



6th June 2016

## BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
<b>Indices</b>			
Dow Jones	17807.06	-0.18%	+2.19%
S&P 500	2099.13	-0.29%	+2.70%
Nasdaq	4942.52	-0.58%	-1.30%
Nikkei	16580.03	-0.37%	-12.56%
Stoxx 600	341.294	-0.89%	-6.70%
CAC 40	4421.78	-0.99%	-4.64%
<b>Oil /Gold</b>			
Crude WTI	48.73	-0.63%	+30.99%
Gold (once)	1239.88	+2.42%	+16.71%
<b>Currencies/Rates</b>			
EUR/USD	1.13325	+1.55%	+4.32%
EUR/CHF	1.10865	+0.37%	+1.95%
German 10 years	0.073	-35.00%	-88.47%
French 10 years	0.424	-9.76%	-56.79%
Euribor	-0.261	-0.38%	+99.24%

### Economic releases :

Date	
6th-Jun	DE - Factory orders (0.6% E) US - J. Yellen to speak in Philadelphia US - Gallup US consumer spending

### 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	
3rd-Jun	GENEURO : The GeNesis of a disruptive treatment for MS
1st-Jun	Luxury goods Reduced visibility in the short term: be selective!
1st-Jun	Luxury goods Reduced visibility in the short term: be selective!
31st-May	SEB The kitchen is now bigger and well-equipped!
30th-May	SANOFI A more focused Sanofi is on the way
27th-May	Business Services : Worth being selective

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



### GAMELOFT

**TENDER TO THE OFFER, Fair Value EUR7.2 (-10%)**

*Gameloft CEO Michel Guillemot to officially step down on 29th June*

CEO Michel Guillemot confirmed he will step down from his position on 29th June at the AGM. We are clearly not surprised by this decision as he already told us (in a recent road show we organised in Paris) that if the hostile takeover bid proved successful, he would resign and set up a new start-up. We advise investors to tender their shares to Vivendi. The offer price at EUR8/share is very fair.

### KERING

**BUY, Fair Value EUR174 (+18%)**

*Gucci transformation is underway...in a challenging environment!*

On Friday, Kering hosted an Investor Day in London dedicated to the Gucci brand. Management highlighted its view and its strategy to rejuvenate and boost both sales and EBIT in the medium term. Beyond the mid-term targets given to investors, Gucci's CEO Marco Bizzari added also that in Q2, the brand's organic sales growth should be slightly positive, which could seem reassuring given tough comps. We reiterate our Buy recommendation with an unchanged EUR174 FV.

### PHARMACEUTICALS

*First feedback from ASCO 2016: confirmations*

During the first few days of the ASCO 2016 meeting currently taking place in Chicago, we have mainly seen confirmations of several drug classes, rather than pure discoveries. Among them, of course, the PD-1/PD-L1 class is making further inroads in several solid tumours including subgroups of lung cancer or bladder cancer but also in colorectal cancer, the CDK 4/6 class in breast cancer, first promising data for OX40 in combination with PD-L1 on safety and positive results also for cabozantinib in RCC, daratumumab in MM and for ramucirumab in combination with pembro. In the end however, it is hard to extract a winner from these first three days.

## TMT

## Gameloft

Price EUR8.03

## Gameloft CEO Michel Guillemot to officially step down on 29th June

Fair Value EUR7.2 (-10%)

TENDER TO THE OFFER

Bloomberg	GFT FP
Reuters	GLFT.PA
12-month High / Low (EUR)	8.2 / 3.2
Market Cap (EUR)	699
Ev (BG Estimates) (EUR)	645
Avg. 6m daily volume (000)	288.7
3y EPS CAGR	

CEO Michel Guillemot confirmed he will step down from his position on 29th June at the AGM. We are clearly not surprised by this decision as he already told us (in a recent road show we organised in Paris) that if the hostile takeover bid proved successful, he would resign and set up a new start-up. We advise investors to tender their shares to Vivendi. The offer price at EUR8/share is very fair.

