Please find our Research on Bloomberg BRYG <GO>)

8th June 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17938.28	+0.10%	+2.95%
S&P 500	2112.13	+0.13%	+3.34%
Nasdaq	4961.75	-0.14%	-0.91%
Nikkei	16830.92	+0.93%	-12.39%
Stoxx 600	346.256	+1.12%	-5.35%
CAC 40	4475.86	+1.19%	-3.48%
Oil /Gold			
Crude WTI	50.48	+1.55%	+35.70%
Gold (once)	1241.38	-0.34%	+16.85%
Currencies/Rates			
EUR/USD	1.13545	-0.11%	+4.52%
EUR/CHF	1.09755	-0.62%	+0.93%
German 10 years	0.054	-38.20%	-91.54%
French 10 years	0.413	-8.24%	-57.91%
Euribor	-	+-%	+-%

Economic releases :

Date	
8th-Jun	CH - CPI (-0.4% E) GB - Industrial Prod. (-0.3% E) US - Job Openings (Apr.) US - Building permits Apr. (2.3% E) US - Housing Starts May (190K E) US - DOE Crude Oil Inventories Jun

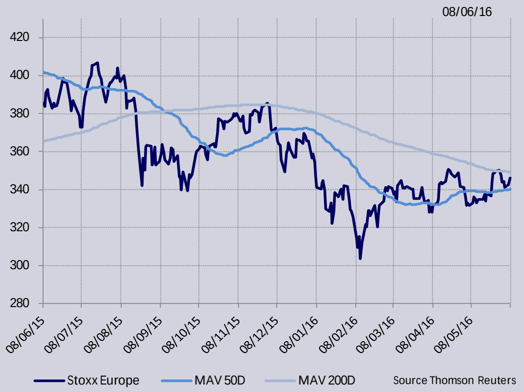
Upcoming BG events :

Date	
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	
7th-Jun	AB INBEV Already Gone
3rd-Jun	GENEURO : The GeNesis of a disruptive treatment for MS
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!

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



ALTRAN TECHNOLOGIES — NEUTRAL, Fair Value EUR13 (+2%)

Founders to sell just over 2% of the share capital

The share price fell 2% yesterday following Apax Partners' announcement that Altran's two founders will sell c. 2m shares each, representing altogether just over 2% of the share capital. The announcement is a short-term negative for Altran's share price as it generates a share price overhang. However, this does not change the story on Altran in our view, especially since Altrafin (Apax) has no intention of selling for the moment. That said, we consider only sizeable acquisitions could generate more upside potential on the share price.

GENEURO — BUY, Fair Value EUR18.2 (+84%)

GNbAC1 in pole position after Biogen's failure?

Although we had pointed out meaningful differences between the two drugs, Biogen's anti-LINGO-1 appeared to be the main threat to GeNeuro's GNbAC1 because it had a non lymphocyte-targeting approach with neuroprotective properties. Yesterday, Biogen announced that the phase II trial investigating this drug in RRMS failed to meet primary and secondary endpoints. This is very good news since it leaves GeNeuro in pole position to bring an innovative and disruptive agent to the market in MS. We stick to our FV and reiterate our BUY rating on GeNeuro.

IMERYS — BUY Coverage initiated, Fair Value EUR72 (+11%)

Stronger than Kryptonite

Speciality minerals world leader Imerys relies on the outstanding quality of its products which are useful if not vital for its customers, fairly cheap in general and offer real value added. The market has recognised the group's fundamental qualities through the re-rating seen since 2013 (+1 point in EBITDA multiple). The stock should now benefit from the gradual improvement in the construction market and the automotive segment, whereas proppants should no longer take a toll on profitability.

INGENICO GROUP — BUY, Fair Value EUR144 (+33%)

Ingenico vs. VeriFone: clearly not the same story

As a first approach following VeriFone's Q2 and excluding company-specific difficulties in certain geographical areas, we expect 13-14% organic growth in Ingenico's Q2 sales (despite the loss of volumes from GlobalCollect's 1st client weighing on topline services growth until H1). We believe Ingenico is still the best investment vehicle to play the multi-channel payment and security themes. We maintain our Buy rating and FV of EUR144.

