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1st June 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17787.2	-0.48%	+2.08%
S&P 500	2096.96	-0.10%	+2.59%
Nasdaq	4948.05	+0.29%	-1.19%
Nikkei	16955.73	-1.62%	-9.45%
Stoxx 600	347.45	-0.77%	-5.02%
CAC 40	4505.62	-0.53%	-2.83%
Oil /Gold			
Crude WTI	48.9	-0.97%	+31.45%
Gold (once)	1214.28	+0.65%	+14.30%
Currencies/Rates			
EUR/USD	1.11325	-0.05%	+2.48%
EUR/CHF	1.1068	+0.14%	+1.78%
German 10 years	0.146	-12.10%	-76.96%
French 10 years	0.486	-4.89%	-50.43%
Euribor	-	+-%	+-%

Economic releases :

Date	
1st-Jun	FR - PMI Manuf. (48.3E) DE - PMI Manuf. (52.4E) US - ISM Manuf ISM May (50.4E) US - ISM New Orders May (58E)

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	
31st-May	SEB The kitchen is now bigger and well-equipped!
30th-May	SANOFI A more focused Sanofi is on the way
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

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



AHOLD

BUY-Top Picks, Fair Value EUR22 (+10%)

Q1 2016 (first take): operating trends remain resilient!

Q1 2016 sales were slightly higher than forecast (i.e. +0.8%), while underlying operating profit was 5% above expectations and net result (EUR241m) 12% below (due to impairment and restructuring charges of EUR54m, notably related to the merger with Delhaize). Today, we guess the market will focus on strong underlying operating trends.

PERNOD RICARD

NEUTRAL, Fair Value EUR107 (+9%)

Management said it is difficult to know if China will return to growth in 2016/17

Yesterday, Pernod Ricard held a conference call about Asia, which represents one third of its total sales. This was a great opportunity to fully understand the group's operations in the rapidly-expanding Indian market and its strategy in China. However, it has not removed uncertainty concerning a recovery in this country in 2016/17. Management said that it is difficult to know if there will be a return to growth. We maintain our Neutral recommendation.

LUXURY GOODS

Reduced visibility in the short term: be selective!

Q1 2016 has been a tough quarter with almost no organic sales growth, partly due to lack of tourists (mainly Chinese) in Europe. In this challenging environment, LVMH (BUY-FV: EUR174), Hermès (BUY- FV: EUR355) and Moncler (BUY- FV: EUR17) are our preferred stocks.

In brief...

AB INBEV, South African approval coming closer

BIOMÉRIEUX, Bolt-on acquisition in industrial microbiology

GAMELOFT, As expected, the game is now officially over

SOPRA STERIA GROUP, Acquisition of Géninfo's 8.6% stake in Axway

CONSTRUCTION & MATERIALS, Gradual improvement in French housing starts continues

Food retailing

Ahold

Price EUR20.07

Q1 2016 (first take): operating trends remain resilient!

Fair Value EUR22 (+10%)

BUY-Top Picks

Bloomberg	AH NA
Reuters	AHLN.AS
12-month High / Low (EUR)	21.0 / 16.3
Market Cap (EURm)	16,746
Ev (BG Estimates) (EURm)	18,968
Avg. 6m daily volume (000)	3 184
3y EPS CAGR	11.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.6%	-0.7%	-2.5%	3.1%
Food Retailing	2.7%	3.0%	-5.1%	2.5%
DJ Stoxx 600	2.5%	4.9%	-9.2%	-4.3%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	32,774	38,203	39,095	40,218
% change		16.6%	2.3%	2.9%
EBITDA	2,129	2,322	2,437	2,511
EBIT	1,250	1,318	1,409	1,454
% change		5.5%	6.9%	3.2%
Net income	790.7	849.0	938.8	972.1
% change		7.4%	10.6%	3.6%

	2014	2015e	2016e	2017e
Operating margin	3.9	3.8	3.6	3.6
Net margin	2.4	2.2	2.4	2.4
ROE	NM	NM	NM	NM
ROCE	15.3	16.1	15.7	16.6
Gearing	27.1	23.3	28.6	13.7