## ANALYSIS

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.0%	7.4%	34.5%	32.5%
Softw. & Comp.	4.2%	4.5%	-1.0%	-1.5%
DJ Stoxx 600	1.7%	0.6%	-8.3%	-6.7%

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	37.0x	26.7x	18.6x
FCF yield (%)	NM	3.5%	3.6%	4.9%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	2.6x	2.4x	2.2x	1.9x
EV/EBITDA	82.9x	13.6x	10.5x	7.6x
EV/EBIT	NS	23.0x	16.7x	11.0x



Last Friday, in an email to all Gameloft's 5,500 employees, the group's CEO Michel Guillemot wrote that he will resign soon (after shareholders backed Vivendi's hostile bid). This will happen on 29th June at the AGM. He added that there may be significant changes in the company: "There will be a new strategy with a possible integration of Gameloft's existing activities into Vivendi's. The information published so far by the new owners show that the changes may be profound, for the creators: 'convergence between creative industries,' and for everyone else: 'pooling of distribution networks.' It is not my role to say if these changes will be positive or negative for you as it will happen after my watch." And finally he wrote about the offer and Gameloft's business trend: "most independent shareholders refused to tender their shares to this bid despite two price increases. They voted with their money to support what we have done and continue to participate in our vision, and plans for the future!! The recently published figures in advertising confirm that the company was well on track to beat the expectations for 2016 and our plan to 2018".

This confirms the rumour relayed by Bloomberg a couple of days ago, coming from a person familiar with the matter who asked not to be identified as the information was private. We are clearly not surprised by this decision. Indeed, following a road show in Paris with Michel Guillemot earlier in April, he already told us that if the hostile takeover bid was successful (50% + 1 share), he would resign and set up a new start-up (this has been Gameloft's history every 3 to 4 years). To access our road show feedback from 04/04/16, please click [here](#).

As a reminder, Vivendi currently holds 53,728,336 GFT shares, namely 61.71% of GFT's capital and at least 55.61% of voting rights. The offer (EUR8 per GFT share proposed by Vivendi) was reopened from 2nd to 15th June (included). 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 Guillemot family (21.63% of the capital and 29.02% of the voting rights) 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". In our view, Gameloft without Ubisoft would be a nonsense. So, clearly, it does not make any doubt for us, Vivendi "wants" to add a real 5th pillar to its media group: 1/ Canal+ (TV), 2/ Studiocanal (movie), 3/ Universal Music Group (music), 4/ Dailymotion (Internet), and 5/ Ubisoft/Gameloft (video games was the only production field where Vivendi was not present).

## VALUATION

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

## NEXT CATALYSTS

- The definitive results of the offer: after 15th June.
- Gameloft's AGM: 29th June.

[Click here to download](#)



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Luxury & Consumer Goods

**Kering**  
Price EUR148.05

**Gucci transformation is underway...in a challenging environment!**

Fair Value EUR174 (+18%)

**BUY**

Bloomberg	PP FP
Reuters	PRTP.PA
12-month High / Low (EUR)	181.5 / 139.1
Market Cap (EUR)	18,694
Ev (BG Estimates) (EUR)	21,494
Avg. 6m daily volume (000)	290.3
3y EPS CAGR	14.1%

On Friday, Kering hosted an Investor Day in London dedicated to the Gucci brand. Management highlighted its view and its strategy to rejuvenate and boost both sales and EBIT in the medium term. Beyond the mid-term targets given to investors, Gucci's CEO Marco Bizzari added also that in Q2, the brand's organic sales growth should be slightly positive, which could seem reassuring given tough comps. We reiterate our Buy recommendation with an unchanged EUR174 FV.

**ANALYSIS**

- On Friday, Kering organised an investor day dedicated to the Gucci brand with, among others, François-Henri Pinault (the group's CEO) and Marco Bizzari (Gucci's CEO) as speakers. Gucci Artistic Director, Mr Alessandro Michele, was also present to give his view on Gucci's future. Management admitted that the brand had lost some market share over the recent period. Indeed, over 2011/ 2015, the CAGR in Gucci sales stood at 6% whereas for certain competitors, the figure was much higher, even reaching 14% in the best case. Furthermore, the luxury goods market has clearly slowed since 2014 and we expect no more than 2% organic sales growth on average for our luxury sample in 2016.

