



31st May 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17873.22	0.00	+2.57%
S&P 500	2099.06	0.00	+2.70%
Nasdaq	4933.5	0.00	-1.48%
Nikkei	17234.98	+0.98%	-10.33%
Stoxx 600	350.137	+0.14%	-4.29%
CAC 40	4529.4	+0.32%	-2.32%
Oil /Gold			
Crude WTI	49.38	0.00	+32.74%
Gold (once)	1206.44	-0.45%	+13.56%
Currencies/Rates			
EUR/USD	1.1138	+0.06%	+2.53%
EUR/CHF	1.1052	+0.01%	+1.64%
German 10 years	0.166	+15.96%	-73.79%
French 10 years	0.511	+6.20%	-47.89%
Euribor	-	+-%	+-%

Economic releases :

Date	
31st-May	DE- Retail sales (+1.7% E y/y)
	FR - CPI
	FR - PPI
	DE - Unemployment rate (6.2% E)
	US - Chicago PMI
	US - Consumer confidence May (96.3 E)

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!
20th-May	CARREFOUR Tending towards premiumisation?
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

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



GROUP SEB

BUY, Fair Value EUR125 vs. EUR102 (+12%)

The kitchen is now bigger and well-equipped! (note out)

We are revising up our assumptions following the M&A fever that marked SEB over the last two weeks, with the acquisition of two German groups: EMSA (2015 sales of EUR92m) and WMF Group (2015 sales of EUR1.061bn). Considering limited risks surrounding these deals (excellent track record with M&A, very low cost of financing) and significant accretive impacts expected in 2017, we are clearly confident on the group's outlook! Buy recommendation confirmed and FV raised to EUR125 vs. EUR102.

INTEGRATED UTILITIES

Potential upside from higher Brent for EDF & Engie

After following the massive commodities price fall over 2015, integrated utilities stocks have barely picked-up since the beginning of the year despite the recovery in oil prices, stability in European forward power prices and lower CQ prices. We have updated our models with new macro assumptions, prompting us to revise up our 2016-18e EPS by 1% on average and our FV by 1.6% on average. We continue to favour integrated utilities over environmental services stocks for 2016.

In brief...

DBV TECHNOLOGIES, Partnership with Nestlé in Milk diagnostic with attractive metrics for DBV

GENMAB, USD30m received for the very first sale of "dara" in Europe

VINCI, World's longest immersed road and rail tunnel contracts signed by Vinci Consortium

Luxury & Consumer Goods

Groupe SEB

Price EUR111.60

The kitchen is now bigger and well-equipped! (note out)

Fair Value EUR125 vs. EUR102 (+12%)

BUY

Bloomberg	SK FP
Reuters	SEBF.PA
12-month High / Low (EUR)	111.6 / 78.3
Market Cap (EURm)	5,599
Ev (BG Estimates) (EURm)	7,775
Avg. 6m daily volume (000)	49.60
3y EPS CAGR	25.1%

We are revising up our assumptions following the M&A fever that marked SEB over the last two weeks, with the acquisition of two German groups: EMSA (2015 sales of EUR92m) and WMF Group (2015 sales of EUR1.061bn). Considering limited risks surrounding these deals (excellent track record with M&A, very low cost of financing) and significant accretive impacts expected in 2017, we are clearly confident on the group's outlook! Buy recommendation confirmed and FV raised to EUR125 vs. EUR102.