LDR HOLDING — TENDER TO THE OFFER vs. BUY, Fair Value USD37 vs. USD38 (+64%)

Acquisition by Zimmer Biomet at USD37/share (all cash offer)

Zimmer Biomet acquires LDR for USD37 per share (64% premium on yesterday's closing price). This all cash offer values LDR at around USD1bn (5.5x 2016e sales). While the deal, approved by both board, is expected to be closed in Q3 216, we do not rule out that this might occur earlier. LDR is in our view a strategic fit into ZBH, and we believe that recognition of cervical disc replacement should be even more important now. We move our rating from BUY to TENDER TO THE OFFER.

In brief...

BONE THERAPEUTICS, *Long-term data confirming PREOB superiority vs current SOC in osteonecrosis*

ILIAD, *Aiming to create a new mobile operator in Italy*

TMT

Altran Technologies

Price EUR12.78

Founders to sell just over 2% of the share capital

Fair Value EUR13 (+2%) **NEUTRAL**

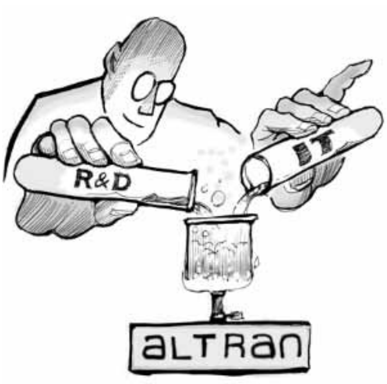
Bloomberg	ALT FP
Reuters	ALTR.PA
12-month High / Low (EUR)	13.4 / 9.3
Market Cap (EUR)	2,247
Ev (BG Estimates) (EUR)	2,303
Avg. 6m daily volume (000)	228.4
3y EPS CAGR	15.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.7%	17.4%	1.1%	3.6%
Softw.& Comp.	6.2%	5.0%	-1.3%	-0.7%
DJ Stoxx 600	4.4%	1.6%	-7.0%	-5.3%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	1,945	2,106	2,234	2,367
% change		*8.3%*	*6.1%*	*6.0%*
EBITDA	208	238	272	310
EBIT	155.0	187.0	221.0	256.0
% change		*20.6%*	*18.2%*	*15.8%*
Net income	123.0	142.0	164.0	189.0
% change		*15.4%*	*15.5%*	*15.2%*

	2015	2016e	2017e	2018e
Operating margin	9.6	10.2	11.0	11.9
Net margin	5.2	5.7	6.5	7.1
ROE	12.6	13.7	15.0	15.9
ROCE	15.0	16.6	18.7	21.5
Gearing	18.0	6.0	-3.0	-14.0

(€)	2015	2016e	2017e	2018e
EPS	0.70	0.81	0.94	1.08
% change	-	*15.7%*	*16.0%*	*14.9%*
P/E	18.3x	15.8x	13.6x	11.8x
FCF yield (%)	3.6%	4.9%	6.4%	7.5%
Dividends (€)	0.20	0.25	0.30	0.30
Div yield (%)	1.6%	2.0%	2.3%	2.3%
EV/Sales	1.2x	1.1x	1.0x	0.9x
EV/EBITDA	11.5x	9.7x	8.1x	6.8x
EV/EBIT	12.8x	10.7x	9.0x	7.5x



The share price fell 2% yesterday following Apax Partners' announcement that Altran's two founders will sell c. 2m shares each, representing altogether just over 2% of the share capital. The announcement is a short-term negative for Altran's share price as it generates a share price overhang. However, this does not change the story on Altran in our view, especially since Altrafin (Apax) has no intention of selling for the moment. That said, we consider only sizeable acquisitions could generate more upside potential on the share price.

