloomberg	WDI GR
Reuters	WDIG.DE
12-month High / Low (EUR)	47.4 / 31.2
Market Cap (EUR)	5,074
Avg. 6m daily volume (000)	889.2

	1 M	3 M	6 M	31/12/15
Absolute perf.	15.4%	-3.4%	-10.5%	-11.7%
Softw.& Comp. SVS	-3.0%	1.9%	-5.2%	-5.1%
DJ Stoxx 600	-4.4%	2.3%	-12.4%	-8.7%

	2015	2016e	2017e	2018e
P/E	31.0x	22.5x	17.7x	14.5x
Div yield (%)	0.3%	0.3%	0.4%	0.4%

ANALYSIS

- According to management, Q1 is a good indicator of the business trend in ecommerce, both in Europe and outside Europe (strong start to the year).
- Q1 is usually the weakest quarter, yet it was a strong quarter in 2016. So, this shows that the FY16 guidance is conservative (EBITDA guidance of EUR290-310m vs. BG at EUR306.3m and consensus at EUR300.1m). And the group is well on track to reach its 2020 targets, it also qualified these targets as "conservative" (EBITDA margin of 30-35% vs. BG @ 31.9%; 29.5% reported in FY15).
- The decline in interchange fees lowered the Q1 top line by EUR6m. If we restate the organic revenue growth from this element, it would have been +24% lfl (vs. +20% lfl reported, in line with our estimate). However, the decline in interchange fees is neutral on the EPS (less revenue but higher gross margin and EBITDA margin). The group expects a negative impact of -EUR30m on the revenue side over FY16. This is exactly what we have in our model (we have a +20.3% lfl revenue growth in FY16).
- Wirecard expects margin improvements in the next few years (from the decline in interchange fees, the scaling effect, the margin improvement coming from the last acquisitions, and it expects to reap the benefits from its investments in mobile payment in recent years).
- The group confirms that the Bafin is investigating "market manipulation". The group does not have any further information, it is concentrated on the operating level: "market manipulation investigation is the job of authorities".

VALUATION

- No surprise in the press release and during the conference call, good figures as expected, confirmation that the FY16 EBITDA guidance is conservative. The 6% fall in the share price yesterday morning was clearly a buying opportunity.
- With our conservative 2016 estimates (yet 7.6% above the consensus on the EPS level), the stock is trading with a P/E of 22.5x vs. a rest. EPS growth of +37.9%. Buy rating – FV of EUR52 (Top Pick).

NEXT CATALYSTS

- AGM: 16th June; H1 financial statements: 11st August (before trading).

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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% NEUTRAL ratings 33.8% SELL ratings 9.2%

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