ANALYSIS

- **With WMF SEB enters a new era!** Thanks to its largest acquisition in its history (EV: EUR1.710bn), first and foremost, SEB takes over the undisputed **global leader in Professional Coffee Machines** (~28% market share), which is a fast-growing (sales CAGR 13-15 of 10.4%) and very profitable product category. Secondly, SEB strengthens its **leadership in cookware** as WMF held the #1 position in the German market, and thanks to the addition of EMSA, this country will become one of the group's top 3 markets in Small Domestic Equipment by 2017.
- **Significant accretive impact on our 2017 estimates.** Should WMF be consolidated from Q4 16, it should bring: (i) a positive scope effect of ~21% on top line, (ii) an accretive impact of ~24% on the adjusted EBITDA and ~20% on EPS. We are all the more comfortable with these assumptions that they are based on a cautious synergy plan: no sales growth acceleration (+3-4%) and limited synergies of EUR10m in 2017e (BG ests) and EUR40m p.a. by 2020 (SEB and BG ests).
- **What else? Still a robust sales and earnings momentum for SEB stand-alone.** The nice start to the year illustrated the group's proven business model: a proactive innovation policy drives the price-mix and the premiumisation of the market, whilst SEB's presence in every product category and its multichannel strategy enable the group to constantly benefit from the main drivers that fuel the global SHA market (e.g.: online sales, Home Care, Home Comfort, etc.). Consequently over 2016-18 SEB stand-alone should maintain a mid single-digit organic growth and improve its profitability thanks to "self-help" tailwinds (volume impact, pricing power, efficiency gains, etc.) that should more than offset the adverse FX impact.

VALUATION

- In our view the 2017e multiples (EV/EBIT of 12.2x and P/E of 15.5x) are not stretched given an EPS CAGR 2015-18 of 25.1%. Buy recommendation confirmed and FV raised to EUR125 vs. EUR102 previously.

NEXT CATALYSTS

- Groupe SEB will report its H1 16 results on 25 July.

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	1 M	3 M	6 M	31/12/15
Absolute perf.	14.0%	30.6%	15.1%	18.0%
Consumer Gds	3.5%	4.5%	-5.9%	-1.4%
DJ Stoxx 600	2.5%	4.9%	-9.2%	-4.3%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	4,770	5,333	6,414	6,729
% change		11.8%	20.3%	4.9%
EBITDA	428	509	664	713
EBIT	396.6	474.3	622.0	669.0
% change		19.6%	31.1%	7.6%
Net income	205.9	258.1	357.1	403.5
% change		25.3%	38.4%	13.0%

	2015	2016e	2017e	2018e
Operating margin	8.3	8.9	9.7	9.9
Net margin	4.3	4.8	5.6	6.0
ROE	13.2	17.6	20.5	19.7
ROCE	12.8	8.6	10.7	11.4
Gearing	16.5	120.7	100.4	75.4

(€)	2015	2016e	2017e	2018e
EPS	4.14	5.19	7.18	8.12
% change	-	25.3%	38.4%	13.0%
P/E	26.9x	21.5x	15.5x	13.7x
FCF yield (%)	5.7%	3.9%	4.6%	7.2%
Dividends (€)	1.54	1.65	1.80	2.00
Div yield (%)	1.4%	1.5%	1.6%	1.8%
EV/Sales	1.2x	1.5x	1.2x	1.1x
EV/EBITDA	13.8x	15.3x	11.5x	10.3x
EV/EBIT	14.9x	16.3x	12.2x	10.9x



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Sector View

Integrated Utilities

Potential upside from higher Brent for EDF & Engie

	1 M	3 M	6 M	31/12/15
Utilities	0.6%	6.3%	-4.5%	-1.7%
DJ Stoxx 600	2.5%	4.9%	-9.2%	-4.3%

*Stoxx Sector Indices

Companies covered

E.ON	BUY	EUR10.2 vs. 10
Last Price	EUR8.929	Market Cap. EUR17,867m
EDF	BUY	EUR13.8 vs. 13.5
Last Price	EUR12.22	Market Cap. EUR23,464m
ENGIE	BUY	EUR16.8 vs. 16.5
Last Price	EUR13.98	Market Cap. EUR34,045m
RWE	NEUTRAL	9.5
Last Price	EUR12.035	Market Cap. EUR7,270m

After following the massive commodities price fall over 2015, integrated utilities stocks have barely picked-up since the beginning of the year despite the recovery in oil prices, stability in European forward power prices and lower CO₂ prices. We have updated our models with new macro assumptions, prompting us to revise up our 2016-18e EPS by 1% on average and our FV by 1.6% on average. We continue to favour integrated utilities over environmental services stocks for 2016.