ANALYSIS

- **Founders selling, but the news was discovered yesterday**. Apax Partners announced that Altran's founders Hubert Martigny and Alexis Kniazeff will sell c. 2m shares each, representing just over 2% of the share capital altogether. This announcement, which dates from 3rd June but was only discovered yesterday, is the follow-up to the Euronext Paris notice published on the same day, which notified that the stake held by the action in concert made up of Altrafin Participations (Apax) (16.8%), Hubert Martigny (4%), Alexis Kniazeff (4%) and other managers and Maurice Tchenio (0.3%) was reduced to 24.99% from 25.04% (to 29.48% from 29.96% for voting rights). Consequently, post-disposal, the founders will reduce their stake to c. 3% each and the action in concert will see its stake in Altran reduced to 23%. These disposals are carried out for wealth management purposes. As a reminder, the enjoyment of the founders' voting rights (4.6% each, pre-disposal) is exercised by Altrafin.
- **Apax renewing the action in concert for at least two years**. In the press release, Apax mentions that these disposals do not put an end to the action in concert signed in June 2008, which has been extended for two more years and may be renewed. This shows Apax Partners' commitment as a shareholder in Altran, although the private equity firm has been holding the shares for 8 years and intends to continue doing so. As mentioned during a meeting with analysts and investors at Le Bourget Paris Air Show in June 2015, there is nothing preventing Apax from staying 15 years if it considers this as appropriate, while it was instrumental in the appointment of the CEO Dominique Cerutti one year ago and the Altran 2020 Ignition plan is at stake.
- **Negative short-term, but the story remains intact**. This announcement is a short-term negative for Altran's share price as up to 2% of the share capital will be sold on the market and/or off-market, thus generating a share price overhang. However, this does not change the story on Altran, especially since Altrafin has no intention of selling for the moment. That said, we consider that the share price aleady factors in the positive calendar effect expected for Q2 2016 (+2.2 billable days on average), the turnaround in Germany and the operating margin target set for 2020 (13%), while we consider sizeable acquisitions this year in the US, India and/or Germany could be the next positive catalyst for Altran.

VALUATION

- Altran's shares are trading at est. 10.7x 2016 and 9.0x 2017 EV/EBIT multiples.
- Net debt on 31st December 2015 was EUR138.3m (net gearing: 19%).

NEXT CATALYSTS

Q2 16 sales on 28th July before markets open.

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Healthcare

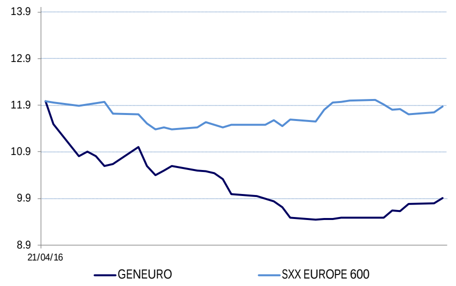
GENEURO

Price EUR9.91

Bloomberg	GNRO FP
Reuters	GNRO.PA
12-month High / Low (EUR)	13.0 / 9.4
Market Cap (EURm)	145
Ev (BG Estimates) (EURm)	0
Avg. 6m daily volume (000)	4.60
3y EPS CAGR	ns

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.5%	ns	ns	-23.8%
Healthcare	8.6%	5.3%	-5.4%	-5.8%
DJ Stoxx 600	4.4%	1.6%	-7.0%	-5.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	2.5	6.2	4.5	32.0
% change		*145.2%*	*-27.4%*	
EBITDA	NM	NM	NM	NM
EBIT	-4.3	-10.2	-12.9	6.2
% change		*-136.6%*	*-26.3%*	*NS*
Net income	-4.5	-10.2	-13.0	6.0
% change		*-127.9%*	*-27.4%*	*NS*



GNbAC1 in pole position after Biogen's failure?

Fair Value EUR18.2 (+84%) BUY

Although we had pointed out meaningful differences between the two drugs, Biogen's anti-LINGO-1 appeared to be the main threat to GeNeuro's GNbAC1 because it had a non lymphocyte-targeting approach with neuroprotective properties. Yesterday, Biogen announced that the phase II trial investigating this drug in RRMS failed to meet primary and secondary endpoints. This is very good news since it leaves GeNeuro in pole position to bring an innovative and disruptive agent to the market in MS. We stick to our FV and reiterate our BUY rating on GeNeuro.

