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27th May 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17828.29	-0.13%	+2.31%
S&P 500	2090.1	-0.02%	+2.26%
Nasdaq	4901.77	+0.14%	-2.11%
Nikkei	16834.84	+0.37%	-11.88%
Stoxx 600	348.909	+0.10%	-4.62%
CAC 40	4512.64	+0.69%	-2.68%
Oil /Gold			
Crude WTI	49.18	0.00	+32.20%
Gold (once)	1222.85	+0.05%	+15.10%
Currencies/Rates			
EUR/USD	1.11845	+0.36%	+2.96%
EUR/CHF	1.10695	+0.20%	+1.80%
German 10 years	0.144	-5.38%	-77.26%
French 10 years	0.484	+1.73%	-50.70%
Euribor	-	+-%	+-%

Economic releases :

Date	
27th-May	JP - National CPI Apr. (-0.3%A -0.4%E)
	US - GDP Annualized (0.9% E)
	US - U. of Michigan Confidence May
	US - J. Yellen to speak at Harvard
	US - Baker Hughes Rig Count (404 P)

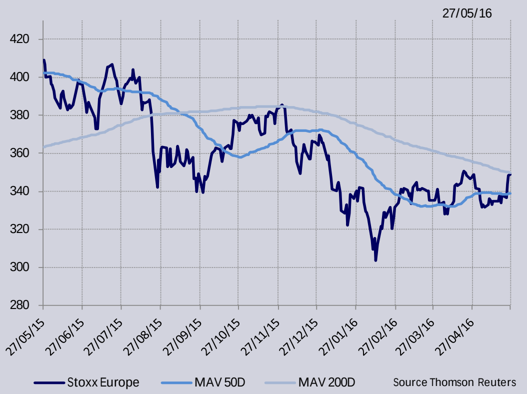
Upcoming BG events :

Date	
7th-Jun	Cahiers Verts de l'Economie (BG Paris Lunch)
8th-Jun	Cahiers Verts de l'Economie (BG Paris Lunch)
13th-Jun	NOVARTIS (BG Paris roadshow with IR)
15th-Jun	GENMAB (BG Paris roadshow)
27th-Jun	IMERYS (BG Luxembourg with CFO)

Recent reports :

Date	
23rd-May	SHIRE : A "rare" opportunity!
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

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



ROCHE — BUY, Fair Value CHF293 (+16%)

GALLIUM positive is very good news for Gazyva and CD20 franchise

The investment community usually sees GOYA as the key remaining phase III study to determine whether Gazyva can be an effective line of defense for the rituximab franchise. This is partially because results were anticipated earlier than GALLIUM's. But actually the latter phase III trial met its primary endpoint (PFS) early, which now makes it possible to file sooner than anticipated and may be to get a first-line iNHL indication on label before the first biosimilar comes out next year. So far, Gazyva has had a slow start because its scope of indications is limited to a small subset of the total CD20 addressable market. This could change and our CHF1.6bn peak sales look achievable.

SOPRA STERIA GROUP — BUY, Fair Value EUR130 vs. EUR121 (+13%)

Looking beyond 2017, and no big concerns on SSCL

We reiterate our Buy rating and have raised our DCF-derived Fair Value from EUR121 to EUR130, following the increase in our medium-term assumptions for Ifl revenue growth from 4.5% to 5% (+EUR5/share) and for adj. EBIT margin from 9% to 9.5% (+EUR4/share). While at this stage we are confident that FY17 targets are likely to be achieved, we consider that Sopra Steria has the means to deliver operating margin of 10% or more over the medium-term (barring an economic shock).

BUSINESS SERVICES

TIC : Worth being selective (full report published today)

Although the TIC market's medium/long-term outlook remains very positive, the short-term is a bit more challenging since no longer underpinned by the super cycle in commodities. Between the two main leaders, we confirm our hierarchy anticipating short-term outperformance from SGS (Buy) with a FV upgraded to CHF2,400 vs. Bureau Veritas (Neutral). Regarding Eurofins, the valuation reflects the strong operating performance and ambitious management but leaves no room for disappointment. At the current share price (not far from all-time high) we recommend taking profits and are initiating coverage with a Sell recommendation based on a FV of EUR340.

In brief...