ANALYSIS

- Integrated utilities stocks have barely picked-up since the start of the year:** Since the beginning of the year the integrated utilities stocks we cover have not performed strongly compared with the sector and more importantly, compared with some commodities, despite being correlated to these when prices dropped in 2015. German integrated utilities stocks **E.ON and RWE have performed better than French stocks EDF and Engie** thanks to positive newsflow linked to potential agreements on nuclear dismantling. Note importantly that since the beginning of the year forward power prices in Europe (France & Germany mainly) have dropped by around 8% but picked up since their low point in February (+20%) with indications of potential carbon floor prices implementation in France driving up prices. Over the same period, the EDF and Engie shares have decreased by respectively 10% and 15% on average while E.ON was flat and the RWE share has gained 2.5%. The real recovery is coming from Brent prices, which surged by more than 40% over the period (and +70% compared with low point) and are now close to USD50/barrel. **This recovery is positive for Engie and EDF predominantly.** We therefore see higher potential upside for these two stocks contrary to E.ON and RWE, which are no longer exposed to Brent prices following the disposals of E&P assets.
- We have updated our models to include our latest commodities/FX assumptions:** We have updated our model with our latest commodities assumptions and now assume a Brent price of USD45/barrel instead of USD40/barrel for 2016e and USD49/barrel for years after (take into account the latest spot price). We have also integrated lower CO₂ prices (EUR6/tonne vs. EUR8/tonne), higher coal prices (USD49/tonne vs. USD45/tonne) and stronger USD vs. EUR rate (1.11 vs. 1.13). We have made no change to our forward power prices assumptions for French entities as we were already at EUR30/MWh on average in models, but have revised down our assumptions for German forward prices from EUR28/MWh to EUR26/MWh. In all, on average we have revised up our 2016-18e EPS by 1% while increasing our FV on average by 1.6% with most of the changes being made for French names especially in view of the increase in Brent price assumptions (more details on page 2 with tables).
- Conclusion:** We maintain our positive view on integrated utilities as we continue to assume risk reward is quite attractive with a potential recovery in commodities prices and more importantly with positive potential newsflow in the pipe (carbon floor tax in France and in Germany and decisions on nuclear dismantling). Besides this, we believe investors will progressively start to look at a 2017 earnings recovery and 2017 valuations vs. 2016. **We still prefer Engie over EDF and E.ON over RWE.**



VALUATION

- At the current share price, the European integrated utilities sector is trading at 6.5x 2016e EBITDA and offers a 6.4% yield.

NEXT CATALYSTS

- 28th June: Engie Investor Day in Paris
- 28th July: Engie H1 2016 earnings
- 29th July 29: EDF H1 2016 earnings
- 10th August: E.ON H1 2016 earnings
- 11th August: RWE H1 2016 earnings

Our models for EDF, Engie, E.ON & RWE have been updated with our latest commodities assumptions:

EDF - FV up from EUR13.5 to EUR13.8/share – Buy rating confirmed

On average the group's EPS estimates are **up 0.9%** over 2016-18e following changes we have made to our assumptions. **Our new FV is EUR13.8/share and implies 13% upside.**

Engie - FV up from EUR16.5 to EUR16.8/share – Buy rating confirmed

On average the group's EPS are **up 2.0%** over 2016-18e following changes we have made to our assumptions. **Our EUR16.5/share FV based on Engie's transformation is up to EUR16.8/share** as we integrate a higher valuation from E&P business disposals linked to the Brent price recovery (see our report: **Engie: Rise of the phoenix? 08/03/2016**). Alongside EDF, Engie is the most exposed to any recovery in Brent prices and also to any rise in power prices in the region assuming carbon prices strongly surge.