ANALYSIS

- When we initiated coverage last week, a section of the note was about Biogen's anti-LINGO-1 because there was a lot of noise surrounding this approach for treating MS and it could have appeared, rightly or wrongly so, as a direct competitor to GeNeuro's GNbAC1. Actually, this was not so clear to us because the key advantage of GeNeuro's drug is to target the two components that are characteristic of MS i.e. inflammation and neuro-degeneration, whereas anti-LINGO-1 had no anti-inflammatory properties. For that reason also, the objective was to combine it with an interferon which was a way for Biogen to expand its franchise while not cannibalising its existing business. However, our note also carried a handful of questions concerning cumulative toxicity and the price of such a combination of drugs.
- Yesterday Biogen presented headline results from its phase II trial with its anti-LINGO-1 opicinumab and announced that it had failed to reach both primary and secondary endpoints i.e. the ability to improve physical function, cognitive function and disability or even to slow disability progression. Even though Biogen says that due to the complexicity of the trial, it needs to look more closely at the detailed results, it looks like the drug and maybe the concept is dead.
- Although not as disruptive as GNbAC1, opicinumab could have been a clear step forward in the treatment of MS as a lymphocyte non-depleting or sequestering agent that would have neuro-protective properties. Its failure does not increase or decrease the chances of GNbAC1 succeeding in its development but it removes a potential competitor from the landscape. Because Biogen is the current MS leader with a wide offering for neurologists including Avonex, Tysabri or Tecfidera, any innovation in the group's hands could be a threat to competition.
- So this leaves MS with the upcoming launch of the anti-CD20 drugs specifically designed for MS (i.e. excluding rituximab which was partially used off label so far). Ocrevus (ocrelizumab) should be approved in Q4 2016 in both RRMS and PPMS and launched thereafter by Roche. Novartis is starting phase III with its own drug ofatumumab (vs Aubagio). That said, although it opens a new market segment in PPMS and has had interesting results in PPMS that suggest significant market share for the category, we do not see anti-CD20 as disruptive because lymphocytes are still the target and so toxicity will be a limiting factor whereas neuroprotection and the ability to slow down disability has to be established. That said, it should not prevent the two from reaching blockbuster status and capturing a meaningful part of the MS market.
- Lastly, we would say that the failure of Biogen's opicinumab not only removes a competitor from the field for GNbAC1 but also raises interest in what could appear to be one of the few remaining big opportunities to impact the MS market in the coming years. Several players in the field might look for innovations to bring their franchise to the next stage, including Sanofi-Genzyme but now very much Biogen too. It is worth keeping in mind that although GNbAC1 has been partnered with Servier in Europe, key US rights are still in-house.

VALUATION

- No change to either our numbers or our FV.

NEXT CATALYSTS

- The two significant news items for GeNeuro this year are the IND for the phase IIb trial in the US and the announcement of further clinical trial initiations for GNbAC1 in non-MS indications.

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Construction & Building Materials

Imerys

Price EUR65.00

Stronger than Kryptonite

Fair Value EUR72 (+11%)

BUY

Coverage initiated

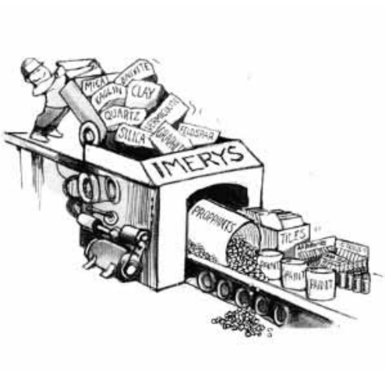
Bloomberg	NK FP
Reuters	IMTP.PA
12-month High / Low (EUR)	71.6 / 51.6
Market Cap (EURm)	5,172
Ev (BG Estimates) (EURm)	6,879
Avg. 6m daily volume (000)	85.70
3y EPS CAGR	9.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.2%	12.6%	3.2%	0.9%
Cons & Mat	4.4%	4.6%	-0.5%	1.1%
DJ Stoxx 600	4.4%	1.6%	-7.0%	-5.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	4,087	4,206	4,225	4,310
% change		*2.9%*	*0.5%*	*2.0%*
EBITDA	745	787	843	870
EBIT	468.2	518.1	544.6	564.3
% change		*10.7%*	*5.1%*	*3.6%*
Net income	285.9	325.1	351.2	373.8
% change		*13.7%*	*8.0%*	*6.4%*

	2015	2016e	2017e	2018e
Operating margin	11.5	12.3	12.9	13.1
Net margin	1.7	7.7	8.3	8.7
ROE	12.9	13.2	13.3	13.2
ROCE	7.9	7.9	8.2	8.4
Gearing	55.4	53.7	47.2	40.7

(EUR)	2015	2016e	2017e	2018e
EPS	3.56	4.08	4.41	4.70
% change	*-*	*14.4%*	*8.3%*	*6.4%*
P/E	18.2x	15.9x	14.7x	13.8x
FCF yield (%)	5.4%	3.7%	5.0%	5.6%
Dividends (EUR)	1.75	1.86	2.00	2.13
Div yield (%)	2.7%	2.9%	3.1%	3.3%
EV/Sales	1.7x	1.6x	1.6x	1.5x
EV/EBITDA	9.3x	8.7x	8.0x	7.6x
EV/EBIT	14.8x	13.3x	12.4x	11.8x



Speciality minerals world leader Imerys relies on the outstanding quality of its products which are useful if not vital for its customers, fairly cheap in general and offer real value added. The market has recognised the group's fundamental qualities through the re-rating seen since 2013 (+1 point in EBITDA multiple). The stock should now benefit from the gradual improvement in the construction market and the automotive segment, whereas proppants should no longer take a toll on profitability.