ASK, *Termination of coverage*

ELIOR, *H1 results: Strong Ifl revenue growth and margin improvement. FY guidance confirmed*

HEIDELBERGCEMENT, *EU anti-trust clearance: another step towards Italcementi acquisition*

AXA, *New Top Management team*

ASTRAZENECA, *Negative news on ZS-9 offset positive one on Faslodex*

Healthcare

Roche

Price CHF253.20

GALLIUM positive is very good news for Gazyva and CD20 franchise

Fair Value CHF293 (+16%) **BUY**

Bloomberg	ROG VX
Reuters	ROG.VX
12-month High / Low (CHF)	282.5 / 233.2
Market Cap (CHFm)	177,889
Ev (BG Estimates) (CHFm)	190,458
Avg. 6m daily volume (000)	1 465
3y EPS CAGR	5.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.4%	-2.7%	-7.6%	-8.4%
Healthcare	2.7%	4.3%	-8.0%	-6.3%
DJ Stoxx 600	0.5%	5.2%	-9.2%	-4.6%

YEnd Dec. (CHFm)	2015	2016e	2017e	2018e
Sales	48,145	50,118	51,371	52,555
% change		*4.1%*	*2.5%*	*2.3%*
EBITDA	19,430	20,244	21,226	21,459
EBIT	13,821	17,013	18,426	19,259
% change		*23.1%*	*8.3%*	*4.5%*
Net income	11,626	12,603	13,561	13,770
% change		*8.4%*	*7.6%*	*1.5%*

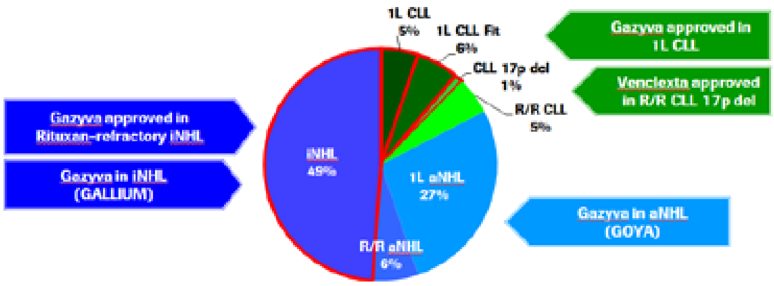
	2015	2016e	2017e	2018e
Operating margin	28.7	33.9	35.9	36.6
Net margin	24.1	25.1	26.4	26.2
ROE	43.7	50.1	45.5	40.5
ROCE	28.1	27.7	28.4	28.3
Gearing	60.4	44.7	28.2	14.4

(CHF)	2015	2016e	2017e	2018e
EPS	13.49	14.62	15.73	15.97
% change	*-*	*8.4%*	*7.6%*	*1.5%*
P/E	18.8x	17.3x	16.1x	15.9x
FCF yield (%)	5.4%	4.5%	5.4%	5.9%
Dividends (CHF)	8.10	8.78	9.45	9.59
Div yield (%)	3.2%	3.5%	3.7%	3.8%
EV/Sales	4.0x	3.8x	3.6x	3.5x
EV/EBITDA	9.9x	9.4x	8.8x	8.6x
EV/EBIT	13.9x	11.2x	10.2x	9.5x

The investment community usually sees GOYA as the key remaining phase III study to determine whether Gazyva can be an effective line of defense for the rituximab franchise. This is partially because results were anticipated earlier than GALLIUM's. But actually the latter phase III trial met its primary endpoint (PFS) early, which now makes it possible to file sooner than anticipated and may be to get a first-line iNHL indication on label before the first biosimilar comes out next year. So far, Gazyva has had a slow start because its scope of indications is limited to a small subset of the total CD20 addressable market. This could change and our CHF1.6bn peak sales look achievable.

ANALYSIS

- This morning Roche said that the GALLIUM phase III study had reached its primary endpoint early which means that Gazyva+CT during the induction phase followed by Gazyva alone in the maintenance phase proved superior to rituximab/CT followed by rituximab, which has been the standard of care in first-line iNHL. The measure was progression-free survival (PFS).
- That's also what happened in the past with the GADOLIN study which studied Gazyva in R/R iNHL but this time after rituximab failed and vs bendamustine. For the first time here, Gazyva shows superiority over rituximab and in the prime setting of the reference product. As illustrated below, this time it is opening a much wider segment of current rituximab market to Gazyva, although it is fair to say that most of the patients in the GALLIUM had follicular NHL which is not the whole part of iNHL.