- Gucci, whose sales reached EUR3.9bn in 2015 with a 26.5% EBIT margin, has the mid-term ambition to regain market share implying that it more than double's market average growth every year, i.e. at least 5-6% organic sales growth per year, and achieves EBIT margin of close to 30% (29% expected in 2018 by BG). This should be reached thanks to a higher like for like sales density. Sales per sqm is almost half of the best in class in the luxury sector and Marco Bizzari's target is to increase sales per sqm by 50% over the medium term. On our calculations, Gucci's sales per store is no more than EUR6m versus EUR16m for Louis Vuitton and even EUR19m for Hermes. e-commerce should also be a growth driver by tripling sales, partly thanks to the worldwide roll-out of the new website, particularly in Asia-Pacific. On the other hand, the Italian brand will not open a large number of stores (at the end of 2015, the brand operated 525 DOS, including around 60 in Mainland China where some stores have been closed) as management is happy with the current footprint. Gucci is also refurbishing its DOS network by implementing the new store concept that has been proved to be successful (sales at the Montenapoleone store in Milano have risen around 80% following the renovation). 34 stores were refurbished at end-2015 and 50 more stores are to adopt this concept in 2016, followed by 40-50 stores per year over the next four years. On the other hand, the brand will be very cautious in its store-openings strategy and this should help Capex to be under 5% of sales.

- The other clear sales growth driver for the medium term is the new product identity and particularly Alessandro Michele's new collections. The first decision the group has made is to reduce the number of sku's par 30% in order to simplify the brand image and also to reorganise the supply chain and reduce the inventories level (right product in the right place at the right time). The other target is to balance the pricing offer by streamlining entry prices (Dionysus chain wallet at EUR650) and exploiting opportunities in the super-high range. Lastly, the roll-out of the new Alessandro collection is underway. Whereas at the end of 2015, 30% of sales was generated by AM collections, this figure stand at 70% at the end of Q2 and almost 100% at the end of 2016. This successful roll-out explains why management is confident in sales momentum with an anticipation of "slight sales growth in Q2" despite demanding comps (+5% in Q2 2015 vs -8% in nQ1 2015). This figure is, in our view, reassuring.

**VALUATION**

- The Kering share price has lost 6% YTD and is trading at 11.8x 2016 EV/EBIT, in line with our luxury sample average. We reiterate our Buy recommendation with an unchanged 174 EUR FV.

**NEXT CATALYSTS**

- H1 results to be released on 28th July.

[Click here to download](#)

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.1%	-8.3%	-7.6%	-6.3%
Pers & H/H Gds	3.4%	3.2%	-0.4%	1.1%
DJ Stoxx 600	1.7%	0.6%	-8.3%	-6.7%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	11,584	12,140	12,800	13,500
% change		4.8%	5.4%	5.5%
EBITDA	2,056	2,245	2,510	2,710
EBIT	1,646	1,825	2,070	2,270
% change		10.9%	13.4%	9.7%
Net income	1,017	1,158	1,363	1,534
% change		13.9%	17.7%	12.5%

	2015	2016e	2017e	2018e
Operating margin	14.2	15.0	16.2	16.8
Net margin	8.8	9.5	10.6	11.4
ROE	8.7	9.0	9.9	10.8
ROCE	5.8	6.4	7.2	7.9
Gearing	37.7	27.1	21.9	21.2

(EUR)	2015	2016e	2017e	2018e
EPS	8.05	9.16	10.70	11.95
% change	-	13.9%	16.8%	11.7%
P/E	18.4x	16.2x	13.8x	12.4x
FCF yield (%)	1.5%	3.3%	4.6%	5.4%
Dividends (EUR)	4.00	4.30	4.70	5.20
Div yield (%)	2.7%	2.9%	3.2%	3.5%
EV/Sales	1.9x	1.8x	1.6x	1.6x
EV/EBITDA	11.0x	9.6x	8.4x	7.7x
EV/EBIT	13.7x	11.8x	10.1x	9.2x