E.ON - FV up from EUR10 to EUR10.2/share – Buy rating confirmed

On average the group's EPS are **up 1.2%** over 2016-18e following changes we have made to our assumptions. **Our new FV is EUR10.2/share and implies 15% upside. We still appreciate the group's considerable exposure to gas generation assets and its willingness to become a significant player within the renewables sector.**

RWE - FV unchanged at EUR9.5/share – Neutral rating confirmed

On average the group's EPS are **down 0.2%** over 2016-18e following changes we have made to our assumptions. **Our FV of EUR9.5/share remains unchanged and still implies 20% downside vs. the current price. In our view, RWE remains overly exposed to coal (higher coal price adjustments) and is at risk assuming a carbon floor tax is implemented. Besides this, the group is not yet sufficiently present in the renewables sector.**

Table 1: Changes in EPS assumptions for EDF, Engie, E.ON & RWE

Fair Value (EUR/share)	Before	Now	Change in %
EDF	13,5	13,8	2,2%
Engie	16,5	16,8	1,8%
E.ON	10,0	10,2	2,0%
RWE	9,5	9,5	0,0%

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

Table 2: Changes in EPS assumptions for EDF, Engie, E.ON & RWE

	Before			Now			Change			
	EPS 16e	EPS 17e	EPS 18e	EPS 16e	EPS 17e	EPS 18e	EPS 16e	EPS 17e	EPS 18e	Average
EDF	1,30	0,95	0,94	1,31	0,96	0,95	0,7%	1,0%	1,0%	0,9%
Engie	0,99	0,92	0,98	1,01	0,93	1,00	1,3%	2,1%	2,6%	2,0%
E.ON	0,80	0,71	0,65	0,79	0,75	0,65	-1,8%	5,9%	-0,5%	1,2%
RWE	0,72	0,89	0,63	0,79	0,87	0,59	8,7%	-2,3%	-7,0%	-0,2%
Average							2,2%	1,7%	-1,0%	1,0%

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

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Healthcare

DBV Technologies

Price EUR57.80

Partnership with Nestlé in milk diagnostics with attractive metrics for DBV

Fair Value EUR91 vs. EUR89 (+57%)

BUY

Bloomberg	DBV FP
Reuters	DBV.PA
12-month High / Low (EUR)	81.0 / 40.6
Market Cap (EURm)	1,393
Avg. 6m daily volume (000)	44.60

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.2%	20.6%	-12.4%	-13.0%
Healthcare	5.4%	5.3%	-7.4%	-5.6%
DJ Stoxx 600	2.5%	4.9%	-9.2%	-4.3%

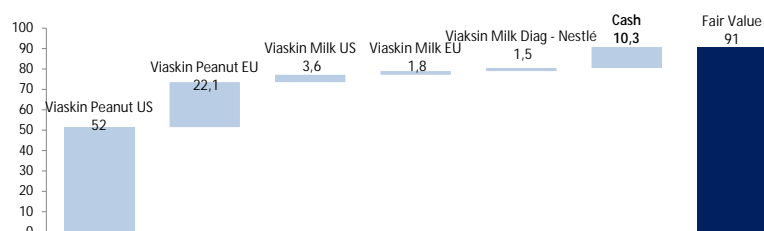
	2014	2015e	2016e	2017e
P/E	NS	NS	NS	NS
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- DBV has announced that it has entered into a partnership with Nestlé Health to develop and potentially bring to paediatric populations a diagnostic test for milk allergy. Under the terms of the agreement, Nestlé Health will make a EUR10m upfront payment to DBV which is eligible to EUR100m in development, regulatory and sales milestones. This attractive financial deal reinforces DBV's strong cash position of EUR308.6m at the end of Q1 2016. The biotech should also receive a supply price with a mark-up which we estimate in low-single digits as well as royalties, in low-double digits (we have assumed EUR7 and 12% respectively).
- While DBV had the Diallertest commercialised in France in the diagnosis of milk allergy until the end of 2015, the partnership agreement with Nestlé aims at developing a more innovative patch whose technology platform should be closer to the Viaskin patch (in the diagnostics setting). Hence, a phase III study to assess its safety and performance would be necessary and is expected to be initiated in 2018. DBV should finance the trial (BGe -EUR20m), which is expected to read out in 2021 with a worldwide launch and commercialisation supported by Nestlé in 2022. Nestlé should recognise the sales of the diagnostic test in its Health Science BU which represents 2.5% of the group's sales, harbouring "good growth prospects" according to the company.