(EUR)	2014	2015e	2016e	2017e
EPS	0.86	0.99	1.13	1.17
% change	-	15.8%	14.3%	3.6%
P/E	23.5x	20.3x	17.7x	17.1x
FCF yield (%)	5.7%	7.5%	6.1%	6.8%
Dividends (EUR)	0.48	0.52	0.55	0.57
Div yield (%)	2.4%	2.6%	2.7%	2.9%
EV/Sales	0.6x	0.5x	0.5x	0.5x
EV/EBITDA	8.9x	8.2x	7.9x	7.3x
EV/EBIT	15.2x	14.4x	13.6x	12.7x

Q1 2016 sales were slightly higher than forecast (i.e. +0.8%), while underlying operating profit was 5% above expectations and net result (EUR241m) 12% below (due to impairment and restructuring charges of EUR54m, notably related to the merger with Delhaize). Today, we guess the market will focus on strong underlying operating trends. 1/ Q1 2016 again proved Ahold's overall resilience; 2/ Ahold has virtually no exposure to unwell emerging markets and hence 3/ offers better visibility on operating performances for 2016 than others; 4/ Ahold enjoys one of the best FCF profiles in the sector; 5/ ultimately, via cost-sharing, flirting with Delhaize offers an alternative within a sector which is suffering an obvious lack of growth. Buy maintained on Ahold.

Sales	Underlying operating profit
US: EUR7.308bn vs EUR7.249bn e	US: EUR291m vs EUR276m e
Netherlands: EUR3.933bn vs EUR3.904bn e	Netherlands : EUR189m vs EUR176m e

Total sales amounted to EUR11.769bn (vs EUR11.679bn expected by the consensus), up +3.5% at constant currency. In terms of outlook, management expects underlying operating margins in reported segments to continue to trend in line with the full year 2015, excluding the potential impact from the merger with Delhaize. This would mean -4.0% in the US (vs 3.9% expected by the consensus), -4.6% in the Netherlands (in line with the consensus) and +1.5% in Czech Republic (+1.8% expected by the consensus). FCF increased by EUR101m to EUR287m in Q1 2016, notably driven by year-on-year changes in WCR of EUR126m.

1/ In the US (-62% of group sales and ~60% of the underlying operating profit before central costs / growth was adversely impacted by both the timing of the New Year and fewer winter storms compared to last year), LFL sales excl. gasoline grew +0.8% (vs +0.9%e), supported by further price investments. The addition of 25 A&P stores in the New York Metro area in Q4 2015 was the main factor behind the 3.0% cc growth rate and resulted in an overall market share improvement in both value and volume terms. Management continues to see no inflation in Ahold's US markets, with even deflation in the meat and dairy categories. Bottom line, the underlying operating margin gained 0.3% to 4.0% (vs 3.8% e) supported by strong cost control, lower support costs and favourable utilities costs.

2/ In the Netherlands (-33% of group sales and ~39% of the underlying operating profit before central costs), LFL sales rose +2.9% (vs +2.3%e), obviously supported by the online businesses (Albert Heijn and bol.com increasing consumer sales by more than 30%). Topline at Albert Heijn was supported by increased customer traffic thanks to innovation (i.e. trading up) and successful promotions which resulted in more transactions and volume growth. Bottom line, underlying operating margin was up +0.4% to 4.8% (vs 4.5% e) as a result of simplicity savings that probably made up for the dilutive impact caused by the deployment of e-commerce.