Source: Roche

- This is a very meaningful piece of news for Roche's CD20 franchise in our view. Together with venetoclax and the subcutaneous formulation, Gazyva will be a key line of defense for this CHF7bn+ franchise that is likely to face biosimilar competition by the end of 2017 in the first European countries (Sandoz recently confirmed acceptance of the filing). The RA portion of rituximab's sales is more likely to go but as long as the haematology part, GALLIUM is improving the chance of the franchise to be highly resilient and to erode only slowly. Whether GALLIUM increases the chance of GOYA –whose results are expected in 2016 - to be successful too is difficult to say.

VALUATION

- Gazyva is a product we've been more optimistic about than the consensus since the beginning but so far it has delivered poorly. Now with positive data with GALLIUM, confidence is increasing that the CD20 franchise will be aggressively defended against biosimilars.
- GALLIUM/GOYA on one hand and even more importantly APHINITY on the other are key assets for Roche. If they both deliver positive results the group would find itself in a very comfortable position for getting through the biosimilar period. APHINITY should only deliver data at the end of 2016.

NEXT CATALYSTS

- 3-7 June 2016 : ASCO meeting

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TMT

Sopra Steria Group

Price EUR115.40

Looking beyond 2017, and no big concerns on SSCL

Fair Value EUR130 vs. EUR121 (+13%) **BUY**

Bloomberg	SOP FP
Reuters	SOPR.PA
12-month High / Low (EUR)	119.0 / 78.3
Market Cap (EUR)	2,360
Ev (BG Estimates) (EUR)	2,802
Avg. 6m daily volume (000)	22.50
3y EPS CAGR	15.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	16.1%	24.1%	6.5%	6.6%
Softw.& Comp.	3.4%	5.6%	-1.0%	-0.6%
DJ Stoxx 600	0.5%	5.2%	-9.2%	-4.6%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	3,584	3,779	3,981	4,158
% change		*5.4%*	*5.4%*	*4.4%*
EBITDA	295	344	390	420
EBIT	152.6	253.1	296.3	326.2
% change		*65.9%*	*17.1%*	*10.1%*
Net income	150.9	182.7	213.0	231.3
% change		*21.1%*	*16.6%*	*8.6%*

	2015	2016e	2017e	2018e
Operating margin	6.8	7.8	8.5	8.9
Net margin	2.4	4.0	4.5	4.8
ROE	6.8	11.2	12.0	12.0
ROCE	11.0	11.6	13.2	14.1
Gearing	43.0	32.7	20.4	10.5

(€)	2015	2016e	2017e	2018e
EPS	7.38	8.91	10.39	11.29
% change	-	*20.9%*	*16.6%*	*8.6%*
P/E	15.6x	12.9x	11.1x	10.2x
FCF yield (%)	2.1%	4.6%	7.2%	8.0%
Dividends (€)	1.70	1.90	2.10	2.30
Div yield (%)	1.5%	1.6%	1.8%	2.0%
EV/Sales	0.8x	0.7x	0.7x	0.6x
EV/EBITDA	9.8x	8.2x	6.8x	6.0x
EV/EBIT	11.8x	9.5x	7.9x	6.9x

We reiterate our Buy rating and have raised our DCF-derived Fair Value from EUR121 to EUR130, following the increase in our medium-term assumptions for lfl revenue growth from 4.5% to 5% (+EUR5/share) and for adj. EBIT margin from 9% to 9.5% (+EUR4/share). While at this stage we are confident that FY17 targets are likely to be achieved, we consider that Sopra Steria has the means to deliver operating margin of 10% or more over the medium-term (barring an economic shock).