VALUATION

- Financial metrics are attractive for DBV concerning development expenses, which we view as limited. Adding the deal to our valuation model adds roughly EUR2/share to our Fair Value which is up from EUR89 to EUR91.



NEXT CATALYSTS

- H2 2016: End of recruitment for the PEPITES phase III and MILES phase IIa trials in peanut and milk allergy / results from the phase I feasibility study in Pertussis Boost Vaccines / OLFUS-VIPES 3-year study results in peanut allergy

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Healthcare

Genmab

Price DKK1,194

USD30m received for the very first sale of "dara" in Europe**Fair Value DKK1450 (+21%)****BUY**

Bloomberg	GEN DC
Reuters	GEN.CO
12-month High / Low (DKK)	1,229 / 548.0
Market Cap (DKKm)	71,442
Avg. 6m daily volume (000)	450.2

ANALYSIS

- Genmab announced yesterday the receipt of a **USD30m milestone payment linked to the very first commercial sale of Darzalex (daratumumab) in Europe**. Obviously, this is good news *per se*... However, the payment was largely anticipated (note that the compound was approved for this area a few days ago), and we are therefore making no changes to our estimates.
- We would rather look at where positive surprises could come from whether in terms of sales growth or milestone payments: 1/ JNJ has (certainly) already engaged discussions with the regulators regarding a label expansion of "dara" to second-line patients with myeloma thanks to the POLLUX and CASTOR studies. And depending on the timing of the filing, we believe an extension could be obtained by the end of this year (which could trigger cumulative milestone payments of USD50-100m); 2/ we still think the street is too conservative when it comes to the commercial ramp-up of the compound in 2016, especially in the US (see our previous comments for more details)... and we assume that Q3 results could be the next catalyst.

VALUATION

- **BUY rating reiterated with a FV of DKK1,450.**

NEXT CATALYSTS

- 5th June 2016: Presentation of detailed data from CASTOR at the 2016 ASCO meeting.
- 12th June 2016: Presentation of detailed data from POLLUX at the EHA meeting.

[Click here to download](#)Mickael Chane Du, mchannedu@bryangarnier.com

Construction & Building Materials

VINCI

Price EUR68.15

World's longest immersed road and rail tunnel contracts signed by Vinci Consortium

Fair Value EUR72 (+6%)

BUY

Bloomberg	DG FP
Reuters	SGEF.PA
12-month High / Low (EUR)	68.2 / 51.0
Market Cap (EURm)	40,497
Avg. 6m daily volume (000)	1,761

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.5%	6.8%	10.7%	15.2%
Cons & Mat	1.5%	7.0%	-2.2%	1.7%
DJ Stoxx 600	2.5%	4.9%	-9.2%	-4.3%

	2015	2016e	2017e	2018e
P/E	19.0x	17.8x	16.3x	15.5x
Div yield (%)	2.7%	3.0%	3.3%	3.4%

ANALYSIS

- The Femern Link Contractors (FLC) JV has won three contracts related to the construction of the world's longest immersed road and rail tunnel between Denmark (in the Lolland Falster region) and Germany (Schleswig Holstein) – 18 km compared with 37km for the rail-only tunnel between France and the UK. These contracts include the construction of the immersed tunnel, the factory for precast tunnel elements, the portal structures and ramp. The combined value of the three contracts signed stands at EUR3.4bn.
- Vinci's stake in the JV is not provided in the press release (although French newspaper Le Figaro mentions 29%), but we know that Vinci Construction Grands Projets is the lead company for the first two contracts and that Vinci's subsidiary Solétanche-Bachy International is part of the JV too.
- This is no surprise as the FLC JV was declared preferred bidder last March. Another consortium including Boskalis and Hochtief in particular, was preferred bidder for a fourth contract.
- This is positive for Vinci, which is well placed within the consortium for this impressive project.

VALUATION

- EUR72 derived from an SOTP

NEXT CATALYSTS

- H1 2016 results on 29th July, before market

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BG's Wake Up Call

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 55.9%

NEUTRAL ratings 34.3%

SELL ratings 9.8%

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