3/ In the Czech Republic (-5% of group sales and ~1% of the underlying operating profit before central costs), LFL excl. gasoline decreased 0.7% (vs +0.2% e). During the quarter, the overall commercial performance (+0.4% at cc) was affected by the required divestment of five stores during the third quarter of 2015 (related to the acquisition of SPAR). Bottom line, underlying operating profit improved to 1.1% vs 0.4% in 2015

VALUATION

- 2017 P/E of 17x in line with the panel but with the best FCF profile in the sector

NEXT CATALYSTS

- Upcoming merger with Delhaize



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Food & Beverages

Pernod Ricard

Price EUR97.91

Management said it is difficult to know if China will return to growth in 2016/17

Fair Value EUR107 (+9%)

NEUTRAL

Bloomberg	RI FP
Reuters	PERP.PA
12-month High / Low (EUR)	114.4 / 88.3
Market Cap (EUR)	25,987
Ev (BG Estimates) (EUR)	34,542
Avg. 6m daily volume (000)	528.1
3y EPS CAGR	2.8%

Yesterday, Pernod Ricard held a conference call about Asia, which represents one third of its total sales. This was a great opportunity to fully understand the group's operations in the rapidly-expanding Indian market and its strategy in China. However, it has not removed uncertainty concerning a recovery in this country in 2016/17. Management said that it is difficult to know if there will be a return to growth. We maintain our Neutral recommendation.

ANALYSIS

Short-term weakness in China... Guidance for 2015/16 was reiterated: organic sales and value depletions are expected to be down 10% and 7% respectively. Martell is showing some resilience, while scotch continues to decline double digit. **Management indicated that the margin in China should decrease slightly this year** but would remain well above the group's average. As a reminder, we estimate that the country accounts for 9% of the group's sales but 12% of EBIT. **Management said that it is difficult to know if the country will return to growth in 2016/17. Our current estimate calls for a 5% organic sales decline.**

...but fundamentals remain solid. The group is convinced of the normalisation in the Chinese spirits market, which should become more pyramid-shaped going forward. The weight of super premium and prestige is expected to decline driven by less business entertainment. **But premium spirits should rise, fuelled by the rising middle class** (59% of Chinese households in 2025 vs 36% in 2015). This is why the company is trying to develop its premium portfolio with brands such as **Absolut, Ballantine's Finest, Jameson...**In terms of channel, the group is to refocus by moving from luxury night contracted bars and traditional KTVs towards off-trade and western style/cocktail bars. The consequences should be **lower retail selling prices but also lower investments** (more digital, less fees paid to contracted outlets...).

Strong growth in India. Organic sales rose 14% in 9M 2015/16 (+18% in 2014/15), a level we think is sustainable over the medium term. 90% of Pernod Ricard's portfolio is made up of Indian whiskeys but these are more premium (Prestige with Royal Stag and Imperial Blue and Premium Deluxe with Blenders Pride) than its competitors'. The remaining 10% which is International Brands is growing double digit. **The group is now the no. 1 player in value.** We estimate that its volumes are four times lower but profits three higher than USL's. The margin in India is about 3/4 of the margin in China. **GST remains a risk for spirits players in the country but management said it would only come into force in April 2017.**

Neutral recommendation maintained. There is no doubt that the group's fundamentals are strong: the US and Western Europe are accelerating, while India remains a growth driver in Asia. **However there is weakness in the short-term: organic sales in China should decline strongly this year and there is uncertainty regarding the extent of a recovery in 2016/17. The end of the year should be soft. We forecast a 1% organic sales decline in Q4 (+2.5% in 9M)** due to: 1/ the reversal of shipment loading in the US in Q3, 2/ an unfavorable comparison base in France as the group overshipped in Q4 2014/15 before the merger of Pernod's and Ricard's IT systems, 3/ an organic sales decline of 10% in China, and 4/ destocking in South East Asia (Vietnam, Indonesia, Malaysia...). **Full year guidance for organic EBIT growth between 1% and 3% is not at risk (our estimate: +1%).**

VALUATION

At yesterday' share price, the stock is trading at 15.4x EV/EBIT 2015/16e and 15.2x EV/EBIT 2016/17e, 17% and 10% below the peer average.

NEXT CATALYSTS

2015/16 results due on 1st September.