ANALYSIS

- **Looking beyond 2017: room for more growth and margins**. In early 2015, management amended 2017 objectives to EUR3.8-4bn in revenues and op. margin of 8-9%, from EUR4bn and 9-10%, respectively when it announced the acquisition of Steria in April 2014. This revision was justified by salary hikes, accelerated investments in Solutions, and the pre-election climate in the UK. We estimate that Sopra Steria is well under way to achieve its amended targets since it is in line with its EUR62m in planned synergies with Steria. However, we consider that 2017 will not be the end of the story, and believe Sopra Steria has the means to approach an op. margin of 10% or above in the medium-term thanks to more business in the Solutions business (Banking Software, HR Software, Real Estate: est. 15% of 2016 sales), more service automation and industrialisation, and more offshoring (currently 17%). In particular, we consider the Solutions business has the means to generate an op. margin of 15% (vs. c. 10%), vs. 10%+ (from 8.7%) for Consulting & Systems Integration in France, and 6-7% (vs. breakeven) for Infrastructure & Security Services (I2S). For lfl revenue growth, the company's guidance is +3-5% for 2016, and we believe that reaching +5% or above beyond 2016, will depend on some acceleration in Solutions, I2S and in Other Europe.
- **NAO highlighting poor governance of an outsourcing contract with the Cabinet Office**. On 18th May, the British National Accounts Office (NAO) published a report which highlighted that the government's share service centres (one outsourced to Arvato, and the other outsourced to SSCL - the JV company 75% owned by Sopra Steria and 25% owned by the Cabinet Office) reported) significantly lower cost savings (GBP90m for a cost of GBP94m) than planned (GBP128m per year), due to delays in the migration to a single operating platform (only 2 of the 26 customers have moved so far). On the SSCL side, which accounts for an est. 25% of Sopra Steria's revenues in the UK, the report pointed out the poor governance of the contract by the Cabinet Office.
- **No big concerns on SSCL**. This kind of governance issue on SSCL happens often with governments, even in the UK, and the NAO public report may act as an incentive for the Cabinet Office to improve IT governance and help Sopra Steria achieve its objectives. We understand there were some roadblocks which prevented SSCL from relocating some work offshore, for instance. We also understand that if Sopra Steria is more likely to post a low single-digit lfl decline in the UK in 2016 instead of flat sales (Q1 was at -2.3% lfl), this is basically due to the inability to absorb volumes on additional contracts. Conversely, 2017 is, in our view, likely to see SSCL revenues picking up again thanks to the onboarding of new customers and the ability to absorb additional volumes.

VALUATION

- Sopra Steria's shares are trading at est. 9.5x 2016 and 7.9x 2017 EV/EBIT multiples.
- Net debt on 31st December 2015 was EUR530.8m (net gearing: 43%).

NEXT CATALYSTS

- AGM on 22nd June.
- H1 2016 results on 28th July before markets open.

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Sector View

Business services

TIC : Worth being selective (full report published today)

	1 M	3 M	6 M	31/12/15
Inds Gds & Svs	1.2%	8.7%	-3.8%	1.8%
DJ Stoxx 600	0.5%	5.2%	-9.2%	-4.6%

*Stoxx Sector Indices

Companies covered

BUREAU VERITAS		**NEUTRAL**	**EUR22**
Last Price	EUR19.425	*Market Cap.*	EUR8,586m
SGS SA		**BUY**	**CHF2400 vs.2150**
Last Price	CHF2152	*Market Cap.*	*CHF16,833m*
EUROFINS		**SELL**	**EUR340**
	COVERAGE INITIATED		
Last Price	EUR345.7	*Market Cap.*	*EUR5,317m*

Although the TIC market's medium/long-term outlook remains very positive, the short-term is a bit more challenging since no longer underpinned by the super cycle in commodities. Between the two main leaders, we confirm our hierarchy anticipating short-term outperformance from SGS (Buy) with a FV upgraded to CHF2,400 vs. Bureau Veritas (Neutral). Regarding Eurofins, the valuation reflects the strong operating performance and ambitious management but leaves no room for disappointment. At the current share price (not far from all-time high) we recommend taking profits and are initiating coverage with a Sell recommendation based on a FV of EUR340.

- **The fundamentals remain positive.** The huge TIC market is estimated at EUR200bn, o/w EUR80bn is addressable. As estimated by MarketsandMarkets, the outsourced market should grow by a 5% CAGR over 2015-2020 supported by structural drivers i.e. globalization which requires standards, scandals in sanitary and outsourcing potential notably in Greater China. Market consolidation is continuing with significant M&A activity by the leading companies.
- **Short-term more challenging for the two leaders ….** Mainly due to the weakness of commodity-related activities and no new short-term growth drivers to bridge the situation, growth is currently under pressure. This is the case for the two leaders with nevertheless a much better operating performance at **SGS** (lfl growth at least 2.5% in H1e) compared to **Bureau Veritas** (-0.6% in Q1).
- **…while Eurofins continues to report strong performance.** With no presence in commodities, Eurofins is the only one of the four major quoted companies which hasn't been impacted. In fact, Q1 revenue was up over 10% after a strong Q4 and Q3 2015 and we are anticipating 8% in 2016.
- **Valuation historically high.** All the companies are trading at high multiples based on strong long-term organic growth, positive M&A impacts and margin resilience (17.5x 2016e EV/EBIT for SGS, 13x for BVI and 20.2x for Eurofins). Taking into account each operator's short term challenges and perspectives, we confirm our Buy recommendation on **SGS** with a FV upgraded to CHF2,400 and our Neutral on **BVI** with EUR22. We initiate **Eurofins** at Sell with a FV of EUR340 due to the high valuation (justified) which leaves no room for disappointment concerning lfls and the EBITDA margin improvement; and a potential capital increase that cannot be ruled out.
- **EUROFINS SCIENTIFIC : (SELL, FV EUR340)**