ANALYSIS

- While Imerys is clearly cyclical, it benefits from undeniable assets for resisting in a difficult environment. Its products are often vital, generally represent a small share of the cost of products for its industrial customers and provide real value-added for their production and investment processes. The wealth of its product portfolio (more than 30 minerals) and a global industrial base (260 sites, 50 countries), enable it to adapt, albeit gradually, to changes in trends.
- Although the group is suffering from a depressed macro-economic environment, resulting in sluggish volume momentum, its capacity to generate a positive price-mix (3% p.a. on average over 10 years), combined with cost control, enabled it to post EBITDA margin of 18.2% in 2015, close to the 2007 level of 19%, whereas materials groups generally noted greater declines in their EBITDA or EBIT margins over the period (-c300bp for HEI and SGO). Even in a low-inflation environment, pricing power remains widely positive with a EUR55m positive price/cost delta in 2015.
- The gradual improvement in construction markets (a quarter of the group's business) and the automotive segment (10% of sales), together with the rising momentum of new production sites, the innovation strategy (EUR490m of sales in 2015) and easier comparison in proppants should underpin the share price.
- We are initiating coverage with a Buy recommendation and a Fair Value of EUR72.

VALUATION

- EUR72 is the average of a DCF (EUR76, 6.6% WACC, 1% perpetual growth) and the application of recent EBIT and EBITDA multiples to our 2018 estimates, then discounted back (EUR68).
- The current EV/EBITDA ratio stands at 8.0x 2017e and 7.6x 2018x, compared with 8.6x on average over the past 3 years. The stock has benefited from a re-rating since 2013, as the market has recognised the defensive qualities of the group (strong fundamentals, pricing power, diversification).

NEXT CATALYSTS

- Interim figures due out Wednesday 27th July, post market.

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TMT

Ingenico Group

Price EUR108.60

Ingenico vs. VeriFone: clearly not the same story

Fair Value EUR144 (+33%) **BUY**

Bloomberg	ING FP
Reuters	INGC.PA
12-month High / Low (EUR)	127.6 / 87.9
Market Cap (EUR)	6,678
Ev (BG Estimates) (EUR)	6,629
Avg. 6m daily volume (000)	242.5
3y EPS CAGR	15.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	7.3%	15.2%	-10.5%	-6.8%
Softw.& Comp.	6.2%	5.0%	-1.3%	-0.7%
DJ Stoxx 600	4.4%	1.6%	-7.0%	-5.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	2,197	2,453	2,708	2,948
% change		*11.7%*	*10.4%*	*8.9%*
EBITDA	508	577	647	716
EBIT	436.5	502.9	566.0	627.9
% change		*15.2%*	*12.5%*	*10.9%*
Net income	273.7	325.0	376.7	422.9
% change		*18.7%*	*15.9%*	*12.3%*

	2015	2016e	2017e	2018e
Operating margin	19.9	20.5	20.9	21.3
Net margin	10.8	12.1	12.9	13.5
ROE	15.2	16.3	16.3	15.9
ROCE	16.5	19.5	22.4	25.3
Gearing	16.7	-2.8	-19.0	-32.2

(EUR)	2015	2016e	2017e	2018e
EPS	4.47	5.29	6.14	6.89
% change	-	*18.4%*	*15.9%*	*12.3%*
P/E	24.3x	20.5x	17.7x	15.8x
FCF yield (%)	4.1%	5.2%	6.0%	6.6%
Dividends (EUR)	1.30	1.65	1.95	2.23
Div yield (%)	1.2%	1.5%	1.8%	2.1%
EV/Sales	3.2x	2.7x	2.3x	2.0x
EV/EBITDA	13.6x	11.5x	9.7x	8.2x
EV/EBIT	15.9x	13.2x	11.1x	9.4x

As a first approach following VeriFone's Q2 and excluding company-specific difficulties in certain geographical areas, we expect 13-14% organic growth in Ingenico's Q2 sales (despite the loss of volumes from GlobalCollect's 1st client weighing on topline services growth until H1). We believe Ingenico is still the best investment vehicle to play the multi-channel payment and security themes. We maintain our Buy rating and FV of EUR144.