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	1 M	3 M	6 M	31/12/15
Absolute perf.	3.9%	-0.2%	-9.1%	-6.9%
Food & Bev.	3.3%	3.4%	-5.9%	-1.5%
DJ Stoxx 600	1.7%	4.1%	-9.9%	-5.0%

YEnd Jun. (EURm)	06/15	06/16e	06/17e	06/18e
Sales	8,558	8,693	8,797	9,089
% change		1.6%	1.2%	3.3%
EBITDA	2,456	2,595	2,583	2,663
EBIT	2,238	2,247	2,249	2,336
% change		0.4%	0.1%	3.9%
Net income	1,329	1,343	1,365	1,443
% change		1.0%	1.6%	5.7%

	06/15	06/16e	06/17e	06/18e
Operating margin	26.2	25.8	25.6	25.7
Net margin	10.1	14.7	14.8	15.2
ROE	6.6	9.1	9.0	9.1
ROCE	8.8	10.9	10.7	10.9
Gearing	67.9	60.0	55.1	50.0

(EUR)	06/15	06/16e	06/17e	06/18e
EPS	4.99	5.04	5.13	5.42
% change	-	1.1%	1.6%	5.7%
P/E	19.6x	19.4x	19.1x	18.1x
FCF yield (%)	4.4%	4.5%	4.4%	4.5%
Dividends (EUR)	1.80	1.83	1.86	1.97
Div yield (%)	1.8%	1.9%	1.9%	2.0%
EV/Sales	4.1x	4.0x	3.9x	3.7x
EV/EBITDA	14.3x	13.3x	13.2x	12.7x
EV/EBIT	15.6x	15.4x	15.2x	14.4x



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Sector View

Luxury Goods

Reduced visibility in the short term: be selective!

	1 M	3 M	6 M	31/12/15
Pers & H/H Gds	3.5%	4.0%	-2.8%	2.0%
DJ Stoxx 600	1.7%	4.1%	-9.9%	-5.0%

*Stoxx Sector Indices

Q1 2016 has been a tough quarter with almost no organic sales growth, partly due to lack of tourists (mainly Chinese) in Europe. In this challenging environment, LVMH (BUY-FV: EUR174), Hermès (BUY- FV: EUR355) and Moncler (BUY- FV: EUR17) are our preferred stocks.

Companies covered

Company	Recommendation	Price	Market Cap.
BURBERRY	NEUTRAL	1200p	
Last Price	1074p	Market Cap.	GBP4,780m
CHRISTIAN DIOR	BUY	EUR175	
Last Price	EUR146.55	Market Cap.	EUR26,632m
HERMÈS Int'l	BUY	EUR355	
Last Price	EUR324.95	Market Cap.	EUR34,305m
HUGO BOSS	NEUTRAL	EUR77	
Last Price	EUR55.23	Market Cap.	EUR3,888m
KERING	BUY	EUR174	
Last Price	EUR145.15	Market Cap.	EUR18,328m
LVMH	BUY	EUR174	
Last Price	EUR144.05	Market Cap.	EUR73,049m
MONCLER	BUY	EUR17	
Last Price	EUR14.99	Market Cap.	EUR3,750m
PRADA	NEUTRAL	HKD35	
Last Price	EUR25.5	Market Cap.	EUR65,250m
RICHEMONT	NEUTRAL	CHF63	
Last Price	CHF58.55	Market Cap.	CHF32,788m
SALVATORE FERRAGAMO	BUY	EUR25	
Last Price	EUR19.23	Market Cap.	EUR3,246m
THE SWATCH GROUP	NEUTRAL	CHF370	
Last Price	CHF293	Market Cap.	CHF16,187m
TOD'S GROUP	SELL	EUR60	
Last Price	EUR54.1	Market Cap.	EUR1,790m