  In the TIC sector, Eurofins focuses on testing with no inspection or certification activity unlike the other companies we follow. As the worldwide no.6 in terms of revenue, the group has a strong presence in food testing and now also in pharma and clinical diagnostics but no presence in commodities. The growth strategy is the same as the other players, split between organic growth and M&A, in which the group is particularly active. The current valuation with high multiples, reflecting a strong market track record and ambitious management, leaves no room for disappointment (lfl growth, M&A strategy in view of the group's financial constraints, EBITDA margin improvement).
- **SGS : (BUY, FV CHF2400 vs. 2150)**

  The strong re-rating, especially after the FY results publication in mid-January, confirms the group's cost flexibility in an environment lacking visibility (stock price up c.9% ytd in absolute terms, outperforming the DJ Stoxx in Euro by 17.5%). Although the "old" main growth sectors, i.e. Oil, Gas and chemicals, Minerals and Industrial services are not delivering at the moment, we nevertheless understand after our contact with the company that current trading is much better than for Bureau Veritas in all segments. Taking into account this situation, lfl revenue growth in H1 should be in line with the FY 2016 guidance (between 2.5% and 3.5%) and the top of the range seems now reachable for the full year. We upgrade our lfl revenue growth, maintaining a flat adjusted operating margin vs. last year at 16.1%. Our FV moves to CHF2,400 from CHF2,15**0.**
- **BUREAU VERITAS : (BUY, FV EUR22)**

  The TIC market's medium/long-term outlook remains very positive even if market growth is less sustained by trade globalisation, which has matured, or the super cycle in commodities. Moreover, Bureau Veritas is engaging in growth initiatives which should bring in at least 4% organic growth CAGR in the next five years even if we assume no market growth. Nevertheless, the short term is under pressure with a lack of visibility in some businesses and organic growth turning negative in Q1 2016 as expected but at a higher pace. Due to this situation with no improvement expected in Q2 and the lack of visibility due to macro-economic uncertainties, the share price should continue to be volatile.

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TMT

ASK

Price EUR1.09

Termination of coverage

Fair Value EUR2.4 (+120%)

CORPORATE

Bloomberg	ASK FP
Reuters	ASK.PA
12-month High / Low (EUR)	2.7 / 1.1
Market Cap (EURk)	9,647
Avg. 6m daily volume (000)	66.30

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.9%	-3.5%	-33.1%	-36.3%
Industry	-2.4%	4.5%	-9.7%	-8.5%
DJ Stoxx 600	-2.4%	4.5%	-9.7%	-8.5%

	2014	2015e	2016e	2017e
P/E	NS	NS	35.5x	5.0x
Div yield (%)	NM	NM	NM	NM

From 27 May 2016, we will **no longer include ASK in our research universe**.

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Business Services

ELIOR

Price EUR19.75

H1 results: Strong lfl revenue growth and margin improvement. FY guidance confirmed

Fair Value EUR23 (+16%) **BUY-Top Picks**

Bloomberg	ELIO FP
Reuters	ELIO.PA
12-month High / Low (EUR)	19.8 / 16.4
Market Cap (EUR)	3,402
Avg. 6m daily volume (000)	217.7

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.3%	7.5%	8.4%	2.3%
Travel&Leisure	3.5%	0.8%	-4.9%	-6.8%
DJ Stoxx 600	0.5%	5.2%	-9.2%	-4.6%

	09/15	09/16e	09/17e	09/18e
P/E	24.8x	17.5x	13.8x	12.7x
Div yield (%)	1.6%	2.0%	2.6%	2.9%