ANALYSIS

- **VeriFone released mixed Q2 2016 earnings at end-April (higher in revenue terms but short of expectations for earnings):** USD532m in non-GAAP revenue i.e. +9.8% Y/Y lfl, and USD0.47 in EPS (vs. Thomson Reuters consensus of USD530.1m and USD0.52 respectively, and guidance of USD530m and USD0.51-0.52 respectively). Q2 2016 top-line growth at cc by geographical area: North America worked out at +7.8% (mainly thanks to EMV migration and NFC adoption in the US); EMEA at +6.1%, Latin America +26.5% (in Brazil and Mexico in particular, it gained and, in some cases defended market share in the midst of escalated price competition); and Asia-Pacific at +8.3% (lower sales in China, as it is rebuilding its franchise and product portfolio, as expected). **As a first approach, following VeriFone's Q2 and excluding its company-specific difficulties in certain geographical areas, we expect 13-14% organic growth in Ingenico's Q2 sales** (despite the loss of volumes from GlobalCollect's 1st client weighing on topline services growth until H1).

- **In Q3 2016 (end-October), VeriFone expects non-GAAP revenue of USD515m with EPS of USD0.40, clearly below the Street (respectively USD551.7m and USD0.59).** This is justified by Q2 and some ongoing softness in its media sales, some delays in US EMV certifications for its SMB and multi-lane businesses and resulting H2 FY16 shift in its North America product mix, and also more intense competitive pricing dynamics and a slowdown in some emerging markets (notably in Latin America and Asia). **As such, the company has cut its guidance for FY16, reducing revenue from USD2,150-2,170m to USD2,100m (still projecting ~6% organic revenue growth for the year in North America) and EPS from USD2.21-2.24 to USD1.85** (cons. of USD2,157m and USD2.23 respectively). It is conducting a headcount restructuring, a review of underperforming businesses and reducing overall operating expense levels (it estimates that these activities in total will generate approximately USD30m of savings in 2017). **VeriFone's share price is likely to plummet today (-27.6% in after-hours trading), on lower Q3 revenue and EPS guidance compared with consensus expectations due to ongoing company-specific difficulties in some geographies.**

- **Ingenico already upgraded its FY organic sales growth guidance in Q1 but there is still room for further upward revisions during the year.** Management expects revenue to grow above or equal to 10% lfl (vs. our +14.3% lfl and consensus +10%) with an EBITDA margin of ~21% (vs. our 23.5% and consensus 21.5%). At the end of April, it confirmed its targets for double-digit growth in the US (the EMV migration is not over), further strong growth in Asia (notably in China where revenue growth will also be in double digits), while business should hold steady during the year in Latam (growth in new markets offsetting the slowdown in Brazil), growth in Europe should return to a more normal level but will remain strong. Lastly, the ePayments division should return to double-digit growth in H2 thanks to operational progress initiated in late 2015. As usual, at this stage of the year Ingenico is very cautious. **We clearly believe it gave again a floor in terms of Y/Y lfl sales growth and EBITDA margin** (the group probably integrated a worst-case scenario in Brazil).

VALUATION

- We maintain our **Buy recommendation** and **Fair Value of EUR144**.

- In FY16e, **we expect earnings growth of 25.1%e vs. a P/E of 20.5x over 2016e**. The group's transformation towards more recurring revenues is not yet priced in.

NEXT CATALYSTS

- **H1 earning results:** 26th July (after trading).

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Healthcare

Bone Therapeutics

Price EUR18.36

Bloomberg	BONE FP
Reuters	BONE.PA
12-month High / Low (EUR)	23.0 / 15.2
Market Cap (EURk)	125,732
Avg. 6m daily volume (000)	2.90

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.0%	-4.5%	2.0%	-5.8%
Healthcare	7.7%	4.9%	-5.1%	-6.5%
DJ Stoxx 600	3.2%	0.2%	-7.6%	-6.4%