ANALYSIS

- The recent Q1 publication (with on average almost no organic sales growth) and other sector information lead us to be even more cautious in the short term on the luxury industry's prospects with a likely challenging Q2 due to a demanding comparison basis (+5% in Q2 2015), while in Q3 and Q4, comps will be much more favourable.
- This trend is mainly due to Europe which decelerated significantly from 15% growth in 2015 to almost no growth in Q1 2016. This clear slowdown is partly the consequence of the terrorist attacks in Paris and in Brussels but also due to the recent lower USD vs EUR. For instance, according to Global Blue, Chinese tourists' duty-free spending in Europe decreased by 24% in March and by 18.5% in April versus last year. But American and Japanese tourists are also lacking. Therefore, we remain cautious in the short term and do not expect any clear recovery in Q2.
- Among this challenging environment, we need to be even more selective in our investment strategy. We favour **LVMH** (BUY-FV: EUR174), **Hermès** (BUY-FV: EUR355) and **Moncler** (BUY-FV: EUR17) while we are more cautious and NEUTRAL on **Burberry** (FV: 1,200p), **Richemont** (FV: CHF63) and **Swatch Group** (FV: CHF370). We remain BUY on **Kering** (FV: EUR174) and SELL on **Tod's Group** (FV: EUR60).

VALUATION

- On 2016e EV/EBIT, the luxury sector average is trading at a 10% discount vs the historical average. Although Tod's is the most expensive, excluding unsurprisingly Hermès, LVMH is trading at a 7% discount vs the peers average and on an attractive level, hence our Buy recommendation.

NEXT CATALYSTS

- 2016 H1 results should be reported from end of July.

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Food & Beverages

AB InBev

Price EUR113.85

South African approval coming closer

Fair Value EUR109 (-4%)

NEUTRAL

Bloomberg	ABI.BB
Reuters	ABI.BR
12-month High / Low (EUR)	123.3 / 91.3
Market Cap (EURm)	183,098
Avg. 6m daily volume (000)	1,712

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.3%	9.9%	-6.6%	-0.5%
Food & Bev.	3.3%	3.4%	-5.9%	-1.5%
DJ Stoxx 600	1.7%	4.1%	-9.9%	-5.0%

	2015	2016e	2017e	2018e
P/E	24.8x	27.4x	22.2x	20.3x
Div yield (%)	2.1%	1.9%	2.4%	2.6%

ANALYSIS

- After several delays and postponements, AB InBev has finally received the recommendation for its acquisition of SABMiller from the Competition Commission of South Africa. The Competition Commission has recommended the acquisition to the Competition Tribunal, which will now consider the proposed combination and make its clearance decision.
- AB InBev has already received clearance in Europe (on condition that it sells off all the European SABMiller business) and in Australia. There is no news yet from the regulators in the US and China, but AB InBev has already agreed to sell off all the SABMiller business in these countries.

VALUATION

- Our DCF based Fair Value of USD109 is based on a risk free rate of 1.7%, a risk premium of 7% and a terminal growth rate of 3.7%.
- Our valuation of 22.2x 2017 earnings includes an expectation that the SABMiller deal will be strongly earnings enhancing.

NEXT CATALYSTS

- More news on regulatory approval for the SABMiller acquisition
- 29th July 2016 Second Quarter and Half Year 2016 Results
- 28th October 2016 Third Quarter and Nine Month 2016 Results

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Healthcare

bioMérieux

Price EUR117.00

Bolt-on acquisition in industrial microbiology

Fair Value EUR122 (+4%)

BUY

Bloomberg	BIM.FP
Reuters	BIOX.PA
12-month High / Low (EUR)	120.3 / 93.7
Market Cap (EURm)	4,616
Avg. 6m daily volume (000)	48.90

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.9%	-0.2%	7.7%	6.5%
Healthcare	5.4%	5.3%	-7.4%	-5.6%
DJ Stoxx 600	2.5%	4.9%	-9.2%	-4.3%

	2015	2016e	2017e	2018e
P/E	41.8x	28.2x	23.7x	20.1x
Div yield (%)	0.9%	0.9%	1.1%	1.2%

ANALYSIS

- BioMérieux has announced the acquisition of Hyglos, a company specialised in the detection of endotoxins (component of the outer surface of gram-positive bacteria) that could be found in active pharmaceutical ingredients as well as some medical devices with screening of the latter recommended by authorities as it can cause high fevers when in contact with the bloodstream. While BioMérieux should spread the EUR24m payment related to the full acquisition of Hyglos over a three-year period, it will consolidate the company as of 1st June. As such, H1 numbers are likely to suffer little if any impact on profitability.
- The detection of endotoxin is a dynamic market valued at around EUR250m and growing north of 10% per annum. In the long run, this small bolt-on acquisition should help to strengthen the company's Industrial Application division (18% of sales growing 4.5% CER in 2016, BGe) as bioMérieux adds to its portfolio a solution for clients already addressed. Hyglos automated technology platform uses recombinant proteins in the detection of endotoxins overcoming the limitations of traditional methods 1/ featuring manual steps and 2/ relying on the use of reagents derived from blood taken from protected horseshoe crab species.