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Sector View

Pharmaceuticals

First feedback from ASCO 2016: confirmations

	1 M	3 M	6 M	31/12/15
Healthcare	4.9%	5.0%	-5.9%	-6.7%
DJ Stoxx 600	1.7%	0.6%	-8.3%	-6.7%
*Stoxx Sector Indices				

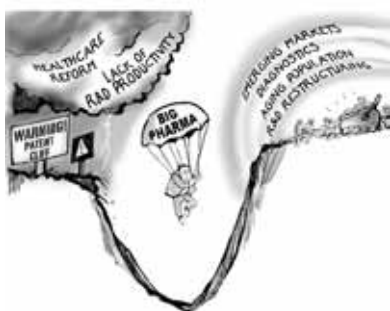
Companies covered

<b>ACTELION</b>	BUY	CHF173
Last Price	CHF165	Market Cap. CHF18,831m
<b>ASTRAZENECA</b>	BUY	5100p
Last Price	4039p	Market Cap. GBP51,076m
<b>BAYER</b>	NEUTRAL	U.R.
Last Price	EUR89,34	Market Cap. EUR73,880m
<b>GLAXOSMITHKLINE</b>	BUY	1700p
Last Price	1459p	Market Cap. GBP71,080m
<b>IPSEN</b>	BUY	EUR63
Last Price	EUR56,52	Market Cap. EUR4,705m
<b>NOVARTIS</b>	NEUTRAL	CHF89
Last Price	CHF79	Market Cap. CHF207,542
<b>NOVO NORDISK</b>	NEUTRAL	DKK400
Last Price	DKK370,7	Market Cap. DKK746,057
<b>ROCHE HOLDING</b>	BUY	CHF293
Last Price	CHF258,2	Market Cap. CHF181,402
<b>SANOFI</b>	NEUTRAL	EUR83
Last Price	EUR72,49	Market Cap. EUR93,283m
<b>SHIRE PLC</b>	BUY	6500p
Last Price	4407p	Market Cap. GBP39,600m
<b>UCB</b>	NEUTRAL	EUR80
Last Price	EUR66,78	Market Cap. EUR12,989m

During the first few days of the ASCO 2016 meeting currently taking place in Chicago, we have mainly seen confirmations of several drug classes, rather than pure discoveries. Among them, of course, the PD-1/PD-L1 class is making further inroads in several solid tumours including subgroups of lung cancer or bladder cancer but also in colorectal cancer, the CDK 4/6 class in breast cancer, first promising data for OX40 in combination with PD-L1 on safety and positive results also for cabozantinib in RCC, daratumumab in MM and for ramucirumab in combination with pembro. In the end however, it is hard to extract a winner from these first three days.

ANALYSIS

- For Exelixis and Ipsen that unveiled full data from the METEOR phase III study assessing the value of cabozantinib in advanced line RCC, ASCO is positive in that it offered a scene to detail the recently-disclosed clinical data included in the P.I. leaflet of Cabometyx when approved by the FDA last month. Median PFS was 7.4 months vs 3.8 months with cabozantinib vs everolimus (HR=0.58) and median duration of treatment 8.3 months vs 4.4 months. Even more importantly, median OS was 21.4 months vs 16.5 months (HR=0.66) and the benefits were seen across the subgroups, including in presence of bone metastases and irrespectively of the previously used therapy in first-line. This data is highly supportive of the use of Cabometyx in second-line RCC although it is fair to say also that BMS presented equally solid data for Opdivo in the same indication. PD-1/PD-L1 drugs are increasingly seen as very effective over the long-term and data represented by BMS was supportive of this theory since 4-year and 5-year data of phase II and phase I study follow-ups show high survival rates compared to history in RCC. 5-year survival rates for patients with advanced RCC are usually somewhere between 10 and 15%. 4-year and 5-year survival rates with Opdivo were respectively 38% and 34%. It is highly likely that both Opdivo and Cabometyx will show survival benefit in first and second line in RCC and take the lead in that market over the next few years. Cabometyx is a significant opportunity for Ipsen which is expecting European approval for the drug in September and is preparing for launch early in 2017. Our understanding is that Ipsen has already recruited top managers for its new oncology franchise.
- AstraZeneca** presented two interesting clinical data results over the week-end. The first relates to olaparib and confirms its high value for platinum-sensitive ovarian cancer where the drug is already approved. A third interim analysis has established a 27% reduction in the risk of death in the overall population and a 38% reduction in women whose cancer has BRCA1/2 mutations. Lynparza now has to climb from third into second and first-line of BRCA1/2 mutated ovarian cancer and to prove efficacy in breast and prostate cancers. Studies are ongoing. The other result concerns durvalumab in urothelial bladder cancer where data can be considered solid in comparison with what Roche historically disclosed with atezolizumab. ORR is 31% in all-comers and 46% in patients with PD-L1 high-expressing tumours. The disease control rate was 48% and 57% respectively. Roche disclosed updated data for its IMvigor210 phase II trial with Tecentriq, recently approved in this indication, with 24% ORR and 14.8 months median OS. AZN's durvalumab is currently evaluated in an ongoing phase III trial called DANUBE where it is also combined with tremelimumab.
- Genmab**: Details from the CASTOR study (which evaluated daratumumab in combination with bortezomib and dexamethasone) in multiple myeloma were presented yesterday. Efficacy-wise, we'd notably underline the following points: 1/ the response rates obtained with dara/bort/dex (Dbd) were a bit higher than what we saw with Amgen's Kyprolis, but the differences in PFS are much more significant... confirming our view that immune-oncology agents tend to be much more potent when we look at endpoints like PFS or OS; 2/ the 1-year PFS rate stood at 60.7% within the active arm vs 26.9% for the control arm (bort/dex)... hence a Hazard Ratio (HR) of 0.39; 3/ should we limit our analysis to second-line patients (R/R to one prior therapy), the 1-year PFS rate and the HR was impressively much better (77.5% vs 29.4%, HR: 0.31, p<0.0001).  
Obviously, this data is more than encouraging and we expect it has gone down well with the street and the scientific community... We also believe 1/ the upcoming presentation of POLLUX at the EHA meeting (12th June 2016) should add some more positive momentum; 2/ along with CASTOR, it will ensure a fairly fast adoption among second-line patients.
- For **Roche**, beyond what we already commented on, some updated data on the combination of atezolizumab with Abraxane in triple negative breast cancer in phase Ib is worth pointing out, bearing in mind that a phase III is ongoing (350 patients, First-line, FPI: June 2015, estimated