ANALYSIS

- **Lfl revenue growth ahead of expectations:** Total revenue reached EUR2,920m up 3.5% (our estimate was EUR2,928m) with lfl growth of 1.5% (1.2% anticipated) after sustained growth in Q2 up 1.9% after Q1 up 1.1%. Excluding the negative effect of voluntary contract exits, lfl revenue growth would have been up 3.5% in H1 (3.1% in Q1 and 3.9% in Q2). By segment Contract Catering revenue was up 4.6% at EUR2,200m with lfl growth of 0.6% (2.9% excluding contract exits) after 0.2% in Q1 and 1% in Q2. The concessions division was broadly flat at EUR720m with lfl of 4.2% (3.6% in Q1 and 4.8% in Q2)
- **EBITDA margin improvement in line with FY guidance:** EBITDA was up 5.8% at EUR216m bang in line with our forecast, with an EBITDA margin of 7.4% up 201bps vs. last year. By segment, Contract Catering reached EUR184m up 2.6% with margin slightly down by 10bps at 8.4%. Strong improvement in Concession with EBITDA up 27.9% at EUR37m with EBITDA margin up 110bps at 5.1%.
- **FY guidance confirmed...:** Management confirmed its FY guidance i.e. a lfl growth of more than 3% excluding the impact of voluntary contract exits which is expected to be less than 200bps vs. 150bps announced previously (our forecast is 3.4%). EBITDA margin improvement of 20bps at 8.6% and a significant rise in reported net results (our forecast is EUR172m vs. EUR106m last year).
- **....and new acquisition in USA:** The group announces this morning the acquisition of Preferred Meals in contract catering generating total revenue of US$225m in FY 2015.

VALUATION

- At the current share price, the stock is trading 9.3x EV/EBITDA 2015-16e and 8.4x 2016-17e.

NEXT CATALYSTS

- Conference call at 9.00am CET

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Construction & Building Materials

Heidelbergcement

Price EUR77.32

EU anti-trust clearance: another step towards Italcementi acquisition

Fair Value EUR86 (+11%) **BUY-Top Picks**

Bloomberg	HEI GY
Reuters	HEIG.F
12-month High / Low (EUR)	79.9 / 60.1
Market Cap (EURm)	14,530
Avg. 6m daily volume (000)	644.9

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.2%	15.5%	3.0%	2.2%
Cons & Mat	1.2%	8.2%	-2.1%	1.5%
DJ Stoxx 600	0.5%	5.2%	-9.2%	-4.6%

	2015	2016e	2017e	2018e
P/E	18.1x	16.4x	10.3x	8.6x
Div yield (%)	1.7%	2.2%	3.9%	5.2%

ANALYSIS

- HeidelbergCement has received the green light from the European Commission for the Italcementi deal. The ITC subsidiary in Belgium CCB will be sold, as initially proposed by HEI. The US FTC decision is still expected (in June presumably) and apart from that there are no other anti-trust issues pending. The disposal of US and Belgian assets are part of the plan to sell off EUR1bn in assets to finance the deal (o/w EUR240m already secured with Italmobiliare).
- Hence this is another step toward the acquisition of Italcementi, especially as Heidelberg has almost fully pre-financed the operation now. At end 2015, refinancing needs related to the ITC deal stood at EUR1.9bn. With two Eurobonds recently issued (EUR1bn in March at c2.3% and EUR750m in May at c2.4%), the needs are almost covered now.
- Note that the deal is expected to close in H2 2016 and amounts to EUR6.7bn (o/w EUR3.7bn in equity). First, HEI will acquire 45% of ITC from Italmobiliare at EUR10.6 per share, i.e. EUR1.67bn, of which a maximum of EUR760m financed through a capital increase reserved for Italmobiliare. HEI will then launch an offer in cash at EUR10.6 for the remaining shares (EUR2.2bn).

VALUATION

- EUR86 derived from the application of the historical EV/EBITDA multiple (7.5x) to our 2018 estimates, discounted back. EV/EBITDA at 7.7x2016e and 6.2x2017e.