VALUATION

- This acquisition has no impact on our Fair Value.
- We would question some profit taking as the share price has recovered to peak historical levels increasing by 17% while the STOXX600HC has gained 4% since the beginning of the quarter and the announcement of somewhat disappointing EBIT margin guidance for 2016 (EUR265-290m BGe EUR287m). As a reminder bioMérieux should face strong comp basis in Q2 (China up +10% and FilmArray benefiting from strong flu season in Q2 last year) alongside front-end loaded S&M and R&D expenses in 2016 which should impair H1 profitability.

NEXT CATALYSTS

- 18th July: H1 sales
- 31st August: H1 results

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TMT

Gameloft

Price EUR8.23

As expected, the game is now officially over

Fair Value EUR7.2 (-13%)

TENDER TO THE OFFER

Bloomberg	GFT FP
Reuters	GLFT.PA
12-month High / Low (EUR)	8.2 / 3.2
Market Cap (EURm)	717
Avg. 6m daily volume (000)	294.8

	1 M	3 M	6 M	31/12/15
Absolute perf.	11.2%	21.2%	42.4%	35.8%
Softw.& Comp.				
SVS	5.3%	5.6%	-1.5%	-0.2%
DJ Stoxx 600	1.7%	4.1%	-9.9%	-5.0%
	2015	2016e	2017e	2018e
P/E	NS	37.9x	27.4x	19.1x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- **Vivendi now has the stake it needs to take over Gameloft, i.e. it has reached the 50% threshold of capital and voting rights required for the hostile offer to be successful.** The acquisition of the Amber Capital and CIC stakes is what clearly made the difference (~15% and ~3% of the share capital respectively). More precisely, the French media group now holds 53,728,336 GFT shares, namely **61.71% of the capital and at least 55.61% of the voting rights** (source: Euronext Paris via the AMF website). **The French market regulator AMF will communicate the definitive results by tomorrow at the latest** (time generally required for the settlement and delivery of the shares).
- **The results of the offer imply, as we expected, that the Guillemot family has not yet tendered its shares** (21.63% of the capital and 29.02% of the voting rights). **The offer should be reopened in about five days for a minimum period of 10 trading days.** Afterwards, Vivendi will appoint a majority of the total number of directors comprising the Gameloft board through the AGM on 29th June, and decide on the number and identities of its candidates. **We do not expect a mandatory squeeze out of the GFT shares in the short term.** Indeed, **the family might take some time to tender its shares to Vivendi (6 months? 1 year?)**, since this would be a sign of weakness.
- **After this episode on Gameloft, speculation surrounding Ubisoft (Buy, FV EUR34) has risen a further notch.** Please see our recent report for more details "*The only way is up*".

VALUATION

- **We advise investors to tender their shares to Vivendi.** As a reminder, the offer at EUR8.00 per share is very fair and stands in the middle of our estimated range of EUR7.6-8.6.

NEXT CATALYSTS

- The AMF is publish the **definitive results of the offer by 2nd June.**
- **The offer should be reopened in about five days** for a minimum period of 10 trading days.