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

Long-term data confirming PREOB superiority vs current SOC in osteonecrosis

Fair Value EUR30 (+63%) **BUY**

ANALYSIS

- Bone Therapeutics has announced detailed results of its PREOB-ON2 phase IIB trial in osteonecrosis at EULAR 2016. At 24-months, 70% of the patients responded to PREOB vs. 37% in the reference arm (core decompression with bone graft), p=0.011. Top-line results were already presented. Moreover, patients treated with PREOB had their risk of fracture decreased by 50%. At 36 months, results were consistent with 60% of patients still responding to PREOB compared to 35% in the reference arm. 2.7% of adverse events (n=15) across the trial were equally balanced between the active and reference arms and mainly related to reaction at site or bone marrow puncture. No data at 48 months has been provided yet. Although we believe that at the latter time-point, the difference in between PREOB and the active treatment is still statistically significant, we do not rule out that the label will only consider 24 months (*cf. phase III design*).
- As a reminder, 63 patients suffering from osteonecrosis (stage I and II) of the hip were enrolled in this double-blind trial. While the mainly used clinical endpoint was radiological progression of the disease (hip fracture risk), Bone Therapeutics' strategy of adding clinical symptom measurement (reduction of pain) as a co-primary endpoint has been proven successful, placing the bar high for one of the largest ever trials conducted in this indication. We believe that the treatment should have no difficulty in gaining physician's attention should the development be a success. Indeed, core decompression is not very efficacious with 25% to 85% second surgery rates reported.
- The Phase III trial is ongoing (130 patients to be recruited). The trial is de-risked in our view as it compares PREOB to placebo at 24-months. It is impossible to have a double-blind phase III study while using core decompression and/or a bone marrow graft, which is an invasive procedure compared to a mini-invasive percutaneous administration of PREOB. The design of the trial is compliant with FDA requirement and the US trial is expected to be initiated by the end of the year.

VALUATION

- As top-line results were already known, we have not changed our PS related to the project. The osteonecrosis opportunity represents EUR6 and EUR1 of our Fair Value in Europe and in the US respectively.

NEXT CATALYSTS

- H2 2016:
  - Spinal fusion results in 4 patients and DSMB in Delayed-Union
  - Initiation of US trial in Osteonecrosis and interim results from the European phase III trial (6 patients)

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TMT

Iliad

Price EUR192.50

Aiming to create a new mobile operator in Italy

Fair Value EUR212 (+10%) **NEUTRAL**

Bloomberg	ILD FP
Reuters	ILD.PA
12-month High / Low (EUR)	236.3 / 175.5
Market Cap (EURm)	11,301
Avg. 6m daily volume (000)	110.2

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.4%	-11.3%	-7.5%	-12.5%
Telecom	2.9%	-3.0%	-8.6%	-7.8%
DJ Stoxx 600	3.2%	0.2%	-7.6%	-6.4%

	2015	2016e	2017e	2018e
P/E	34.5x	32.5x	25.2x	19.5x
Div yield (%)	0.2%	0.2%	0.2%	0.2%

ANALYSIS

- According to Bloomberg, VimpelCom (Wind) and Hutchison (Tre), who are seeking to win regulatory approval for a planned merger of their Italian wireless carriers, have received preliminary bids for some of their assets from **Fastweb, Iliad and Digicel**. Assets would include **frequencies and 5,000 towers**.
- We believe some **innovative pricing opportunities** exist for Iliad in a market where mobile subscription offers, unlimited calls and 3P services are not developed much. Nevertheless, Iliad would need to address the question of **4G, where heavy investment is needed** as Tre and Wind are lagging behind, and also the **potential threat from convergent offers** stemming from Telecom Italia.
- Also, the **Italian telecoms landscape is very different from the one in France in 2012**. The market already went through a price war in 2013, there are already **four mobile operators** and one of them is **losing money** (Tre's EBITDA – CAPEX was -EUR170m in 2015).
- The commission is **expected to provide feedback** to Hutchison and VimpelCom on the bids in a few days, but should not choose a bidder.

VALUATION

- We stick to our Fair Value of EUR212 with a Neutral recommendation.

NEXT CATALYSTS

- Decision from the EC on the Wind/Three merger expected by 18th August.