NEXT CATALYSTS

- US Federal Trade Decision on Italcementi deal expected in June. HEI H1 2016 results on 29th July

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Insurance

AXA

Price EUR22.57

Bloomberg	CS FP
Reuters	AXAF.PA
12-month High / Low (EUR)	25.8 / 18.9
Market Cap (EURm)	54,804
Avg. 6m daily volume (000)	7,241

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.2%	11.1%	-11.8%	-10.5%
Insurance	-0.3%	5.8%	-14.0%	-10.6%
DJ Stoxx 600	0.5%	5.2%	-9.2%	-4.6%

	2015	2016e	2017e	2018e
P/E	9.1x	9.2x	8.9x	
Div yield (%)	4.9%	5.2%	5.6%	

New Top Management team

Fair Value EUR29 (+28%) **BUY-Top Picks**

ANALYSIS

- The company has announced a new Management Committee effective as of 1st July. It will have 10 members (vs. 9 currently) and will of course be led by incoming CEO Thomas Buberl.
- This new top management includes some key people of the current organisation (Jean-Louis Laurent Josi, Mark Pearson, Véronique Weill) and some well-known key people who are promoted (Gérald Harlin, Paul Evans for example).
- Jacques de Peretti has been appointed CEO of AXA France and will be a member of this Top 10 Committee. He joined the group in 1996 and has spent most of his career at AXA France.
- We note the appointment in this Committee of i/ a Group Chief Customer Officer (Véronique Weill), and ii/ a Group Chief Transformation Officer (Benoît Claveranne). These are new positions. They say a lot about the future strategic plan to be presented on 21st June (key focus on group's interaction with its customers + transformation ambition)…
- Peter Kraus remains CEO of AllianceBernstein but will no longer be a member of this Committee. The responsibility for all asset management businesses will be held by Véronique Weill.
- New CEO -> New top management team! We continue to favour AXA in our sample.

VALUATION

- Based on our current estimates, our SOTP valuation is EUR29.

NEXT CATALYSTS

- Investor Day on 21st June. H1 2016 numbers on 3rd August.

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Healthcare

AstraZeneca

Price 4,012p

Negative news on ZS-9 offset positive one on Faslodex

Fair Value 5100p (+27%) **BUY**

Bloomberg	AZN LN
Reuters	AZN.L
12-month High / Low (p)	4,628 / 3,799
Market Cap (GBPm)	50,727
Avg. 6m daily volume (000)	2 623

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.3%	-4.6%	-11.3%	-13.1%
Healthcare	2.7%	4.3%	-8.0%	-6.3%
DJ Stoxx 600	0.5%	5.2%	-9.2%	-4.6%

	2015	2016e	2017e	2018e
P/E	13.8x	14.8x	15.4x	14.9x
Div yield (%)	4.8%	4.8%	4.8%	4.8%

ANALYSIS

- Two different press releases from AstraZeneca this morning: (i) reception of a complete response letter (CRL) from the FDA for ZS-9 in hyperkalaemia after observations arose from a pre-approval manufacturing inspection. It is always difficult to read between the lines and manufacturing issues can be long to solve but AstraZeneca told us they were confident in being able to sort the problem out by the end of the 6-month new review period that has been opened (class II process). Note that the group has also submitted new clinical data recently that will be able to be studied and ultimately included in the label should the drug be approved. It is then now fair to expect an approval in November 2016. The shame is that ZS-9 is facing a delay while competitor Veltassa from Relypsa recently hit the market. ZS-9 may have proved superior but delay gives time to competitor to have physician face-to-face interactions.
- On a positive tone, FALCON phase III trial met its primary endpoint meaning that Faslodex beat Arimidex in a head-to-head trial in first-line ER+/HER2- breast cancer. Injectable Faslodex 500mg extended PFS vs Arimidex 1mg daily oral. Although Faslodex is not a young product (patent set to expire in 2021), it could boost sales for the remainder of its life. It is adding to the benefit of the combination with Ibrance that has proven positive in PALOMA-3 and has been added to the label already. We had expected Faslodex to stabilize outside the EM but it grew 24% in Q1 2016 and with these new data, it may well keep growing at a more than decent pace.

VALUATION

- ZS-9: we remove sales in 2016 and decrease the ramp-up in the following years (we had and still have a 80% PoS on ZS-9);
- Faslodex: we slightly increase our sales estimates in 2016 and 2017 following FALCON's positive results that is adding to the label extension that was based on PALOMA-3 data.

NEXT CATALYSTS

- 3-7 June 2016: ASCO meeting - Click here to download

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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 56.3% NEUTRAL ratings 34.5% SELL ratings 9.2%

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