completion: 2019, Endpoint: PFS). In the phase Ib, patients could have been treated with up to three prior lines of therapy. DCR was over 80% and relatively consistent across the different lines of treatment.

It also presented updated data of its POPLAR phase II trial that compares Tecentriq with chemo in NSCLC and results are even stronger than previous ones as median OS moved from 11.4 months to 12.6 months (HR=0.69) and mDOR from 14.3 to 18.6 months (HR=0.32). That said, they are very similar to the same results included in Opdivo's prescribing information i.e. mOS of 12.2m vs 9.4m for docetaxel (same comparator as in POPLAR where they are 12.6m vs 9.7m respectively) with a mDOR of 17 months. Note here that Merck disclosed data showing that combining Keytruda with chemotherapy in first-line NSCLC resulted in ORR ranging from 48 to 71% with best combination with carboplatin and pemetrexed vs CarboTax or CarboTax/Avastin, raising the bar fairly high.

AbbVie provided some more data involving Venclexta (venetolax), its oral BCL2 inhibitor co-developed with Roche, in multiple myeloma and as part of a combination regimen with bortezomib and dexamethasone. The overall response rate was superior to 80% in patients who received between one and three prior therapies; but more precisely we'd note that 1/ the ORR stood at 100%, of which 84% were at least very good partial responses, in bortezomib-naïve ones; and 2/ it reached 71% in bortezomib-sensitive patients. In our view, such preliminary data are quite competitive compared to Kyprolis (carfilzomib)... So adding this to the fact that Venclexta is much more convenient (oral vs IV), we believe it may grab some shares from Amgen's compound at some point.

- Lastly, nothing really new about CDK4/6 inhibitors but this confirms that the battle between Pfizer, (first-in-class with Ibrance), Novartis (as a fast-follower with LEE011 that recently stopped a trial early based on good interim efficacy data) and Lilly (slightly behind that has just presented the results of the phase II trial MONARCH 1 ORR=19.7%, mPFS=6m, CDR=42.4%) is likely to be fierce. Two phase III trials are ongoing in combination with fulvestrant and vs aromatase inhibitor.

#### VALUATION

- No unexpected data was presented over the weekend that could impact FVs of any of the stocks we cover.
- Despite expected strong competition from PD1-PD-L1 and Opdivo in particular, we see upside to our Cabometyx numbers. Very good long-term OS data for Opdivo bodes well for use in first-line and so we see the opportunity for Cabo in second-line as intact. Further upside might come from use in combination of the two drugs, provided toxicity is acceptable.

#### NEXT CATALYSTS

- Today and tomorrow: last two days of the ASCO 2016 meeting

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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 56.2%

NEUTRAL ratings 34%

SELL ratings 9.7%

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