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TMT

Sopra Steria Group

Price EUR117.60

Acquisition of Géninfo's 8.6% stake in Axway

Fair Value EUR130 (+11%)

BUY

Bloomberg	SOP FP
Reuters	SOPR.PA
12-month High / Low (EUR)	119.0 / 78.3
Market Cap (EUR)	2,405
Avg. 6m daily volume (000)	22.70

	1 M	3 M	6 M	31/12/15
Absolute perf.	15.9%	31.8%	8.9%	8.6%
Softw.& Comp.				
SVS	5.3%	5.6%	-1.5%	-0.2%
DJ Stoxx 600	1.7%	4.1%	-9.9%	-5.0%
	2015	2016e	2017e	2018e
P/E	15.9x	13.2x	11.3x	10.4x
Div yield (%)	1.4%	1.6%	1.8%	2.0%

ANALYSIS

- Yesterday evening, Sopra Steria announced it had acquired the stake in Axway held by Géninfo (Société Générale), representing 1.79m shares or 8.6% of the share capital. The transaction took place as an OTC block sale at the price of EUR21.50 per share for an amount of EUR38.6m. Following this transaction, the stake held by the action in concert (Sopra Steria, Sopra GMT, the founders and certain managers) will remain unchanged, representing 58.5% of Axway's share capital (65.6% of the voting rights). Sopra Steria's stake in Axway will grow to 33.5% of the share capital (35.9% of the voting rights).
- No consequence for Axway, as Sopra Steria is exempt from the obligation to file a tender offer proposal. Sopra Steria will individually exceed Axway's 30% shareholding and voting rights thresholds, thereby placing itself in a mandatory tender offer situation. Given this situation, the company requested and obtained from the AMF an exemption from the obligation to file a tender offer proposal for Axway's shares, on the grounds that the action in concert already had more than 50% of Axway's share capital and voting rights.

VALUATION

- Sopra Steria's shares are trading at est. 9.7x 2016 and 8.0x 2017 EV/EBIT multiples.
- Net debt on 31st December 2015 was EUR530.8m (net gearing: 43%).

NEXT CATALYSTS

- AGM on 22nd June. H1 16 results on 28th July before markets open.

[Click here to download](#)Gregory Ramirez, gramirez@bryangarnier.com

Sector View

Construction & Materials**Gradual improvement in French housing starts continues**

	1 M	3 M	6 M	31/12/15
Cons & Mat	1.5%	7.0%	-2.2%	1.7%
DJ Stoxx 600	2.5%	4.9%	-9.2%	-4.3%

*Stoxx Sector Indices

Companies covered

CRH	BUY	EUR30
EIFFAGE	BUY	EUR73
HEIDELBERGCEMENT	BUY	EUR86
LAFARGEHOLCIM	BUY	CHF50
SAINT GOBAIN	BUY	EUR46
VICAT	NEUTRAL	EUR56
VINCI	BUY	EUR72

The gradual recovery in the new French residential market continued in April. Housing permits were very strong, rising 9% y/y YTD. Housing starts were less buoyant with a 3% YTD performance, but 12-month trends were very steady: 7.4% (permits) and 3.8% (starts). Positive for SGO, FGR and DG.

Yesterday the French authorities (Ministère de l'Environnement) provided details of the French residential and non-residential markets. At end-April, residential permits increased by 7.4% (12M), 10% (3M) and 9%e YTD (our calculations) and residential starts by 3.8%, 1.7% and 2.8%e, respectively. Various figures were provided by the media, as the government reported a lot of data. Our figures are exclusively based on y/y changes, based on data extracted from the government website.

ANALYSIS

- A recovery in the French residential market is gradually taking shape. Housing permits and starts changes have been in positive territory since end-2015 on a rolling 12-month basis. Of course, comparison with the year-earlier period is easy, but this shows genuine progress nevertheless. One year ago, permits and starts were down 4.4% on a 12-month basis at end April 2015.
- The non-residential market recovery is more tepid, with a 1.9% decline (12-month basis) in building site starts (based on sqm) although permits were strong, with a 7.5% (12m) increase.
- All in all, lead indicators for the French new residential market, as provided by the French authorities (figures are estimates actually, based on collected data), are fine. This is positive for Saint-Gobain (6% of sales exposed to new res), Eiffage (10%e) and to a lesser extent Vinci (4%e).

NEXT CATALYSTS

- On 28th June 2016, the French authorities will provide data on the French market at end-May.

[Click here to download](#)

Eric Lemarié, elemarie@bryangarnier.com

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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