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Healthcare

LDR Holding

Price USD22.58

Acquisition by Zimmer Biomet at USD37/share (all cash offer)

Fair Value USD37 vs. USD38 (+64%) **TENDER TO THE OFFER vs. BUY**

Bloomberg	LDRH US
Reuters	LDRH.OQ
12-month High / Low (USD)	45.7 / 16.8
Market Cap (USDm)	660
Ev (BG Estimates) (USDm)	543
Avg. 6m daily volume (000)	424.6
3y EPS CAGR	-37.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-13.6%	1.0%	-10.5%	-10.1%
Healthcare	7.7%	4.9%	-5.1%	-6.5%
DJ Stoxx 600	3.2%	0.2%	-7.6%	-6.4%

YEnd Dec. (USDm)	2014	2015e	2016e	2017e
Sales	141.3	160.4	188.7	224.8
% change		*13.5%*	*17.7%*	*19.1%*
EBITDA	-6.0	-4.8	-8.5	5.6
EBIT	-10.7	-9.6	-14.2	-1.1
% change		*10.2%*	*-47.1%*	*92.1%*
Net income	-11.0	-14.7	-16.7	-3.1
% change		*-34.3%*	*-13.2%*	*81.7%*

	2014	2015e	2016e	2017e
Operating margin	-7.6	-6.0	-7.5	-0.5
Net margin	-7.8	-9.2	-8.8	-1.4
ROE	-10.2	-9.1	-12.0	-2.2
ROCE	-9.9	-9.1	-11.6	-2.3
Gearing	7.7	3.3	3.8	3.8

(USD)	2014	2015e	2016e	2017e
EPS	-0.43	-0.51	-0.58	-0.11
% change	-	*-17.5%*	*-13.2%*	*81.7%*
P/E	NS	NS	NS	NS
FCF yield (%)	NM	NM	NM	NM
Dividends (USD)	0.00	0.00	0.00	1.00
Div yield (%)	NM	NM	NM	4.4%
EV/Sales	4.2x	3.4x	3.0x	2.6x
EV/EBITDA	NS	NS	NS	104.1x
EV/EBIT	NS	NS	NS	NS

Zimmer Biomet acquires LDR for USD37 per share (64% premium on yesterday's closing price). This all cash offer values LDR at around USD1bn (5.5x 2016e sales). While the deal, approved by both board, is expected to be closed in Q3 216, we do not rule out that this might occur earlier. LDR is in our view a strategic fit into ZBH, and we believe that recognition of cervical disc replacement should be even more important now. We move our rating from BUY to TENDER TO THE OFFER.

ANALYSIS

- Zimmer Biomet announced the acquisition of LDR Holding in an all cash offer valuing the company at USD1bn (USD37/share). Both boards agreed to the deal which is expected to close in Q3 2016, more precisely by October 2016 regarding ZBH's management comment during conference call. While this could appear fast considering the ongoing integration of Biomet we do not rule out that the deal could close earlier. Indeed, we see 1/ few overlap in between the two companies' portfolio, 2/ announced integration of LDR's top management into ZBH and 3/ ZBH's guidance raise announced alongside the acquisition as main reasons. Christophe Lavigne and Patrick Richard, respectively CEO and VP General Manager of LDR and LDR Médical should remain in key leadership positions into ZBH's. LDR's location in Austin (Texas, USA) and France should be maintained.
- LDR's is a high strategic fit into ZimmerBiomet's portfolio. While the acquirer is a leader in the a musculo-skeletal space, it only holds a 5% market share in the USD10bn spine segment. ZBH only offered fusion and few minimally invasive lumbar fusion products so far and the acquisition of LDR enables it to address the ~USD1bn cervical dis market opportunity. During the conference call, ZBH's management described as a strategic growth engine. Sales synergies have been highlighted with opportunity for Zimmer Biomet to now address in a more easy way than LDR the 50% remaining US surgeons. This could also help for the recognition of LDR's cervical disc replacement products and integration in payers list.
- Please see below our last notes on LDR:

15-janv.-16	Feedback from roadshow with CEO
10-févr.-16	MOBI-C five-year cost-effectiveness data published in a journal to trigger inclusion in payers' lists
25-févr.-16	Long-term vision and ambition brings confidence
11-mai-16	Good sales progression in Q1 despite strong comps

VALUATION

- We move our fair value from USD38 to USD37 and our Rating from BUY to TENDER TO THE OFFER.
- With both boards having agreed to the offer, we see very unlikely an increased offer from a third party.
- As a reminder, LDR's IPO in October 2013 was at USD15/share.

NEXT CATALYSTS

- Q3 2016: expected closing of the operation (Zimmer Biomet communicated on a closing towards October 2016).

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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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